



**ADDIS ABABA UNIVERSITY, SCHOOL OF
COMMERCE**

MASTER OF BUSINESS LEADERSHIP

**THE EFFECT OF PERFORMANCE MANAGEMENT SYSTEM ON EMPLOYEE'
PERFORMANCE; THE CASE OF NIB BANK S.C, SOUTH-EAST ADDIS ABABA
DISTRICT**

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Letter of Certificate

This is to certify that, this research project **“THE EFFECT OF PERFORMANCE MANAGEMENT SYSTEM ON EMPLOYEE PERFORMANCE THE CASE OF NIB BANK, SOUTH-EAST ADDIS ABABA DISTRICT”** done by **ENDALKACHEW MIDEKSA MERGA** for the partial fulfillment of Master of Business Leadership at Addis Ababa University School of Commerce, is an original work and not submitted before for any degree either at this university or any other university.

Letter of Declaration

I declare that the research project work entitled **“THE EFFECT OF PERFORMANCE MANAGEMENT SYSTEM ON EMPLOYEE PERFORMANCE THE CASE OF NIB BANK, SOUTH-EAST ADDIS ABABA DISTRICT”** is my original work that all sources of material used for the work have been duly acknowledged

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ACRONYMS

- **ANOVA = Analysis of Variance**
- **PMS = Performance Management System**
- **PM = Performance Management**
- **EPMS = Employee Performance Management System**
- **SPSS = Statistical Program for Social Science**

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Abstract

The purpose of the study was to determine the effect of performance management system on employee performance; the case of Nib bank S.C., South-East Addis Ababa district. More specifically, the study sought to identify the effect of goal setting on employees' performance, ascertain the effects of monitoring and evaluation on the employees' performance, determine the effect of feedback on employees' performance, and identify the influence of reward system on employees' performance. Structured questionnaire composed of 40 questions (Likert Scale questions) had been developed for the purpose of achieving the objectives and testing the hypotheses of this research. The researcher employed simple random sampling. Sample size was determined using Laurentina & Melchor, (2006). Thus, from the total population of 704 employees 175 were sampled. The data was collected from selected 20 branches of the district. Quantitative research approach had been used to observe the phenomena via statistical technique. Descriptive (Mean, Standard deviation) and explanatory type of research design has been used to find the linkage between PMS and employee performance by using SPSS (Statistical Package for Social Science)-25. Tables and graphs were used to present the findings. The result of the data analysis reveal that PMS (GS: $\beta = .162$, $p = .011$. ME: $\beta = .372$, $p = .000$. FB: $\beta = .352$, $p = .000$. RS: $\beta = .091$, $p = .163$). From this the study concludes that goal setting, monitoring and evaluation, and feedback have significant effect on employee performance, and insignificant link between reward and employee performance. Based on the finding the recommendations given are first the bank should further strengthen the performance management system practices that can ensure the best practices of employee involvement in the goal setting, monitoring and evaluation and ongoing feedback. Additionally, the bank should identify areas of improvement such as; change in reward system to improve effectiveness of employees' performance.

Key words: *Performance Management System, Employee Performance, Nib Bank S.C*

CHAPTER ONE

INTRODUCTION

INTRODUCTION TO THE CHAPTER

This chapter presents the basis for the study. It discusses about the background to the study, an overview of Nib Bank SC, statement of the problem, research questions, objectives of the study, scope/ delimitation of the study, significance of the study, definition of terms and at the end organization of the paper.

BACKGROUND OF THE STUDY

In recent years many organizations implemented performance management system with the view to improve organizational performance and gain competitive advantage. Nungu, (1998) mentioned that performance management is a philosophy and way of thinking about continuous performance improvement through improved performance of employees. It is unquestionable that among factors of production, human capital is the most important factor for the success of any business. Performance management system greatly works for the improvement of performance of the employees, department, organization, as well as many other areas of the organization such as process. Performance management systems play a crucial role in helping companies to identify employees' performance gaps and consequently implement corrective measures that will improve performance of employees'.

Performance management systems are essential elements of a broader key business strategy (Priya, Secours, Mohideen, 2016). Therefore it is a holistic approach by which organizations line up their resources, systems, employees and teams to realize strategic directions and corporate objectives of the organization. Shrivastava and Mathur, (2019) denote that 'Performance management system serves as a strategic tool and a powerful foundation for the achievement of both employees aspirations and organizations financial goals.'

The fundamental aim of performance management system is to help peoples to develop their capacity in the way they could meet and exceed expectations and their full potential to the benefit of both themselves and the organization (Armstrong and Taylor, 2014).

Measuring and managing employee performance has ample importance for the attainment of improved level of employee satisfaction, work motivation, creativity and rise in the knowledge and competency levels, through linking benefits and rewards with higher performance. This will consequently leads to the achievement of higher performances by the organization. (Coens & Jenkins, 2002).

Stewart Kaupa and Atiku, (2003) identified that ‘a lack of training and proper orientation in performance management as primary challenges in adopting a performance management system. The other contributing factors include inadequate monitoring and evaluation, the shortage of policies supporting the implementation process, poor communication in performance planning, performance reviews, poor feedback on performance and lack of employee involvement in the implementation of the performance management system’.

Performance management fundamentally helps the organization to make sure that workers performance is in line with expectation which is necessary to achieve mission and objectives of the company. Performance management establishes standards for worker output and motivates employee effort in accordance with the organization's expectations. Moreover, a performance management system offers a proficient process to evaluate the performance outcomes of organizations as well as peoples of the organization.

Macky and Johnson (2000) asserted that continuous improvement of organizational performance that is brought by improved individual employee performance is the base for the importance of performance management system. Therefore, improved employee performance through the influence of performance management system will lead to improved organizational performance. Research done by Kibichii, Kiptum, and Chege (2016) suggests that performance appraisal system, training and development and reward system will have affects employee productivity. According to M. Bishaw (2016) performance management system has impact on employee performance in Ethiopian banks. Morris, Mulwa, and Weru (2017) states that Performance management system improves employee performance by cascading overall organizational goal to individual employees, and enhancing staff competency levels by addressing identified skills gap through appropriate trainings.

COMPANY INFORMATION

When it comes to Nib International Bank (NIB), it was established on 26 May 1999 under license number LBB/007/99 in accordance with the Commercial Code of Ethiopia and the Proclamation for Licensing and Supervision of Banking Business Proclamation no. 84/1994 with the paid-up Capital of Birr 27.6 million and authorized capital of Birr 150 million by 717 Shareholders. The Bank commenced operation on 28 October 1999 with 27 employees. It joined the banking industry as the sixth private bank licensed in the country.

The Bank has registered a steady growth and achievement in all aspects of its operations since its establishment. At the end of financial year 2021/22 as at June 30,2022, its total deposits and loans and advances stood at about Birr 49.8 billion and Birr 38.9 billion respectively. The total assets also grew to about Birr 61.5 billion and paid up capital to Birr 4.8 billion. The gross profit of the bank as at June 30, 2022 is Birr 1.8 Billion. The Bank's shareholders are more 5,000 and

the total number of customers exceeds 2.2 million. The Bank's employees have reached 7,578 as at June 30, 2022.

To achieve its strategic objective, the bank has developed performance policy. This Policy, therefore, prescribes the guiding principles, responsibilities and rules to be followed in undertaking the performance management functions of the Bank. The purpose of this policy is to: support the achievement of the bank's strategic plan, management of employees' performance and promoting the strong integration between performance, reward and performance, provide a framework used to guide performance management in the bank.

The focus areas of the balanced scorecard i.e financial, customer, process, and learning and growth are aligned with the strategic objective. The policy states that the balanced scorecard approach is used to performance contracting and the contract is made once in a year with each employee. The overarching scorecard Performance review shall be made on a continuous basis and employees shall provide evidence to support the performance, and discussion between line managers and employees should be made. Performance rating scale is derived in a way that facilitates technical and behavioral performance. Performance feedback shall be provided on a continuous basis. Reward is aligned with performance, and the mechanism is defined by reward and benefit policy.

STATEMENT OF THE PROBLEM

In today's globalization, the fast growing technological advancement easily connected the world, and it creates an opportunity for industries to easily access technologies. This no longer will be a key to achieve a competitive advantage for industries. It is evident that the banking sector is operating with almost similar type of products. Technology will not guarantee the achievement of competitive advantage by organizations. Their survival will basically depend on efficiency and effectiveness of their work force. Therefore they should strongly work on the development of their important resource, human capital (Smither and London, 2009 p. 37).

Organizations are implementing performance management system with the view to achieve improved organizational performance. Consequently it has become the fundamental for ensuring the survival of any organization specifically high competitive industries like banking sector. Different authors identified the importance of implementing employee performance system in organizations to achieve improved organizational performance through the development of organization's people capacity. On the other hand studies carried out by Jawaria, Qureshi, Shahjehan, Zia-ur-rehman, and Afsar, (2010) have asserted that organizations face difficulty in implementing PMS and the challenge lays its foundation on lack of enough consideration given to specific condition or nature of the organization. Because, performance management system is not generic, rather it is tailor-made to match employee and organizational characteristics and qualities. As a result, Nankervis and Compton (2006) concluded that satisfaction with performance management systems remain problematic, although there are some indications that

the increasing integration of the balanced scorecard within these systems appears to encourage more strategic links between individual, group, and organizational outcomes, as espoused by strategic human resource management theorists through which it improves organizational performance. This suggests that the impact of performance management system varies across organizations. It is addressed by undertaking study for a specific company that we understand the impact. Therefore, this justifies the rationale for the study.

OBJECTIVES OF THE STUDY

GENERAL OBJECTIVES

The general objective of the study is to analyze the effect of existing performance management system on employees' performance in Nib Bank SC

SPECIFIC OBJECTIVES

The study was intended to achieve the following specific objectives

1. To identify the effect of goal setting on employees' performance;
2. To ascertain the effects of monitoring and evaluation on the employees' performance;
3. To determine the effect of feedback on employees' performance;
4. To identify the influence of reward system on employees' performance;

RESEARCH HYPOTHESIS

In order to achieve the objectives of the study; the effect of performance management system and how it's construct elements in the model relate with employee performance, the following hypotheses have been tested:

H1: There is significant positive relationship between the existing performance management system and employee' performance.

H1a: The goal setting practice has significant effect on employee performance;

H1b: The monitoring and evaluating performance practice has significant effect on employee' performance;

H1c: The feedback process has significant effect on employee performance;

H1d: The rewarding system has significant effect on employee performance;

SCOPE OF THE STUDY

This study or the researcher aimed to consider only the effect of performance management system on employees' performance & only some branches of Nib Bank SC located in South-East Addis Ababa district. The study did not consider all employees of the bank located dispersedly all over the country; rather, focused only on those employees and management staffs of the selected branches of the aforementioned district of the bank. In addition to this other variables rather than setting goal, monitoring and evaluation, feedback, reward system, and employee

performance that can affect and affected by performance management system are not addressed. The researcher has employed single method which is quantitative approaches. Questionnaire has been developed and used to collect the data from respondents. Descriptive (Mean, Standard deviation) and explanatory type of research design has been used. Therefore, the researcher employed correlation analysis and multiple regression analysis as statistical tools to find the linkage between PMS and employee performance by using SPSS software.

SIGNIFICANCE OF THE STUDY

The result of this study is significant in various aspects. First, it helps the organization to implement the appropriate performance management system by taking corrective measures for the gaps and in turn benefits both employees and supervisors to establish amiable relationship and consequently address the results of performance management system that can also insure the realization of better organizational performance. Second, it would benefit the future researchers in higher education institutions through its contribution to the body of knowledge in areas of performance management.

LIMITATION OF THE STUDY

The study was delimited to one district in Addis Ababa. Majority of employees of the bank are spread throughout the country. Thus, for the purpose of this academic research it is not economical and realistic to consider this large size population. Target population of the study from which sample is drawn are employees of South-East Addis Ababa district only. As a result the research result may not be suitable for generalization. On the other hand, respondents' might be reserved to respond exactly what they now due to lack of interest and fear of the unknown. Employee performance would not only be affected by performance management system (goal setting, monitoring and evaluation, feedback, and reward system). It can be affected by other factors either negatively or positively. Therefore, this research project looked in to the relationship between performance management system (goal setting, monitoring and evaluation, feedback, and reward system) and employee performance.

DEFINITION OF TERMS

Performance Management System:

The system in which managers collaborate with employees and work together in order to set expectations, identify employee goals, define performance measurement, share employee performance, review and appraisal, and provide feedback.

Employee Performance:

Employee performance is the ability of an employee to achieve task measured against predetermined standards of accuracy, competence, cost, and speed (Sendawula, et. Al., 2018)

ORGANIZATION OF THE PAPER

This research project has five main chapters. The first chapter discusses about basis of the study; such as, the background, the problem statement, research hypothesis, research objectives. Continuing the discussion about the scope, significance, limitation of the study and at the end comes with elaboration of definition of terms and the overall organization of the paper itself. The second chapter is literature review. It presents relevant theories, conceptual and empirical discussions leading to identification of research gaps and the conceptual framework on the basis of previous studies. This is followed by a section which provides readers with detailed design & methodology of the research. The fourth chapter presents statistical analysis, findings and their interpretations. The last chapter consists of summary of major findings, conclusions and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

INTRODUCTION

The purpose of this chapter is to review the works of previous researchers. This chapter presents the most recent works on the moral impact of performance management system on how well workers perform in firms.

PERFORMANCE MANAGEMENT SYSTEM

Different parties confuse performance appraisal with performance management. In many organizations the traditional performance appraisal system often carried out retrospectively once or twice in a year to measure employee performance. Later, due to the development of PMS, performance appraisal became component part of the performance management. Both systems have similarities in their objectives; it is that their purpose is to measure outcomes in the working environment, to initiate corrective measures that help the organization to realize performance improvement but they employ different methodologies.

Performance management system is ‘a continuous process of identifying, measuring and developing the performance of individual and teams and align with strategic goal of the organization’ (Aguinis, 2009 p.3). It is also known as a never-ending process of setting goals and objectives, observing performance, and giving and receiving of the continuous feedback. Performance management is a central concern of organizations, for the reason that it entails the organizations’ management must guarantee congruence between employees’ activities and outputs with the organizational goals, in order to gain a competitive advantage. Thus, creates a direct link between employees’ performance and organizational goals in the way to improve organizational performance.

PURPOSE OF PERFORMANCE MANAGEMENT SYSTEM

Once PMS is well implemented it can be used for various purposes. Performance management can be used to improve individual, departmental, and overall organizational performance by aligning their goals (Cokins, 2012). Aguinis, (2013) further elaborated that performance management system can serve the following six purposes: strategic, administrative, informational, developmental, organizational maintenance, and documentation purposes.

Therefore first, by linking the organization’s goals with individual goals, the PMS reinforces behaviors consistent with the attainment of organizational goals. A **second** function of performance management systems is to furnish valid and useful information for making administrative decisions about employees, such as decisions regarding salary adjustments, reward, promotions, employee retention or termination, recognition of superior individual

performance, identification of poor performers, layoffs, and merit increases. **Thirdly**, it also serves as an important communication device. Feedback is the **fourth** important component of a well-implemented performance management system. Managers can use feedback to coach employees, for the identification both of strengths and weaknesses and of the causes of performance deficiencies. The **fifth** purpose of PMS is to provide information to be used in workforce planning. Workplace planning is a set of systems that allows organizations to anticipate and respond to needs emerging within and outside the organization, to determine priorities, and to allocate human resources where they can do the most good. **Lastly**, performance management systems allow organizations to collect useful information that can be used for several documentation purposes.

PREREQUISITS TO START PERFORMANCE MANAGEMENT SYSTEMS

Peter Benedikt, (2014) elaborates that there are certain prerequisites that organizations should track before implementing the performance management system; Integration with other HR systems, fitting with the corporate culture, alignment with corporate strategic objectives, qualified and motivated assessors, top management commitment, result-orientated job descriptions, and clear reporting lines and relationships.

Organizations before embark the development and implementation of performance management system, they should ensure the fulfillment of the prerequisites by the organization. First, the availability of human resource management practice to support and link its various HR functions with the performance management process. Second, organizations be an advocates of values-based performance management where they integrate their core value as a framework on which their performance management system is built on. Third, define and clarify organization's strategic goal and cascade into more refined goals and expectations at the unit, team and individual levels. Fourth, ensure that a line managers or supervisors and qualified and motivated assessors to understand their role in managing performance and achieving the overall aims of performance management system. Fifth, get the top managements' commitment to make performance management a priority for the success of the program. Sixth, the availability of result-oriented job descriptions which defines the working situations where value is created for the organization and the last one is to have the organizational chart which shows a clear relationship and reporting among different positions. Once the management ensures that the organization has all the prerequisites in place, they can start the development of performance management system.

PROCESS OF PERFORMANCE MANAGEMENT SYSTEM

Performance management system is a continuous process that involves different interrelated stages. Cardy and Leonard (2004) describes Performance management as a process which consists, diagnosis, evaluation, feedback, and dealing with feedback. According to Zhang Y (2004), performance management mentioned as a three step process; Developing & Planning

performance phase, Managing & Reviewing performance phase, and Rewarding Performance phase. On the other hand Pulakos (2004) elaborate the process by six phases; performance planning phase, ongoing feedback phase, employee input, performance evaluation, and performance review.

From this we can conclude that the way conceptual framework of performance management process draw by different scholars varies from one another. But, the essence of performance management process basically will have the following steps; goal setting stage, performance monitoring and evaluation stage, ongoing feedback stage, and performance reward stage.

EMPIRICAL REVIEW

Extensive empirical studies carried out on the area of performance management system, employee performance and their relationship as well as their consequential influence on the organizational performance. Here the findings of selected and related literatures reviewed.

Research undertaken by Samwel (2018) on the impact of performance management on employee and organizational performance-Evidence from selected private organizations in Tanzania reveal that ‘there is a significant relationship between performance management and employee performance as well as between performance management and organizational performance.’

The study conducted by Adam (2020) on the effect of performance management system on employee performance: a case study of UN-Habitat-Somalia Program aimed on identifying the effect of performance standards, performance measurements, quality improvement process, and progress reporting on performance at UN-Habitat Somalia Program. The researcher found that ‘performance standards, performance measurement, and quality improvement processes, had no significant association or relationship with employee performance. However, the study established that progress reporting had both a significant positive association and relationship with employee performance.’

Ambedkar (2023) carried out research investigation to assess the effect of performance management practices on employee performance as well as the identifying the features of a successful performance management system and the challenges in implementing the system. The author found that the performance system significantly affects the employee performance. On the other hand performance planning has a limited impact while a well-defined performance appraisal greatly determines employee performance. Further the study reveals that working conditions, compensation, and promotion are other factors that influence employees' performance.

Said Muhammad, Imran Khan, and Filza Hameed (2021) study the effects of a performance management system on employee's performance on Air Blue Airline. The study concluded there

is a significant relationship between performance management system and employee's performance. In addition to this factors; staff involvement, fair monitoring, and rewards relied on the most preciseness of performance management system.

STUDIES ON PERFORMANCE MANAGEMENT SYSTEM AND EMPLOYEE PERFORMANCE

Setting Goals, monitoring, evaluation, feedback and reward system are the variables that this study interest on. Hereafter the review of literatures on the relationship between these variables and employee performance will be presented.

GOAL SETTING

It is a step where performance expectations and goals for groups and individuals are defined by cascading from organizations strategic goal to channel their efforts toward achieving organizational objectives. This is done through collaboration between employees and managers or supervisors in the process. Therefore "Performance management systems are effective when they are based on goals that are jointly set and driven by an organization's business strategy" (Lawler, Benson, and McDermott, 2012). Kogi (2014) states that employees should understand what is expected of them to perform optimally. Thus, getting employees involved in the goal setting process helps them understand the goals of the organization, what needs to be done, why it needs to be done, and the level of effort or responsibility required.

According to Teo and Choon (2016) goal setting has effect on improvement of employee as well as organization effectiveness. Pulakos (2004) the guidelines for effective performance goal are; goals must undoubtedly define the intended end result, goals should be directly linked to organizational success factors, difficult but, achievable, and should attempt to address small area. Thus, improved performance outcomes achieved.

The acronym SMART denotes the basic features of goal setting, such that goals should be specific, measureable, attainable, relevant, and time bound (Les Macleod, 2013). Goals should be specific; a well-defined goal clearly puts what needs to be done and differentiates efforts from result through practical reality and this helps employees to have focused target. Measurability refers that goals should be quantifiable so as to measure the degree of accomplishment. Goal attainability implies realistic nature of goal that reasonably could be achieved with resource available. Goal needs to be relevant, there is rationalized justification on exertion of efforts and should be addressed in order of priority. While time bound implies goals should be accomplished with in agreed time.

MONITORING AND EVALUATION

Monitoring and Evaluation is a process of ongoing gathering and analysis of information regarding performance, in order to ensure whether progress exhibited towards pre-specified goals and objectives, and highlight any unintended (positive or negative) effects from activities.

Monitoring as a never ending function its principal goal is to provide the management and main stakeholders of a continuing intervention with early signals of progress, or deficiencies in the achievement of desired outcomes.

Evaluation is an attempt of progress assessment in a systematic and objective manner towards and the achievement of results. Evaluation is not a one-time activity; rather it involves varying range of assessments carried out at several points in time on performances to achieve result.

Monitoring and evaluation enhances performance improvement consequently achieve results. Moreover, the essence of monitoring and evaluation is the continuous measurement and assessment of performance so as to ensure effective management of desired outcomes. Since, performance is the progress towards and achievement of desired outcomes.

Monitoring and evaluation needs to be participatory (Debebe, 2020), and the level of top management commitment in the organization has a great effect on the effectiveness of monitoring and evaluation system for projects (Njama, 2015). According to Kabonga (2019), 'learning, accountability, participatory approaches, quality assurance, and reporting are the building blocks or relevant principles of monitoring and evaluation process.'

ONGOING FEEDBACK

Performance results should be communicated and ongoing feedback provided during the rating period. Feedback will be valuable when it is provided quickly after the occurrence of the event (Benedikt, 2014). On the other hand Marthouret, Sigvardsson (2016) asserts that quick feedback is part of a performance management tool that helps to improve the individual employees' self-motivation and performance. The employees' satisfaction with feedback determines the level of performance variation (López-Franco, Valdez-Cepeda, Torres-Romero, Milburn-Díaz, 2019).

Feedback has large effect on people's learning and performance (John Hattie, 2008). Raemdonck (2013) found that feedback that provides full, elaborated, and specific information will enhance a higher improvement in performance. Further, the study conducted by Yaseen (2015) on performance management practices and its impact on banks' performance in Pakistan shows that lack of guidance and feedback in current appraisal system leads to dissatisfaction amongst employees. Thus, setting performance guideline is crucial for achievement of improved performance.

Different researchers work indicates that feedback may not always be effective. The magnitude of feedback effect stated by authors demonstrates substantial variability, showing that moderating factors influence the effect of feedback. In some cases feedback intervention improves performance, whilst in other situation it has no effect or may even have negative effect (Kluger & Denisi, 1996; Smither et al., 2005). Supervisors should have to get a clear understanding about the nature of the work and a reasonable expectation from the work of their subordinates to provide clear and fair feedback. Therefore, ensures the effectiveness of the process.

Both positive feedback and constructive criticism shapes the employees' motivation and performance. Therefore, in order to make employees receiving the constructive criticism, first, they need to be provided a positive feedback. The employee must feel confident and safe before they can listen to and accept constructive criticism. The study further indicates that to make effective performance feedback, the manager needs to provide face-to-face personalized feedback in a standardized way i.e. standard form but personalized content (Marthouret, Sigvardsson, 2016).

PERFORMANCE REWARD

Rewarding is the process aimed at acknowledging employees individually and as members of team, for their performance to the organization. An effective management has a principle that all behavior is controlled by its consequences both formal and informal or positive and negative. Reward system should be managed effectively to the benefit of the organization as well as employees who work there. To do these it is essential to undertake review together with employees their performance expectations, comprising both behavioral expectations and result they are expected to realize.

Firms may have an intention to simply reduce low performing employees and recruit high performers (Shields, et al 2015). Due to different working conditions or burn outs employee output may not be satisfactory or organizations may lose competent staffs. Even managers may decide to improve performance. They need to find a way to find and recruit competent employees while motivating the existing. Motivation is the most crucial factor to enhance employee performance (Kulchmanov and Kaliannan , 2014), and Danish and Usman (2010), the most effective way of employee motivation is to reward them for their high performance and provide adequate incentive to further performance improvement. Rewards and incentives lead to staff job satisfaction and high-level motivation which influence company's overall performance.

According to Shields (2007) rewards is broadly classified as 'intrinsic' and 'extrinsic'. and Intrinsic rewards arise from the content of the job itself, including the interest and challenge that it provides, the task variety and autonomy, the degree of feedback, and the meaning and significance attributed to it. It can be financial, developmental & social. On the other hand, extrinsic rewards arise from the factors associated with, but physically external to, the job that the employee does; that is, from the job context. It can be challenging job, responsibility,

autonomy, task variety. Therefore, intrinsic rewards are non-financial rewards, and the extrinsic rewards encompass both financial and non-financial reward.

The relationship between reward and organizational performance is harmonized by employee motivation. Undoubtedly, organizational performance arises from the overall employees' performance. Motivating employees will improve the overall organizational performance through improved individual employees' performance. Several authors asserted that reward system can motivate and subsequently increase employees' performance (Nurul, Sabiroh & Eliy, 2021; Hanna & Tegegne, 2020). According to Doreen, Umeh, & Emmanuel (2013) the effective management of reward system can provide inducement for quality workmanship and staff performance. The result of the study carried out by Fredrick, Ugwu, Dennis & Ngige, (2020) reveals 'extrinsic reward aids in motivating, maintaining, attract and retain skilled employee in their organization'. In addition to this, recognition system enhances a strong team spirit and creates a room for motivation of others (Mugaa, Guyo, Odhiambo, 2018). Recognition is generally defined as the assignment of personal non-monetary rewards for individual efforts and work accomplishment to recognize and reinforce the desired behaviors displayed by an employee (Brun and Dugas 2008).

EMPLOYEE PERFORMANCE

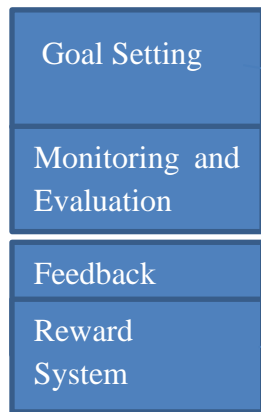
Performance is a concept constituting multiple components (Pradhan & Jena, 2017). It is the likelihood of realizing predetermined objectives (Halim & Sefer, 2013) and it incorporates outcomes from efforts of employees based on their knowledge and skills (Dahkoul, 2018). Armstrong (2014 p. 331) defined performance as both 'behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action.' Employee performance on the other hand has multiple aspect in its concept (Sendawala, Kimuli, Bananuka & Muganga, 2018) that is defined as individual's work achievement from efforts on the job which is related through getting a meaningful work, engaged profile, and compassionate colleagues or employers around (Pradhan & Jena, 2017). Employees' satisfaction, management standards and trainings are significant factors for employees' performance (Zuheir, 2018).

EMPLOYEE PERFORMANCE MEASURE

Measuring the performance covers the evaluation of the main tasks accomplishments of the employee in a given time period by comparing with the predetermined goal (Rudman, 2003:4). According to Kuvaas (2006), measuring also encompasses the quality of the accomplishments, the compliance with the desired standards, the costs involved and the time taken in achieving the results. Performance standard serves as measuring tool for the outcomes arise from employee's performance. All the necessary performance standards need to be clearly communicated to employees, in order to motivate employees, consequently achieve both organizational goals as well as individual goals. Standards reinforce behavior, promotes the consistency of employees' performance and it can also be used to weigh and measure the impact of employees' performance (Greiner, 2013).

CONCEPTUAL FRAMEWORK

Independent Variable



Dependent Variable



Figure 1 Conceptual framework; Developed by the Researcher

CHAPTER THREE

RESEARCH METHODOLOGY

INTRODUCTION

The chapter is about the research design and methodology. The detail discussion covered in this part of the paper are research approach followed, design employed, presenting the target population from which the sample is drawn, Sampling method used, basic assumptions of the researcher and Sampling size determination, type of data to be collected and method of data collection, data analysis technique, and at the end reliability and validity of questionnaire.

RESEARCH APPROACH

There are three research approaches. These are quantitative, qualitative, and the combination of the two called mixed method. According to Aliaga and Gunderson (2000), Quantitative research explains phenomena by analyzing numerical data using statistical methods. Qualitative researchers study things in their natural settings, attempting to interpret phenomena in terms of the meanings people bring to them. (Denzin & Lincoln, 2005).

The study was aimed at investigating the impact of performance management system of NIB International Bank S.C on employees' performance. The researcher has employed single method which is quantitative approaches. Quantitative research is the systematic empirical investigation of observable phenomena via statistical techniques. Therefore, having this in to account the researcher believed that the study used this approach to meet its objective.

RESEARCH DESIGN

The researcher has worked to identify the effect of performance management system on employee performance in Nib bank SC South-East district. For the purpose of achieve the research's both general and specific objectives, and the causal effect between dependent and independent variables, descriptive (Mean, Standard deviation) and explanatory type of research design has been used to find the linkage between PMS and employee performance by using SPSS (Statistical Package for Social Science)-25.

POPULATION AND SAMPLE DETERMINATION

TARGET POPULATION & SAMPLING METHOD

Taking in to account the objective of this study, that is, to analyze the impact of performance management system on employee performance the case of Nib Bank SC. Nib International Bank has more than 7578 employees working in four districts dispersed throughout the country. Out of the total workforce 3210 are working in 253 branches of the four districts of Addis Ababa. The total population in Addis Ababa was divided into four geographic areas. These are North-East, South-East, and North-West and Central Addis Ababa district. Target population refers the full

set of people concerned with the case and from which the sample would be drawn. To be realistic to target all employees who are working throughout the country as well as the city of Addis Ababa is not economical. It requires large effort. Therefore, all employees of the bank who are in South-East district of Addis Ababa are the concern of this research project.

ASSUMPTIONS AND SAMPLE DETERMINATION

This study is valued on the basis of the following three assumptions: First, The selected sample is representative of the target population. Second, the questions presented in the way that participants understand clearly them, and finally, all the participants will answer all the questions in an honest and professional way, and they will not use it to manipulate or further their own agendas within the company.

In order to determine the sample which is representative of the target population, the researcher has employed simple random sampling. Sample size is determined based on Laurentina & Melchor, (2006) sample size determination formula, at 99 % confidence level and 0.01 precision levels. Thus, from the total population of 704 employees 175 were sampled.

$$Ss = \frac{NZ + [Se^2(1-p)]}{NSe + [Z^2p(1-p)]} = Ss = \frac{704 * 2.58 + [0.01^2(1-0.5)]}{704 * 0.001 + [2.58^2 * 0.5(1-0.5)]}$$

Where: Ss is number of respondents

N = population size = 704

Se = sampling error/level of precision = 0.01

Z = Reliability level = 0.99 = from Z table

P = Largest possible proportion = 0.5

The total sample size of respondents based on the above sample size determination is 175

TYPE OF DATA AND METHOD OF COLLECTION

TYPES OF DATA COLLECTED

Both primary and secondary data were gathered for the use of this study to answer the research questions. The primary data gathered through closed ended questionnaires and unpublished internal bank's report. The secondary data were gathered from journal documents and the Website of the Bank.

METHOD /PROCEDURE OF COLLECTING DATA

For the study of this descriptive research it is intended to gather the data required by using the one of the widely used method of collecting data, the questionnaire. The researcher has prepared the appropriate questionnaire and then distributes the question to the sample respondent employees. The researcher has adapted the questionnaire from two sources (Asia Adam, 2020: and Zhang, 2012). The questionnaire will be distributed to participating employees by the

researcher. The researcher will be physically present to give the appropriate elaboration about the questionnaire for the participants those who have difficulties to understand. Participants will be asked to give the appropriate answer.

METHOD OF DATA ANALYSIS

After the gathering of primary and secondary data, the collected data was edited, coded, and then entered to software. Then after, the data was analyzed with the help of SPSS (Statistical Packages for the Social Scientist) by using statistical analysis method. Therefore the research employed correlation analysis and multiple regression analysis as statistical tools to investigate the impact of a performance management system on employee performance.

RELIABILITY AND VALIDITY TEST

Reliability is consistency of measurement over time or stability of measurement over a variety of conditions, the most commonly used technique to estimate reliability is with a measure of association, the correlation coefficient, often termed reliability coefficient (Kothari, 2004). Reliability tested using Cronbach’s alpha values for the items in each construct. Reliabilities less than 0.60 are considered to be poor, those in the 0.70 range, acceptable, and those over 0.80 are good (Sekaran and Bougie, 2016). Thus, reliability of the measures ensured that they are free from error and yield consistent results.

Validity refers to the extent to which a test measures what we actually wish to measure. Reliability has to do with the accuracy and precision of a measurement procedure (Kothari, 2004).

Table 3.1 Table Summary of Cronbach`s Alpha for reliability of each variables questionnaires delivered to the respondents.

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.910	0.960	5

Own Source, SPSS output 2023

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

INTRODUCTION

This chapter presents the results of the analysis and findings of the research. It discusses on the six groups of questions. First, is the explanation on the questionnaires' response rate and respondents' demographic data. Second, the statistical results of the study on PMS with regard to the variables such as goal setting, monitoring and evaluation, reward, feedback and employee performance will be systematically analyzed on the on the bases of objective of the research. At the last discussion on the findings of the study on the relationship of variables with one another will be discussed.

RESPONSE RATE

Data were collected by the use of structured questionnaires. Questionnaires were sent to all the 175 employees working in 20 selected branches of south east district in Addis Ababa. Excluding non-returned questionnaires 166 employees were responded properly. This is translated to 94% response rate. The analysis which was done reveals that the response to be taken as the true representative of the population because probability sampling technique was deployed.

RESPONDENTS' DEMOGRAPHIC

In this section, the general information about the respondents is summarized and discussed by their gender, age group, educational status, and work experience and classification position.

Gender Composition: As presented in the table 4.1 below, the gender composition of respondents, from the total of 166 respondents 97(58.4%) are male, which has the larger share and the rest are female which account for 69(41.6%). Based the given data, the researcher conclude that the gender composition of respondents is nearly equal.

Age Composition: Age group of 26-35 accounts for 98(59%) which is the larger share from the total number of respondents. The second portion of respondents 52(31.3%) fall with in age group of 36-45. Age group of 18-25 contains 12(7.2%) of respondents. Age group of respondents 45 and above holds 4(2.5%) respondents, which is the least share. From this data the researcher concludes that 97% and above questionnaire is responded by more young, energetic and productive manpower those who are able to realize the vision and mission of the bank.

Educational Background: From the table 4.1 below, the educational qualification, 2 which is 1.3% of total respondents have college diploma or certificate. The larger number of respondents those who have first degree are 123 and represents 74.2% of the total participants. 41 respondents have second degree and account for 24.5% from the total. Unfortunately from the

total respondents there is no response for PhD holders. From the total participants' response on educational level data shows that 164 respondents have first and second degree. From this we can conclude that the respondents are fit to provide relevant and reliable information required in the questionnaire.

Table 4. 1 Respondent's Profile

S.No	Respondents Classification		
1	Gender	Frequency	Percent
	Male	97	58.4
	Female	69	41.6
	Total	166	100
2	Age	Frequency	Percent
	18-25	12	7.2
	26-35	98	59.0
	36-45	52	31.3
	>45	4	2.5
	Total	166	100
3	Educational Level	Frequency	Percent
	Certificate/Diploma	2	1.3
	BA/BSC	123	74.2
	MA/MSC	41	24.5
	Total	166	100
4	Job Title	Frequency	Percent
	Manager	4	2.5
	CSO	108	64.8
	CRO	3	1.9
	CSM	15	8.8
	SCSO, Accountant	11	6.3
	SCSO, Audit	9	5.7
	KYC Analyst	7	4.4
	SCSO, Cash	9	5.7
	Total	166	100
5	Experience	Frequency	Percent
	1-3 years	32	19.2
	4-6 years	69	41.6
	7-9 years	40	24.1
	>9 years	25	15.1
	Total	166	100

Own Source, SPSS output 2023

Job Title: From the total number of respondents, 108(64.8%) works as customer service officer, this takes the first portion. The second largest position is customer service manager which constitute 15(8.8%) respondents. Senior customer officer accountant has the third highest share having 11(6.3%) of respondents from the total. According to the frequency and percentage of respondents' work position reported on the table, both senior customer service officer cash and audit positions are placed at the fourth position with equal number of respondents 9(5.7%) each. At the fifth position we can find 7 respondents which account for 4.4% of the share working as know your customer analyst position. 4 respondents holding 2.5% and sixth position of the total are working as branch manager and the rest 3 respondents those who constitute 1.9% of the respondents are working as customer relation officer. This shows that majority of respondents are from customer service officer and customer service manager.

Work Experience: From the table 4.1 above, the respondents work experience in Nib bank S.C, 69 respondents holding 41.6 % of the total fall within the range of four to six years of work experience in the bank. The second largest number of respondents is 40 holding 24.1 % of the total respondents, have 7-9 years of experience in this specific bank. Then 32(19.2 %) of respondents fall between one to three years of experience and the rest 25 respondents that constitute 15.1 % of the total have more than 9 years of working experience in the bank. The majority of respondents have more than four years of experience. Therefore, the respondents are good enough in providing relevant information from their experience.

TESTING FOR NORMALITY

Table 4. 2 Normality Test of Variables

Descriptive Statistics					
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
GOALSETTING	166	0.045	0.188	-0.589	0.375
MONITORINGANDEVALUATION	166	0.078	0.188	-0.788	0.375
FEEDBACK	166	-0.064	0.188	-0.737	0.375
REWARD	166	0.025	0.188	-0.729	0.375
MPLOYEEPERFORMANCE	166	0.053	0.188	-0.550	0.375
Valid N (listwise)	166				

Own Source, SPSS output 2023

Checking the normality of the data graphically and numerically is a must as a prerequisite to the analysis of the data. Statistical test helps to make judgment about the normality of the data. For this reason the normality of the data has been checked by skewness (the measure of asymmetry of distribution of variables) and kurtosis (the measure of peakedness of distribution of variables).

The values of skewness which fall between -3 and $+3$, and kurtosis from a range of -10 to $+10$ are acceptable (Brown, 2006). As showed in the table 4.2 above, descriptive statistics skewness and kurtoisis are within the range. The assumption of normal distribution has been met.

DESCRIPTIVE STATISTICS

Descriptive Statistics of PMS and Employee Performance

Descriptive Statistics of Goal Setting

Employees were rated using the five point Likert scale to statistically describe on the five items in setting goals. The scale were designed as strongly disagree, disagree, neutral, agree, and strongly agree ordered from one to five respectively from the lowest to the highest.

As depicted in the table 4.3 below, the highest mean score of 3.5422 for “performance goals have specific time frames” suggests that employees agree on the specific time frame of goals. The score for “Managers set clear goals with their direct reports” is the second highest mean value 3.3133 and followed by “I clearly know the purpose and process of Performance management system” with the mean value of 3.2470. the score for “Relevant performance expectations are set between supervisor and employee” and “The PMS was developed with inputs from the staff throughout the department and branch” are 2.9518 and 2.7530 respectively, which are the lowest scores indicating that performance expectations are set and performance management system developed with less involvement of employees. The highest standard deviation is scored by “Relevant performance expectations are set between supervisor and employee” which means that representing that relatively widespread opinions are collected from the respondents as compared to the others. On the other hand the rest statements appear with a relatively closer standard deviation.

Table 4. 3 Descriptive Statistics on Goal Setting

Descriptive Statistics Setting Goal				
S.No		N	Mean	Std. Deviation
1	I clearly know the purpose and process of Performance management system.	166	3.2470	1.02358
2	The PMS was developed with inputs from the staff throughout the department and branch.	166	2.7530	1.06990
3	Performance goals have specific time frames	166	3.5422	1.03046
4	Relevant performance expectations are set between supervisor and employee	166	2.9518	1.12712
5	Managers set clear goals with their direct reports	166	3.3133	1.06660
	Valid N (listwise)	166		

Own Source, SPSS output 2023

Descriptive Statistics on Monitoring and Evaluation

Table 4.4 Descriptive Statistics on Monitoring and Evaluation

Descriptive Statistics on Monitoring and Evaluation				
S.No		N	Mean	Std. Deviation
1	There is honesty and fairness in my performance review	166	2.9699	0.98734
2	Performance management system helps supervisor to become a better leader	166	3.0181	0.98764
3	The PMS will result in fair Performance monitoring and evaluation of staff members	166	3.0904	1.28309
4	In my opinion , the performance evaluation form used to evaluate my performance is capable of distinguishing effective performers from ineffective performers	166	2.7289	1.06970
5	Monitoring and evaluation process helps to improve performance and achieve results	166	3.2048	1.03583
6	I have ways to appeal a performance rating that I think is biased or inaccurate	166	3.0361	0.95277
7	The Monitoring and Evaluation process is positively related to my performance in the organization.	166	3.4337	1.14620
8	Senior management demonstrates that they take performance reviews seriously.	166	2.9458	1.05173
9	Performance is measured against the factors previously agreed upon	166	3.2530	1.08816
10	Constant monitoring by my immediate supervisor encourages me to perform well	166	3.4096	1.18614
11	Performance management is completely measurable and fair to employees	166	2.7590	0.99806
12	My rater is influenced by his/her personal liking and dislike when evaluating my performance	166	3.4157	1.05117
13	Performance management system encourages co-operation & team spirit which leads to better employee performance in my branch	166	2.6084	1.20993
	Valid N (listwise)	166		

Own Source, SPSS output 2023

The second group of question was designed to answer the effect of performance monitoring and evaluation on employee performance. The thirteen questions were intended to rate employees' using the five point Likert scale. Accordingly, the mean and standard deviation score for “There is honesty and fairness in my performance review”, “Performance management system helps supervisor to become a better leader”, “Performance management system helps supervisor to become a better leader”, “In my opinion, the performance evaluation form used to evaluate my performance is capable of distinguishing effective performers from ineffective performers”, “I have ways to appeal a performance rating that I think is biased or inaccurate”, “Senior management demonstrates that they take performance reviews seriously”, and “Performance management is completely measurable and fair to employees” are relatively lower in both mean value and standard deviation suggesting that majority of respondents remain neutral on the case

with the relatively closer opinion. On the other hand, the statement “Performance management system encourages co-operation & team spirit which leads to better employee performance in my branch” has the lowest mean value which means that majority of employees remain neutral on the case. While, its highest standard deviation score suggests the wide range of responses collected from respondents.

On the other hand the mean and standard deviation score for “The PMS will result in fair Performance monitoring and evaluation of staff members”, “Monitoring and evaluation process helps to improve performance and achieve results”, “The Monitoring and Evaluation process is positively related to my performance in the organization”, “Performance is measured against the factors previously agreed upon”, “Constant monitoring by my immediate supervisor encourages me to perform well”, “Performance management is completely measurable and fair to employees”, “My rater is influenced by his/her personal liking and dislike when evaluating my performance” are relatively high representing that participants provide widespread opinion on the cases.

Descriptive Statistics of Feedback

Table 4. 5 Descriptive Statistics on Feedback

Descriptive Statistics on Feedback				
S.No		N	Mean	Std. Deviation
1	Supervisors are well informed about my work	166	3.2831	0.97761
2	Supervisors have reasonable expectations from my work	166	3.4096	0.90836
3	My Supervisors discuss regularly my job performance with me	166	3.2169	0.89508
4	feedback improve communication in my work place	166	3.7048	1.31319
5	I am given clear instruction and objectives	166	3.7771	1.05817
6	My supervisors gives me fair feedback	166	3.8253	0.96588
7	I clearly understand my supervisors comments and opinion during the feedback	166	3.3916	0.98948
8	I am satisfied from the relationship with my supervisor	166	3.7169	1.06085
9	Supervisors set guide line for improving feedback during performance review.	166	3.0964	1.00441
10	Supervisors provide continuous, timely and constructive feedback to subordinates.	166	3.0060	1.17807
11	The feedback I get is improving my performance to the organization	166	3.5361	0.85025
	Valid N (listwise)	166		

Own Source, SPSS output 2023

The third group of question was designed to answer the effect of performance feedback on employees’ performance. The eleven questions were intended to rate employees’ using the five point Likert scale.

From table 4.5 above, it can be seen that the statement ‘My supervisors gives me fair feedback’ has got the highest mean value and lower standard deviation, this implies that the majority respondents agreed in high level that the feedback from supervisors fairly communicated and supported by the closer response. Followed by “I am given clear instruction and objectives”, “I am satisfied from the relationship with my supervisor”, “feedback improve communication in my work place”, and “The feedback I get is improving my performance to the organization” scoring the next highest mean value indicating that majority of respondents agreed that feedback process effective in providing them clear instruction and performance feedback in order to improve their performance.

Moreover, the score for the “Supervisors are well informed about my work”, “Supervisors have reasonable expectations from my work”, “My Supervisors discuss regularly my job performance with me”, “I clearly understand my supervisors comments and opinion during the feedback”, are relatively lower mean values and standard deviations showing that majority of respondents lean to neutral with narrow range of responses received.

Furthermore, “Supervisors set guide line for improving feedback during performance review”, and “The feedback I get is improving my performance to the organization” appear with lower mean value implying majority of respondents remain neutral on the case. Whereas the high score of standard deviation suggest that varied range of response provided by respondents.

Descriptive Statistics of Reward System

Table 4.6 Descriptive Statistics on Reward System

Descriptive Statistics on Reward				
S.No		N	Mean	Std. Deviation
1	Pay decisions are linked to performance achievements	166	3.0843	1.15685
2	PMS establishes a clear connection between Performance and Rewards.	166	3.0361	0.90715
3	Reward system can help me to improve my performance	166	3.5241	1.15838
4	Effective personal recognition is provided during review meeting	166	2.6747	0.99219
5	My manager recognizes me when I do a good job	166	3.4036	0.98460
	Valid N (listwise)	166		

Own Source, SPSS output 2023

Based on the table 4.6 above, we can see that the score for “Reward system can help me to improve my performance” implying the strong relationship between reward and performance improvement by employees. While the score for “My manager recognizes me when I do a good job” is the second largest mean value. ‘Pay decisions are linked to performance achievements’ appears with the third highest mean value, ‘PMS establishes a clear connection between

Performance and Rewards’ scores, fifth highest mean value ‘effective personal recognition is provided during review meeting’ comes with, and the lowest mean value of. Suggesting majority of respondents remains neutral.

The standard deviation score for both “Pay decisions are linked to performance achievements”, and “Reward system can help me to improve my performance” implies respondents have a wide range of opinion on the issue. On the other hand, the standard deviation for “PMS establishes a clear connection between Performance and Rewards”, “Effective personal recognition is provided during review meeting”, and “My manager recognizes me when I do a good job” representing” representing respondents have closer opinion.

Descriptive Statistics of Employee Performance

Table 4. 7 Descriptive Statistics on Employee Performance

Descriptive Statistics on Employee Performance				
S.No		N	Mean	Std. Deviation
1	The level of employee productivity in the organization is high as compared to the beginning	166	3.6145	0.81399
2	The current level of employee productivity is high	166	3.2892	1.05635
3	The current level of the decision making process in the organization is highly formal	166	3.4518	1.08743
4	The quality of the services in the organization is high	166	3.0542	1.09132
5	The ability of the employees to be innovative is high	166	3.3795	0.89134
6	The set target goals of the organization are met successfully	166	3.3735	0.86984
	Valid N (listwise)	166		

Own Source, SPSS output 2023

Employees were rated using the five point Likert scale to statistically describe on the six items in employee performance. The six questions were intended to assess employees’ performance. Accordingly, displayed in the table 4.7 above, it can be seen that the highest mean score for “The level of employee productivity in the organization is high as compared to the beginning” suggests that employee productivity achieved improvement. Respondents have closer opinion on the issue as represented by its standard deviation score. The score for “The current level of employee productivity is high”, “The current level of the decision making process in the organization is highly formal”, “The quality of the services in the organization is high” suggests that majority of respondents remain neutral that the current level of employee productivity is high, the formal decision making process of the organization is high, and high quality service provided by the organization. While, the value of standard deviation for these three statements signifies that the wide range of opinion given by respondents as compared to the other three statements. On the other hand, the mean value for “The ability of the employees to be innovative is high”, and “The set target goals of the organization are met successfully” represents

substantial number of respondents are neutral. But, the standard deviation for the two implies that respondents provide closer opinion.

PEARSON CORELATION ANALYSIS (PCA)

Table 4. 8 Correlation of Variables

		Correlations				
		GOAL SETTING	MONITORING AND EVALUATION	FEED BACK	REWARD	EMPLOYEE PERFORMANCE
GOAL SETTING	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	166				
MONITORING AND EVALUATION	Pearson Correlation	.802**	1			
	Sig. (2-tailed)	0.000				
	N	166	166			
FEEDBACK	Pearson Correlation	.852**	.846**	1		
	Sig. (2-tailed)	0.000	0.000			
	N	166	166	166		
REWARD	Pearson Correlation	.728**	.864**	.803**	1	
	Sig. (2-tailed)	0.000	0.000	0.000		
	N	166	166	166	166	
EMPLOYEE PERFORMANCE	Pearson Correlation	.826**	.877**	.877**	.812**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	
	N	166	166	166	166	166

** . Correlation is significant at the 0.01 level (2-tailed).

Own Source, SPSS output 2023

Pearson Correlation Analysis (PCA) measures the relationship between two or more variables. Pearson value of -1 to +1 is acceptable and correlations of .01 to .30 are considered low, correlations of .30 to .70 are considered moderate, correlations of .70 to .90 are considered

strong, and correlations of .90 to 1.00 are considered perfect (Marczyk, Dematteo and Festinger, 2005).

From the table 4.8 above, the employee performance evaluated with the Setting Goals, monitoring and evaluation, feedback and Reward, and the result shows that the independent variables have a strong positive correlation with employee performance with a p value 0.01 and with a Pearson R value of .826**, .877**, .877**, and .812** respectively. Setting Goals, monitoring and evaluation, feedback and Reward are a significant predictor of employee performance.

Table 4.9 Model Summary

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.917 ^a	0.842	0.838	1.71012
a. Predictors: (Constant), REWARD, GOAL SETTING, FEEDBACK, MONITORING AND EVALUATION				
b. Dependent Variable: EMPLOYEE PERFORMANCE				

Own Source, SPSS output 2023

Table 4.9 above, summarizes the relationship between independent variables (predictors) and dependent variable (outcome). The high correlation value of (R) which is 0.917 (92%) reveals the high degree of dependence of employee performance on independent variables in the construct all together. In addition to this, the coefficient of determination (R Square); the amount of variance (percentage) that dependent variable is explained by the combination of independent variables. The high value of the coefficient (R Square) that is 0.842 (84%) implies that employee performance is highly explained by the Performance management system or its constructs in the model. Further, implies that the remaining value of 0.16 (16%) of the changes in the employee performance is not explained by the model and is subject to other stochastic error term.

Table 4.10 ANOVA F test

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2501.761	4	625.440	213.861	.000 ^b
	Residual	470.847	161	2.925		
	Total	2972.608	165			
a. Dependent Variable: MPLOYEERPERFORMANCE						
b. Predictors: (Constant), REWARD, GOALSETTING, FEEDBACK, MONITORINGANDEVALUATION						

Own Source, SPSS output 2023

The overall multiple regression model presented by table 4.10 above, as we can see from the table the (F-value) and (the associated P-value) tells us whether the model is statistically significant or not. Therefore from the result; $p=0.000$ and we got F-value large, conclude that the model is statistically significant. Further, shows the significant impact of EPMS (independent variables in the model) on employee performance.

LINEAR REGRESSIN ANALYSIS

Assumption

A prerequisite to applying regression analysis is a linearity test, which was conducted to test the normality if the data to the assumptions of regression analysis. To determine whether the relationship between the independent variable PMS (Goal setting, Monitoring and Evaluation, Feedback, and Reward) and the dependent variable employee performance exist, plots of the regression residual had been used.

Multicollinearity Test

Examination of tolerance and VIF (variance inflation factor) had done using regression result to test multicollinearity. According to Pallant, (2010), multicollinearity test is the most important and reliable test. From table 4.13 above, the tolerance level for the independent variables monitoring and evaluation, and feedback is 0.176 & 0.188 respectively, which is slightly greater than 0.1 and tolerance level for the rest variables is 0.251 & 0.235 substantially greater than one. The VIF for all variables ranges from 3.989 to 5.675 which is less than 10. The results of tolerance greater than 0.1 and VIF less than 10 show the absence of multicollinearity in this study. Therefore, the absence of multicollinearity between all independent variables signifies that the estimates of regression coefficients are more accurate of their parameters (Oke; Akinkunmi; Etebefia, 2019).

Table 4. 11 Multicollinearity Test for Independent variables

		Coefficients ^a	
		Collinearity Statistics	
Model		Tolerance	VIF
1	(Constant)		
	GOALSETTING	0.251	3.989
	MONITORINGANDEVALUATION	0.176	5.675
	FEEDBACK	0.188	5.327
	REWARD	0.235	4.251

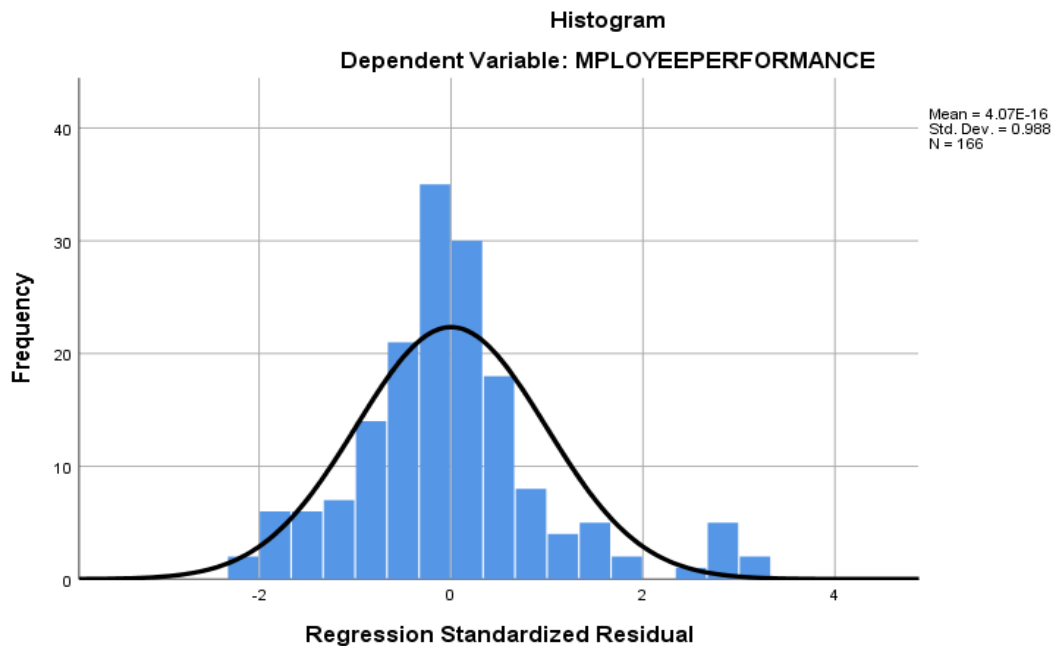
a. Dependent Variable: MPLOYEERPERFORMANCE

Own Source, SPSS output 2023

Normality Test –Histogram

The normal distribution graph shows that the majority of the responses fall within the range of scores that are close to the mean. Based on the standard deviation value, it can be inferred that the data in the sample is moderately spread out around the mean. Moreover, since the mean and standard deviation values are relatively close together, it can be concluded that there is relatively little variability in the data points in comparison to their distance from the mean. Overall, this suggests that the data is normally distributed with a moderate degree of variation around the center, which makes it suitable for further statistical analysis using parametric tests that rely on normality assumptions.

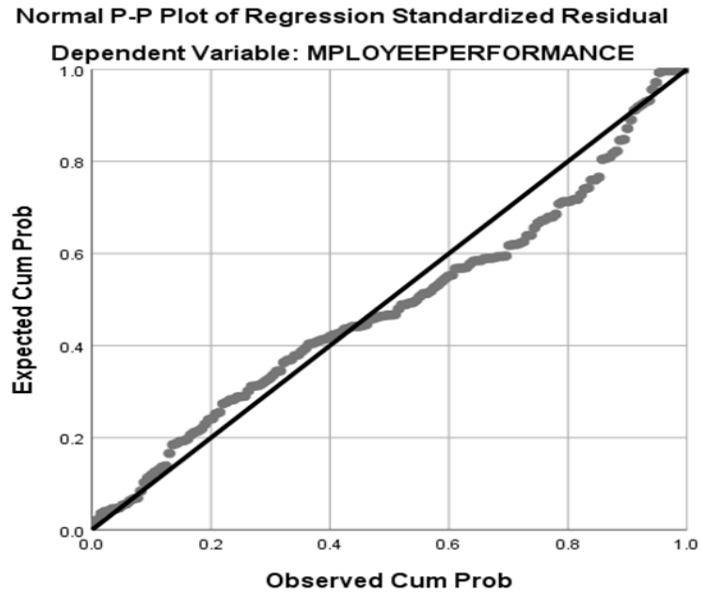
Figure 2 Normality Test



Own Source, SPSS output 2023

Normally Distributed Errors

Figure 4 Normal P-P plot of regression standardized Residuals



Own Source, SPSS output 2023

The normal probability plot is used to measure the approximately normal distribution of data set graphically (Chambers et al., 1983). The data are distributed against a theoretical diagonal line and compared with it and the P-P plot looks like or is approximate to the diagonal line. As we can see from figure 3 below, there seems residuals are normally distributed.

Multiple Regression Analysis

Table 4.12 Coefficients and Collinearity Statistics

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	99.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	2.555	0.665		3.841	0.000	0.821	4.289
	GOAL SETTING	0.172	0.067	0.162	2.588	0.011	-0.001	0.346
	MONITORING AND EVALUATION	0.157	0.032	0.372	4.973	0.000	0.075	0.240
	FEEDBACK	0.180	0.037	0.352	4.857	0.000	0.084	0.277
	REWARD	0.112	0.080	0.091	1.400	0.163	-0.096	0.320

a. Dependent Variable: MPLOYEERPERFORMANCE

Own Source, SPSS output 2023

Unstandardized coefficients represent the amount of change in the dependent variable that can be attributed to a change of one unit in the predictor variable. For example, if goal setting increases by 1 unit, employee performance is predicted to increase by .172 units (holding the other predictors constant). Standardized coefficients (betas) allow us to compare the relative strength of each predictor variable that is, which predictor has a stronger effect on the dependent variable. In this case, the largest beta is associated with monitoring and evaluation (.372), followed by feedback having beta value of 0.352, suggesting both have the strongest effect on employee performance. Goal setting has beta value of 0.162 followed by reward system (Beta=0.091), implying relatively weakest effect on employee performance. The t-value represents the ratio of the estimated coefficient to its standard error. A high t-value suggests that a particular predictor is significantly related to the dependent variable. For example, the variable with highest t-value is 4.973, implies that monitoring and evaluation has significant relation with employee performance. P-values indicate whether the relationship between each predictor and the dependent variable is statistically significant. In this table, all p-values except for the reward are less than .05, indicating that all predictors are significantly related to employee performance, but, reward is not significantly related to employee performance.

Overall, this table suggests that the out of the four predictor the first three variables (goal setting, monitoring and evaluation, & feedback) are all significantly related to employee performance. Monitoring and evaluation, and feedback have the strongest effect on employee performance, and each predictor contributes uniquely to predicting employee performance after controlling for the other predictors.

Therefore the final model for multiple regression is

$$\text{Employee performance} = X_0 + X_1SG + X_2ME + X_3F + X_4R + E$$

$$\text{Employee performance} = 2.555 + 0.172SG + 0.157M + 0.180F + 0.112R + E$$

B0: not analyzed (generally, it is the mean for the response when all of the independent Variables (x) take on the value 0.), employee performance be 2.555.

Based on the table information given on regression coefficient model, we can conclude that the three independent variables (goal setting, monitoring and evaluation, and feedback) have statistically significant influence on the employee performance as the corresponding p-value for each variable is less than 0.05 (i.e...0.011, 0.000, and 0.000 respectively). Additionally, standardized coefficients (Beta value) for each variable are positive, showing a positive relationship with the dependent variable.

HYPOTHESIS TEST RESULT

Table 4.13 Summary of Hypothesis Test Result

Hypothesis	Result	Implications
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H1a: The monitoring and evaluating performance practice has significant effect on employee' performance;	B= 0.372 P< 0.05 H1b:Accepted	Implies that monitoring and evaluation has significant positive effect on employee performance
H1b: The goal setting practice has significant effect on employee performance;	B= 0.162 P< 0.05 H1a:Accepted	Implies that goal setting has significant positive effect on employee performance
H1c: The feedback process has significant effect on employee performance;	B= 0.352 P< 0.05 H1c: Accepted	Implies that feedback has significant positive effect on employee performance
H1d: The rewarding system has significant positive effect on employee performance;	B= 0.091 P> 0.05 H1d: Rejected	Implies that reward has insignificant relationship with employee performance

Own Source, SPSS output 2023

MAJOR FINDINGS

This section summarizes core points and major findings obtained from data analysis of survey questionnaire.

The demographic profile of the respondents' shows that majority of the respondents were male, account for 58.4% of the total sample. While females account for 41.6%. Participants' age distribution reveals that majority of respondents fall between the age group of 26-35 having largest percentage (59%). The second largest age group is 36-45 accounting for 31.3% of the total, and followed by age group 18-25 and >45 scoring 7.2% and 2.5% respectively. The descriptive statistical data result of respondents' educational qualification shows more than 98% of the respondents have first and second degree.

In terms of work experience majority of respondents have from 4 to 6 years of service in the bank, which about 41.6% of the total sample group. And the second largest sub group 7 to 9 years of service sharing 24.1 % of the total. This is followed by the two groups 1 to 3 years of service and >9 years of service accounting for 19.2% and 15.1 % of the total sample. Understanding the overall demographic profile is helpful in interpreting results influenced by demographic factors.

The correlation matrix shows the relationship between the performance management system (goal setting, monitoring and evaluation, feedback, and reward system) and employee performance. The results indicate that all four independent variables have a significant positive correlation with employee performance, both monitoring and evaluation, and feedback with the highest Pearson R value representing the strongest relationship ($r = 0.877$), followed by goal setting ($r = 0.826$), and reward ($r = 0.812$). Overall, these results provide valuable insights into

the relationship between performance management system and employee performance, and highlight the importance of considering PMS in efforts to improve employee performance.

The coefficients table indicates that the three independent variables (goal setting, monitoring and evaluation, and feedback) have a significant positive relationship with employee performance. Specifically, monitoring and evaluation has the strongest relationship with employee performance (Beta = 0.372), followed by feedback (Beta = 0.352), goal setting (Beta = 0.162). Reward system appears with Beta of 0.091 showing the weakest relationship. These results suggest that organizations should think through embracing components of performance management system (setting goal, monitoring and evaluation, and reward) in order to improve employee performance. On the other hand, the collinearity statistics all p-values except for the reward are less than .05 suggest that there is no significant collinearity among the independent variables except for the reward system.

The overall results of this analysis imply that performance management system has a significant influence on employee performance. Specifically, the results indicate that monitoring and evaluation has the strongest and most significant relationship with employee performance, followed by feedback. Goal setting also significantly related to employee performance, although the relationship is weaker than that of monitoring and evaluation, and feedback. These findings suggest that if the bank prioritize the use of these variables according to the relative weight of significance in influencing employee performance would be effective in boosting employee performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

INTRODUCTION

In this chapter conclusion and recommendations are provided on the basis of major findings of the research in light with relevant theories and responses to participants.

SUMMARY

This research was carried out with a main purpose of finding out the effect of Performance Management System on Employee performance. The general objective of the study was to determine the effect of existing performance management system on employees' performance in Nib Bank SC. The specific research objectives that guided the study were; to determine the extent to which goal setting influences employee performance in Nib Bank S.C, to assess the extent to which the monitoring and evaluation influences employee performance in the bank, to assess the extent to which performance feedback influences employee performance in the bank and to assess the extent to which rewarding of employees influences employee performance in Nib Bank S.C.

CONCLUSIONS

From the findings of the study the following conclusions are made.

There is a positive relationship between the performance management system (goal setting, monitoring and evaluation, and feedback) and employee performance. Organizations with formalized structure and well implemented PMS are likely to achieve improved employee performance.

The overall result of the study shows that the three predictor variables (goal setting, monitoring and evaluation, and feedback) each have a positive and significant effect on employee performance and the model provide valuable insights into the relationship between performance management system and employee performance. Therefore, highlights the importance of considering PMS in developing interventions to support performance improvement in the workplace based on different types of PMS components.

RECOMMENDATIONS

Based on the findings and conclusions reached, the following recommendations are provided to improve the PMS

The bank should further strengthen the practice of performance management system in the way that can ensure

- Employees' involvement in goal setting process. Goal setting process as it allows employee involvement influences employee performance. Thus, this helps to create an opportunity for employees to have a clear understanding on what is expected of them and how to drive the achievement of strategic goal.
- Monitoring and evaluation impacts employee performance significantly as showed by the findings. Performance outcomes are measured against factors previously agreed up on; therefore, encourage staff to boost performance and achieve results.
- Feedback also influences employee performance. A continuous, timely, clear, and constructive feedback should be provided to achieve continuous performance improvement by employees.

It is also recommended that the bank should identify areas of improvement in the implementation of performance management system and develop appropriate intervention. Specifically, should modify its reward systems in order to enhance performance of employee.

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APPENDIX

ANNEX 1 QUESTIONNAIRE

ADDIS ABABA UNIVERSITY, SCHOOL OF COMMERCE

BUSINESS LEADERSHIP

MASTERS PROGRAM

Dear Sir/Madam,

I am a Post Graduate student in Addis Ababa University, School of Commerce, and studying Masters of Business Leadership. This is a questionnaire designed to collect data in order to carry out study titled as “The effect of performance management system on employee performance”. This research project is partial fulfillment of Master of Business Leadership. I would like to assure you that your genuine response is solely used for academic purpose, and information obtained will be treated with ultimate confidentiality and will not be used for any other purpose.

Therefore, your kind cooperation is appreciated in advance.

With regards,

Endalkachew Mideksa

Student

Section1. Demographic Information:

General Background of Respondents (Demographic Information)

1. Age: - 18-25 26-35 36-45 above 45years
2. Sex: Male Female
3. Educational level: -
Certificate Diploma BA/BSc MA/MS PhD
4. Your current position: -
Manager CSO CRO CSM SCSO, Accounts
SCSO, audit KYC analyst cash
5. Your work experience at Nib Bank S.C.
1-3 years 4-6 Years 7-9 years above 9 years

Section 2. Main questions

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5 Where 1 = strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree 5 = strongly agree

Setting Goals

Statement	1	2	3	4	5
I clearly know the purpose and process of Performance management system.					
The PMS was developed with inputs from the staff throughout the department and branch.					
Performance goals have specific time frames					
Relevant performance expectations are set between supervisor and employee					
Managers set clear goals with their direct reports					

Monitoring and Evaluation

Statement	1	2	3	4	5
There is honesty and fairness in my performance review					
Performance management system helps supervisor to become a better leader					
The PMS will result in fair Performance monitoring and evaluation of staff members					
In my opinion , the performance evaluation form used to evaluate my performance is capable of distinguishing effective performers from ineffective performers					
Monitoring and evaluation process helps to improve performance and achieve results					
I have ways to appeal a performance rating that I think is biased or inaccurate					
The Monitoring and Evaluation process is positively related to my performance in the organization.					
Senior management demonstrates that they take performance reviews seriously.					
Performance is measured against the factors previously agreed upon					

Constant monitoring by my immediate supervisor encourages me to perform well					
Performance management is completely measurable and fair to employees					
My rater is influenced by his/her personal liking and dislike when evaluating my performance					
Performance management system encourages co-operation & team spirit which leads to better employee performance in my branch					

Feedback

Statement	1	2	3	4	5
Supervisors are well informed about my work					
Supervisors have reasonable expectations from my work					
My Supervisors discuss regularly my job performance with me					
Feedback improve communication in my work place					
I am given clear instruction and objectives					
My supervisors gives me fair feedback					
I clearly understand my supervisors comments and opinion during the feedback					
I am satisfied from the relationship with my supervisor					
Supervisors set guide line for improving feedback during performance review.					
Supervisors provide continuous, timely and constructive feedback to subordinates.					
The feedback I get is improving my performance to the organization					

Reward

Statement	1	2	3	4	5
Pay decisions are linked to performance achievements					
PMS establishes a clear connection between Performance and Rewards.					
Reward system can help me to improve my performance					
Effective personal recognition is provided during review meeting					
My manager recognizes me when I do a good job					

Employee Performance

Statement	1	2	3	4	5
The level of employee productivity in the organization is high as compared to the beginning					
The current level of employee productivity is high					
The current level of the decision making process in the organization is highly formal					
The quality of the services in the organization is high					
The ability of the employees to be innovative is high					
The set target goals of the organization are met successfully					