



Assessment of Performance Management Practices in Commercial Bank of Ethiopia

**A Research Paper Submitted to the School of Graduate Studies
in Partial Fulfillment of the Requirements for Degree of Master
in Business Administration (MBA)**

By

Alehegn Ayanaw (GSE/1447/07)

Advisor

Gemechu Waktola, PH. D

May 2017

Addis Ababa, Ethiopia

By

Alehegn Ayanaw

Approved By:

Gemechu Waktola (PhD)

May, 2017

Advisor

Signature

Date

Examiner

Signature

Date

Examiner

Signature

Date

DECLARATION

I, Alehegn Ayanaw, hereby declare that “*The assessment of performance Management Practices*” the case of Commercial Bank of Ethiopia is my own work and it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has made in the text. It is submitted for the degree of Masters in Business Administration (MBA) Addis Ababa University College of Business and Economics.

Declared By

Alehegn Ayanaw

.....

May 2017

Student

Signature

Date

Confirmed By

Gemechu Waktola (PhD)

.....

May 2017

Advisor

Signature

Date

Acknowledgements

I would like to express my deepest gratitude to my advisor Dr. Gemechu Waktola (Asst. Professor) for his dedication, advises and technical support, in spite of his work load to supported me to see deeply into the essence of the subject of the study. Then I would also thank employees of Commercial Bank of Ethiopia who participated in filling the questionnaires and interviews.

Table of Contents

List of Tables.....	vi
List of Figure.....	vi
Acronyms	vii
Abstract	viii
Chapter One.....	1
Introduction	1
1.1. Background of the Study.....	1
1.2. Statement of the Problem	3
1.3. Research Questions	6
1.4. Objectives of the Study	6
1.4.1. General Objective of the Study	6
1.4.2. Specific Objectives of the Study	6
1.5. Operational Definition of Variables	7
1.6. Significance of the Study	8
1.7. Scope/Delimitation of the Study	8
1.8. Limitations of the Study	9
1.9. Organization of the Study	9
CHAPTER TWO.....	10
REVIEW OF RELATED LITERATURE	10
2.1. History of Banking in Ethiopia	10
2.2. Meaning and Definition of Performance.....	11
2.3. Meaning and Definition of Performance Management (PM)	11
2.4. Performance Management System (PMS)	13
2.5. Principles of Performance Management System	14
2.6. Purpose of Performance Management System (PMS).....	15
2.6.1. Strategic Purpose.....	16
2.6.2. Administrative Purpose	16
2.6.3. Information Purpose.....	16
2.6.4. Developmental Purpose.....	16
2.6.5. Organizational Maintenance Purpose.....	17
2.6.6. Documentation Purpose.....	17

2.7. Process of Performance Management	17
2.7.1. Performance Planning.....	18
2.7.2. Performance Execution.....	19
2.7.3. Performance Assessment.....	21
2.7.4. Performance Review	22
2.8. Performance Management Best Practices	23
2.9. Alignment of Performance Management with Business Strategy.....	24
2.10. Effective Implementation of PMS.....	25
2.11. Challenges in Implementation of PMS	28
2.12. PMS policies and procedures	29
2.13. HRM Philosophies	29
2.14. Summary of Review of Related Literature	31
2.15. Conceptual Framework	31
CHAPTER THREE.....	33
RESEARCH DESIGN AND METHODOLOGY.....	33
3.1. Research Design.....	33
3.2. Method of Data Collection.....	33
3.3. Reliability and validity	34
3.4. Sampling Technique.....	35
3.5. Methods of Data Analysis.....	37
3.6. Ethical Consideration	37
CHAPTER FOUR.....	38
DATA PRESENTATION, ANALYSIS AND DISCUSSION	38
4.1. Characteristics of Demographic Variables.....	39
4.2. Nature of Performance management system.....	41
4.3. Problems Underlying PMS.....	42
4.4. Alignment of PMS with business strategy	44
4.5. Integration of PMS with other HR functions	46
4.6. HRM philosophy	47
4.7. Policies and procedures of PMS.....	48
4.8. Contribution of PMS Outcomes for Decision Making.....	49
4.9. Interview with District HR Business Managers and Senior HR Officer.....	51

CHAPTER FIVE.....	54
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION.....	54
5.1. Introduction.....	54
5.2. Summary of major findings.....	54
5.3. Conclusion.....	56
5.4. Recommendations.....	57
REFERENCE	
Annex I	
Annex II	

List of Tables

Table 1 Reliability Statistics.....	34
Table 2. Sample size for different size of population at a 95% level of certainty (assuming data are collected from all cases in the sample)	36
Table .3 Sample size distribution.....	37
Table 4 Characteristics of Demographic Variables.....	39
Table 5 Summary of Responses related to nature of PMS	41
Table 6 Summary of Responses related to Problems Underlying PMS	43
Table 7 Summary of Responses related to Alignment of PMS with business strategy.....	44
Table 8 Summary of Responses related to Integration of PMS with other HR functions ..	46
Table 9 Summary of Responses related to HRM philosophy	48
Table 10 Summary of Responses related to Policies and procedures of PMS	49
Table 11 Summary of Responses related to Contribution of PMS outcomes for decision making.....	50

List of Figure

Figure 1 Conceptual Framework of the study.....	32
---	----

Acronyms

CBE - Commercial Bank of Ethiopia

HR - Human Resource

HRM - Human Resource Management

PM - Performance Management

PMS - Performance Management System

SPSS - Statistical Package for Social Sciences

Abstract

The basic purpose of this study is to assess performance management practices of Commercial Bank of Ethiopia by providing practical solutions and recommendations so that bank can choose the best option. And in this way the firm can improve its Performance Management Practices. Qualitative and Quantitative (Mixed) research methodology has been used by researcher. Through this mixed approach data is collected and analyzed. To identify the PM issues self-administered questionnaires and structured interviews were conducted from the employees related with different departments of Commercial Bank of Ethiopia. The collected data from sampled respondents (361) has been analyzed descriptively by using SPSS version 20 software. The research findings have shown that CBE have facing different problems from its current performance management system. Current performance management system of Commercial bank of Ethiopia lack effective goal communication. Lack of individual and organizational goals alignment, unfair job rotation, tendency of giving unbalanced targets, unclear understanding of vision and strategy of the bank, poor translation of vision and strategy are problems underlying PMS implementation of the bank. There is disintegration of PMS with other HR functions, poor HRM focus for PMS, policy and procedures are not conducive and PM outcomes contribute less for decision making. This research shows that the performance management practice of Commercial bank of Ethiopia didn't communicate its goals to performers effectively. Again PMS lacks alignment with bank's business strategy, PMS is not integrated with other HR functions, appropriate policies and procedures are not developed, and outcomes of PM have no significance contribution for decision making. And also HRM of the bank didn't give enough attention for PMS. On the basis of the findings, the researcher recommended that the bank has to be making sure that goals are effectively communicated, avoid problems underline PMS, align PMS with business strategy, integrate PMS with other HR functions, give strategic concern for PMS, develop job conducive policy and procedures, and use PM outcomes for decision making.

Key words: Performance Management System, Human Resource Management, Commercial Bank of Ethiopia.

Chapter One

Introduction

In this section of the study, the researcher included back ground of the study, background of the company, statement of the problem, basic research questions, general and specific objectives of the study, operational definition of terms, study significance, scope of the study, limitation of the study and organization of the study.

1.1. Background of the Study

In today's hard economic condition it is important for companies to be successful and competitive on the market. Performance Management(PM)represents a strategically oriented and integrated process enabling a company to be permanently successful and competitive both as a result of permanent improvement of work performance of the organization's employees and as a result of permanent extending and deepening of skills of individuals and team in the organization. According to different international studies performed recently a system of management of performance is directly affected by the areas such as: financial results, productivity, quality of products/services, and satisfaction of customers as well as satisfaction of employees (*Vodak, 2013*).

Organizations with motivated and talented employees offering outstanding service to customers are likely to pull ahead of the competition, even if the products offered are similar to those offered by the competitors. Customers want to get the right answer at the right time and they want to receive their products and services promptly and accurately. Only people can make these things happen and produce a sustainable competitive advantage (*Aguinis, 2009*). Human resource management is fundamental to all management activity in that it is a series of activities which: first, enables working people and the business which uses their skills to agree about the nature and objectives of their working relationship; and, second, ensures that the agreement is fulfilled. Performance Management as one of the aspects of human resource management is a process of advancing the performance of the organization to the higher expectation by developing the performance of individuals and teams in a systematic way (*Armstrong, 2009*). Performance management systems are key tools that can be used to transform people's talent and

motivation into a strategic business advantage (Aguinis, 2009). It is the process of cascading the goal of the organization down to teams and individuals with the aim of getting a better result (Armstrong, 2009). In an effective performance management system, it is easy for managers to evaluate and measure individual performance and increase productivity by aligning individual and strategic objective, providing visible and clear performance expectation, documenting individual's performance for future decision and focusing on skill development plan. Having the right performance management system is a concern of every organization because it is an important gear of any organization to be a front runner in the market by evaluating and developing employee performance in order to get enhanced organizational success.

As indicated from the company manual, starting from November 2010, the Commercial bank of Ethiopia has initiated the institutionalization of the balanced scorecard as a strategic management tool that would enable it to formulate and implement its strategy and track its performance accordingly. Since then, it has successfully implemented it in terms of achieving objectively measuring the contribution of processes, districts and branches towards the realization of the annual goals and targets proposed at the respective levels. This has created a fertile ground to link employees' performance with organizational objectives and goals. This in effect has brought about the creation of a mechanism that helps to visualize explicitly their contributions at corporate level as well. However, the integration of corporate performance indicators and measuring the outcomes at the individual level was missing. Following this, the implementation of employee performance management system was begun with the main aim of aligning the strategic objectives of the bank to that of individual level so that each individual employee performance will be tracked in relation to the targets or goals given to the respective place of assignment. It is also implemented to provide a context in which the development need of the job holders can be addressed and allows the bank to manage its resources within a strategic framework and achieve better performance so that the bank can realize its vision to become a world class commercial bank by the year 2025. Cognizant to this, the main aim of the research is to assess performance management practices in the bank.

1.2. Statement of the Problem

One of the most important success factors in today's turbulent and competitive business environment is an energetic, competent, motivated, productive and highly committed and innovative human resource. With the realization that Human Resource (HR) is indeed an organization's valuable asset and hence, a source of competitive advantage, there is a need for organizations to address the effectiveness of their employee participation in decision making, performance management and career planning systems as well as how responsive these practices are in enhancing job commitment of employees (Carr & Kline, 2016). The success, survival and competing power of Organizations depend on the commitment of their members, and this may to a large extent depend on how satisfied the employees are in respect of the organization's Performance Management System (PMS), extent of participation in decision making as well as career planning strategies. The concept of PMS therefore, plays an important role in HRM philosophy.

Performance management system (PMS) is an important Human Resource Development (HRD) mechanism designed and utilized for the all-round development and growth of employees as well as organizations. PMS is the organizational tool that is related with evaluation, execution and improvement of organizational performance. PM helps in making strategies and provides easy way to employees for future insights. PMS is being used to evaluate whether employees at various levels perform their assigned jobs as per the expectations of their supervisors & set standards. The information generated from such performance management programs generally help the management to implement certain administrative and developmental decisions regarding selection, placement, promotion, rewards training and termination (*Showkat, 2013*).

PMS has more influence on individual careers and work lives than any other management process. Performance management can both make a business more efficient and help keep employees motivated. By evaluating people at regular intervals, appraisals help firms show where their employees excel, where they can improve, and how well they have followed the goals set by the firm (*Kondrasuk, 2011*).

Due to intense market competition businesses are focusing towards becoming more efficient and effective. Now organizations are developing and implementing the performance management system according to their culture. Basic key elements of PM are planning, monitoring and rewards. For more productivity it is necessary to identify the performance of individuals and provide improvement measures (Akram& Mughal, 2014).

There is a need to work more on PMS of banking industry to support other sectors because banking sector occupies a significant position in the global economy. They provide basic financial services to large segment of people; financing the commercial enterprises and make credit and liquidity available to the market. Since 2007, many countries in the world, including the UK, have experienced what could possibly be called the worst economic crisis in history (Souad, 2012).

When PM is done well, it leads to many desirable results. However, poorly designed PM systems can easily cause more harm than good. Given the stakes of PM administration, it is imperative that care is taken in the development and deployment of an organization's PM system. A thoughtfully designed and implemented system allows for competitive advantages, from the maintenance of a committed, strategically aligned, and well-developed talent pipeline to the ability to make legally defensible and data-driven human capital decisions (Carr& Kline, 2016).

However, effective and fair administration of performance management has remained one of the most challenging tasks in human resource management. Though PMS is faced with implementation challenges, teachers interviewed appreciated the need for a system like PMS that could be used to measure their performance. However, the feeling is that the system should be redesigned to suit the school environment and not the current one size fit all approach. For better implementation and monitoring, teacher's responsibility of PMS should not do day to day teaching as combining PMS coordination with teaching compromises its effective implementation (Boipono, et.al 2014).

According to Akram & Mughal (2014), Employees of Alfalah bank have encountered various performance related problems: such as problem of dissatisfaction from their current performance management, lack of motivation and proper reward system,

employees are not involved in setting standards of PMS, and forms and other tools of PMS are not according to employee job and responsibilities.

Another study conducted by Penel (2016) on Berehan International Bank uncover that Performance Management is not communicated to employees, feedback is not provided on the basis of facts, results, and behaviour and performance gaps, and PMS is not effectively implemented.

The reason for the existence of performance management system in an organization is to improve organizational result, deploy a culture that will attract and develop employees, create a good relationship between leaders and employees, enhance meaningful work cooperation among employees, generate an opportunity for growth and development and to make clear on an understanding of work objectives. Effective performance management systems have a well-articulated process for accomplishing evaluation activities, with defined roles and timelines for both managers and employees. Especially in organizations that use performance management as a basis for pay and other HR decisions, it is important to ensure that all employees are treated in a fair and equitable manner (Poulkas, 2004).

The commercial bank of Ethiopia has implemented employee performance management system in order to aligning the strategic objectives of the bank to that of individual level. However, as shown in the performance management system follow-up report of the bank (2014), the implementation has been encountered different types of challenges like; unbalanced goals and targets were assigned for employees assigned at different assignments while they are at the same job grades, un alignment of performance management system with benefit packages and two extreme appraisal score (1 and 4) for internal business process target have been given. There is a tendency of evaluating individual performance on the target not actually given for them in the bank.

Through a well-developed and motivated staff, achieving its vision and mission means a lot for the bank. As a result, commercial bank of Ethiopia needs a well designed and implemented performance management system to enhance the performance of its employees who are responsible in serving variety of customers.

1.3. Research Questions

Considering the importance of employee performance management system and some above mentioned implementation problems in the bank, the main aim of the study is to assess the performance management practice in Commercial Bank of Ethiopia through addressing the following basic research questions:

1. What is the nature of performance management practice in Commercial Bank of Ethiopia?
2. What are the major problems underlying the performance management practice of the Bank?
3. Are performance management practices aligned to business strategy of the Bank?
4. How performance management system integrates with other functions of HR in CBE?
5. What are HRM philosophies of Commercial Bank of Ethiopia?
6. What looks like Commercial Bank of Ethiopia policies and procedures of PMS?
7. How is the outcome of performance management contributed for decision making in CBE?

1.4. Objectives of the Study

1.4.1. General Objective of the Study

The general objective of this study is to assess the Performance Management practices of Commercial Bank of Ethiopia.

1.4.2. Specific Objectives of the Study

The study tried to address the following specific objectives:

1. Explore the nature of performance management practice in Commercial Bank of Ethiopia.
2. Identify the major problems underlying the performance management practice of the Bank.
3. Know the alignment of performance management practices to business strategy of the Bank.

4. Identify the integration of performance management to other functions of HR.
5. Know HRM philosophies of Commercial Bank of Ethiopia.
6. Identify appropriate policies and procedures of PMS in the Commercial Bank of Ethiopia.
7. Uncover the contribution of performance management outcomes for decision making.

1.5. Operational Definition of Variables

The researcher tried to answer the above questions based on variables of Nature of PMS, Problems underlying PMS, Alignment of PMS with business strategy, Integration of PMS with other HRM functions, HRM philosophies, Policies and procedures of PMS, and Contribution of PMS Outcomes for Decision Making.

PMS: PMS is an evolving of formal and informal mechanisms, processes, systems, and networks used by organizations for conveying the key objectives and goals elicited by management, for assisting the strategic process and ongoing management through analysis, planning, measurement, control, rewarding, and broadly managing performance, and for supporting and facilitating organizational learning and change.

Problems underlying PMS: This can be different obstacles that may hinder effective designing and implementation of PMS in the Commercial Bank of Ethiopia.

Alignment of PMS with business strategy: Refers the proper positioning of PMS with organizations business strategy. A strategy is an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage.

Alignment of PMS with other HRM functions: In developing a performance management system, it is important to ensure that it is aligned with other HR systems in the organization. This not only ensures that employees are being hired, trained and appraised on a consistent set of critical job requirements, but it also sends a strong message, internally and externally, about what is valued by the organization.

HRM philosophies: The view of top management to employees of the organization plays an important role for the organizations and employees' success. HRM philosophy deals with whether senior managers consider HRM as a strategic or functional unit of the company.

Policies and procedures of PMS: are a set of documents that set forth principles, rules, authorities, responsibilities and actions for an organization's management and operations about their performance management functions.

Contribution of PMS Outcomes for Decision Making: represented by strategic, administrative, informational, developmental, organizational maintenance, and documentation functions (Aguinis, 2011).

1.6. Significance of the Study

This study tried to match modern best practices of performance management with Commercial Bank of Ethiopia performance management practice. Additionally, it identifies key improvement areas and recommends ways to improve the current System of Performance Management. Therefore, the researcher identifies the major gaps of the existing Performance Management System and recommends ways of improvement.

The commercial bank of Ethiopia will obtain the necessary feedback and take corrective measure to ensure the successful implementation of performance management system.

The research will add something on the literature regarding the performance management system.

Also the study is a starting point for studies and investigations in the area of performance management practice of Commercial Bank of Ethiopia. Lastly the paper enhances knowledge and experience of the researcher on the field of research.

1.7. Scope/Delimitation of the Study

The study deals with the assessment of performance management practices of Commercial Bank of Ethiopia. The research has been conducted by taking sample from Addis Ababa City Branches with Head office organs.

1.8. Limitations of the Study

The research focuses on a single HRM function, performance management system. Additionally, the researcher uses data of the Bank published as of September 30, 2016. Financial and time constraints are other limitations of the study.

1.9. Organization of the Study

This study has five chapters. The first chapter deals with an introductory part which contains a brief background of the study, statement of the problem, research questions, and objectives of the study, significance of the study, limitation of the study and scope of the study.

The second chapter deals with a detail review of related literatures. In chapter three research design and methodology has been discussed. In this chapter the design of the study, the sample size, source and tools of data collection are presented.

Chapter four has been explained the results and discussions by summarizing the findings of the study and chat about the findings and relate with the literature review. Finally, chapter five present summary of findings, conclusions, and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. History of Banking in Ethiopia

According to Commercial Bank of Ethiopia Portal, cbe.prtal (2016) Ethiopian banking history, in its modern sense, began towards the end of the reign of Emperor Menelik. This period witnessed the establishment of the country's first bank, the Bank of Abyssinia, which was an affiliate of the National Bank of Egypt, and was founded in 1905. National Bank of Egypt having been entrusted of the project, the new institution was chartered in Cairo and its shares were subscribed in a number of countries besides Ethiopia. The Bank of Abyssinia was given a 50-years concession and was engaged in issuing notes, collecting deposits and granting loans, but its clients were mostly foreign businessmen and wealthy Ethiopians.

A few years later, disappointed by the behaviour of this bank, mainly devoted to profit-making rather than promoting economic development, the Emperor supported the establishment of a wholly Ethiopian bank, the Société Nationale d'Ethiopie pour le Développement de l'Agriculture et du Commerce. Haile Sellassie, after acceding to the throne in 1930, could not accept that the country's issuing bank was foreign-owned and, in agreement with National Bank of Egypt, decided to liquidate the Bank of Abyssinia. A new bank, the Bank of Ethiopia, under Government control, was established in 1931 and retained management, staff, premises and clients of the old bank, which was liquidated during the Italian occupation in 1936 (cbe.portal, 2016).

The Italian invasion of 1935 put a different complexion on the evolution of banking in Ethiopia. The operations of Bank of Ethiopia were replaced by subsidiaries of the Italian parent banks of Banco d' Italia, Banco di Roma Banco, di napoli and Banco Nazionale del Lavarò. After the end of the fascist occupation, it was the turn of a British-based bank, Barclays Bank, to set up shop on Ethiopian soil in 1941; but it was shortly afterwards (1943) that it was replaced by the state Bank of Ethiopia. The state bank of Ethiopia continued the dual role of a central and a commercial bank it had inherited from its

predecessors. The year 1963 was yet another landmark in the annals of the history of banking in Ethiopia. A formal Monetary and Banking law was proclaimed for the first time, separating the central and commercial banking. Hence the National Bank of Ethiopia and the Commercial Bank of Ethiopia were separately created as a central bank and a commercial bank, respectively (cbe.portal, 2016).

Following the demise of the Dergue regime in 1991 that ruled the country for 17 years under the rule of command economy, the EPRDF declared a liberal economy system. In line with this, Monetary and Banking proclamation of 1994 established the national bank of Ethiopia as a judicial entity, separated from the government and outlined its main function (cbe.portal, 2016).

2.2. Meaning and Definition of Performance

According to Dooren et al, (2010), performance is associated with a range of actions from the simple and prosaic act of opening a car door, to the scaffolding of an elaborate re-enactment of the Broadway musical „Chicago“.

Performance can be defined as „the impersonate act or process of performing a task or an action that involve a lot of effort“ (Oxford Advanced Learner Dictionary, 2006). It can be also defined as a combination of both results-*what need to be achieved* and behaviours-*how to be achieved*. Simply, performance can be regarded as a record of an outcome or accomplishment achieved by a person or a team (Armstrong, 2009). Since they are interrelated, it is viable to conclude that when managing performance both inputs (behaviour) and outputs (results) need to be considered.

2.3. Meaning and Definition of Performance Management (PM)

Different scholars in the area of Human Resource Management provide various definitions of performance management. Some of the definitions are presented and discussed in the following paragraphs.

In today’s hard economic conditions it is important for companies to be successful and competitive on the market. Performance Management represents a strategically oriented

and integrated process enabling a company to be permanently successful and competitive both as a result of permanent improvement of work performance of the organization's employees and as a result of permanent extending and deepening of skills of individuals and team in the organization (Vodak, 2013). As the definition PM is an integrated activity which makes the company retaining its success for a long lasting period.

Performance management is a continuous process of identifying, measuring and developing performance in organizations by linking each individual's performance and objectives to the organization's overall mission and goals (Aguinis, 2011). Aguinis elaborates this definition by focusing on its two components: i.e. Through Continuous process, Performance management is ongoing and it involves a never-ending process of setting goals and objectives, observing performance, and giving and receiving ongoing coaching and feedback. By link to mission and goals, Performance management requires that managers ensure that employees' activities and outputs are congruent with the organization's goals and, consequently, help the organization gain a competitive business advantage. The definition shows as there is a direct relationship between employee performance and organizational goal.

Performance management deals with the challenge organizations face in defining, measuring, and stimulating employee performance with the ultimate goal of improving organizational performance. Thus, performance management involves multiple levels of analysis and is clearly linked to the topics studied in strategic human resource management (HRM). Therefore, Performance management involves aligning HRM practices so that employee performance and development are enhanced, with the aim of maximizing organizational performance. Aligning HRM practices directly involved in performance management also affects other practices, such as selection (Hartog, et al, 20014).

Aguinis (2011) states performance management is basically related with finding out weaknesses their improvement and establishment of performance of individual. Additionally, he states that this process includes the alignment of vital goals with individual performance and proper feedback. As he said aligning goals with individual performance by accompanying through backward communication is PMS Process.

According to Giannetto (2009), Performance management (PM) is a goal-oriented process directed toward ensuring that organizational processes are in place to maximize the productivity of employees, teams, and ultimately, the organization. It is a major player in accomplishing organizational strategy in that it involves measuring and improving the value of the workforce. PM includes incentive goals and the corresponding incentive values so that the relationship can be clearly understood and communicated. This definition implies that the productivity of employees directly improves/influences the productivity of organizations.

Performance management is a way of getting maximum results from people by analyzing their performance and making beneficial changes to attain the requirements (Asab et al, 2014). The author clearly states that PM is the method of gaining higher pay off by adopting changes.

2.4. Performance Management System (PMS)

Armstrong (2009) states that establishing a single definition of the PMS concept is difficult but they view PMS as the evolving formal and informal mechanisms, processes, systems, and networks used by organizations for conveying the key objectives and goals elicited by management, for assisting the strategic process and ongoing management through analysis, planning, measurement, control, rewarding, and broadly managing performance, and for supporting and facilitating organizational learning and change.

PMS can be specified as a main process which allows transforming basic strategic priorities, values and particularly objectives of the company into performance or into particular objectives of every employee. It is based on the principle of interconnection of company performance management which defines key measures of performance into the highest level of management up to the level of particular objects of management (organizational units, work positions) and an individual system of performance management which defines both particular work objectives and required work conduct on the level of particular work positions (employees) (Vodak, 2013).

According to Armstrong (2009) Performance management system refers to a set of interrelated activities and processes that are treated holistically as an integrated and key component of an organization's approach to managing performance through people and developing the skills and capabilities of its human capital, thus enhancing organizational capability and the achievement of sustained competitive advantage.

Although various scholars define PMS in different ways, from the above definitions and continuous nature of performance management can conclude that PMS more emphasizes on process than system or mechanism.

2.5. Principles of Performance Management System

Performance management is primarily concerned with performance improvement in order to achieve organizational, team and individual effectiveness. Secondly, performance management is concerned with employee development. Performance improvement is not achievable unless there are effective processes of continuous development. This addresses the core capabilities of the organization and the specific capabilities of individuals and teams. Performance management should really be called performance and development management. Thirdly, performance management is concerned with satisfying the needs and expectations of all of an organization's stakeholder owners, management, employees, customers, suppliers and the general public. In particular, employees are treated as partners in the enterprise whose interests are respected, who have a voice on matters that concern them, and whose opinions are sought and listened to (Armstrong, 2006). Performance management should respect the needs of individuals and teams as well as those of the organization, recognizing that they will not always coincide. Finally, performance management is concerned with communication and involvement. It creates a climate in which a continuing dialogue between managers and the members of their teams takes place in order to define expectations and share information on the organization's mission, values and objectives. This establishes mutual understanding of what *is* to be achieved and a framework for managing and developing people to ensure that it will be achieved. Performance management can contribute to the development of a high-involvement organization by getting teams and individuals to participate in defining their objectives and

the means to achieve them. Just like any other profession, performance management have principles which govern the entire system. The following are some of them identified by Armstrong, 2009:

1. It translates corporate goals into individual, team, department and divisional goals;
2. It helps to clarify corporate goals;
3. It is a continuous and evolutionary process, in which performance improves over time;
4. It relies on consensus and co-operation rather than control or coercion;
5. It creates a shared understanding of what is required to improve performance and how this will be achieved;
6. It encourages self-management of individual performance;
7. It requires a management style that is open and honest and encourages two-way communication between supervisors and subordinates;
8. It requires continuous feedback; Feedback loops enable the experiences and knowledge gained on the job by individuals to modify corporate objectives;
9. It measures and assesses all performance against jointly agreed goals;
10. It should apply to all staff; and it is not primarily concerned with linking performance to financial reward.
11. It is owned and driven by line management and not by the HR department; performance management is not a packaged solution but something that has to be developed specifically and individually for each particular organization.

2.6. Purpose of Performance Management System (PMS)

According to Aguinis (2011) the information collected by a performance management system (PMS) is most frequently used for salary administration, performance feedback and the identification of employee strengths and weaknesses. Generally, performance management systems (PMS) can serve the following purposes: Strategic, Administrative, Information, Developmental, Organizational maintenance, and Documentation.\

2.6.1. Strategic Purpose

From the very beginning performance management systems helps top management to achieve the strategic business objectives. By linking the organization's goals with individual goals, the performance management system reinforces behaviours consistent with the attainment of organizational goals. Moreover, even if for some reason individual goals are not achieved, linking individual with organizational goals serves as a way to communicate what are the most crucial business strategic initiatives.

2.6.2. Administrative Purpose

A second function of PMS is to furnish valid and useful information for making administrative decisions about employees. Such administrative decisions include salary adjustments, promotions, retention or termination, recognition of individual performance, identification of poor performers, layoffs and merit increases. Therefore, pay and benefits of employees are managed under this purpose.

2.6.3. Information Purpose

PMS serve as an important communication device. First, they inform employees about how they are doing, and provide them with information on specific areas that may need improvement. Second, related to the strategic purpose, they provide information regarding the organizations and the supervisor's expectations, and what aspects of work the supervisor believes are most important.

2.6.4. Developmental Purpose

As noted above, feedback is an important component of a well-implemented performance management system. This feedback can be used in a developmental way. Managers can use feedback to coach employees and improve performance on an ongoing basis. This feedback allows for the identification of both strengths and weaknesses and of the causes of performance deficiencies. Additionally, by developmental purpose, employees receive information about themselves that can help them to facilitate their professional development. Generally, developmental purpose concerned with short-term and long-term development aspects.

2.6.5. Organizational Maintenance Purpose

Providing information used in workforce planning is a fifth purpose of PMS. Basically workforce planning effort is talent inventory which is information on current resources (skills, abilities, and promotional potential and assignment histories of current employees). PMS are the primary means through which accurate talent inventories can be assembled. Additionally, PMS serve to assess future training needs, evaluating performance achievements at the organizational level, and evaluating the effectiveness of HR interventions.

2.6.6. Documentation Purpose

Performance data can be used to validate newly proposed selection instruments. Also performance management systems allow for the documentation of important HR decisions: especially useful in the case of litigation.

2.7. Process of Performance Management

As have noted from the definition of PM it is a process than a system of mechanism. Scholars in the area propose various forms of PM processes. According to USF (2011) Performance Management Process has four steps: Performance planning, Day-to-day coaching and feedback, Quarterly performance check-in, and Formal performance review. Effective Performance management process will have five steps: performance planning, ongoing feedback, employee input, performance evaluation, and performance review. Another form of PM process suggested by Carr& Kline, (2016) which have six steps: collaborative performance planning, creation of a developmental plan, employee works toward goals, manager provides feedback, reinforcement & resources, performance assessment, and performance review discussion.

Whether they put in different ways all definitions of the listed authors have common characteristics, which encompass four phases of performance management process: performance planning, performance execution, performance assessment, and performance review.

2.7.1. Performance Planning

At this stage employer or supervisor will discuss with its employees or subordinates about their performance expectations. Performance expectation comprises behaviours expected to reflect, results they are expected to achieve and development plan in the future production period.

“Result represents outcomes that an employee must perform quality products and services with time in accordance to personal accountabilities” Poulkas (2009).

Behaviours reflect how an employee goes about getting the job done i.e. how the individual supports the team, communicate, mentor others and so forth. In many times employees found around our working area who achieve discretionary results while it is too hard to work with, ungraceful or exhibit maladaptive behaviours at work. The reason is this type of behaviours can be highly interruptive. One of the core elements to be considered in the working condition is behaviour. The other aspect may get highly helpful, passionate, circumspect, and interpersonally effective, yet never achieve any important results.

There is a need of stalemate between organization’s strategic direction and corporate objectives and behavioural and results expectations. Well designed and implemented PMS lead’s employees to behavioural engagement and results which enables the organization to achieve its desired objectives (Poulkas 2009). Additionally, Smither and London (2009) states “behaviour is a basic measure of results on how employees do their job by analyzing on competencies. Which are measurable clusters of knowledge, skills, and attitudes (KSAs) that are critical factors in determining how results will be achieved”?

As have noted from the above statements, the difference between result and behaviour is clearly identified. Results contained actual job outputs, countable products, measurable outcomes and accomplishment, and objectives achieved. Its basic concern is personal achievement. On the other hand, behaviour represents competencies (skills, expertise and proficiencies, the individual’s adherence to organizational values, and the person’s style, manner and approach).

Development plan is the last element of performance planning. This includes Set SMART development goals, identifying what knowledge/skills will the employee work to develop or enhance/retain in the upcoming year. Goals define what results the employee will strive to achieve by the end of an established time period. Generally, development plan helps to identify strength and weakness of employees, and suggest ways to retain their strength and reduce their weakness.

Chompukum (2011), states that performance planning deals with cascading organizational goals to individual goals, agreeing objectives, competency requirements, and personal development plans. Performance management is a mechanism to join together individuals' performance with an organizational performance through aligning organizational goals with individual goals. Once organizational goals have been set, they are cascaded down through the organization. As state previously during performance planning supervisors and employees get together. Prior to their meeting, on the first hand supervisors are responsible to make the review of mission, vision and values statement and department's goal. Secondly they should read the individuals job description and thinking about the goals and objectives which the employees is expected to achieve in the appraisal period. Identifying the core competencies and determining what consideration should be taken to the successfulness of performance in each area are third and fourth responsibilities of supervisors.

Lastly, discuss and come to an agreement with the individual on the core competencies, key position responsibilities and goals and also he/she is responsible to come to an agreement on the development plan of an employee discuss and come to an agreement with the individual on the most important competencies, key position responsibilities and goals and also he/she is responsible to come to an agreement on the development plan of an employee during the meeting is supervisor's responsibility. To the contrary employee are responsible to make the performance management system effective and successful.

2.7.2. Performance Execution

Employees dedicate to produce the results and display the behaviours agreed at the beginning as well as to work on development needs. The employees are main responsible

and owners of performance execution process. Even though the basic responsibility of employees is at this stage“ they need to have active input in the development of the job descriptions, performance standards, and the creation of the rating form performance planning phase. Employees should also have active participation at the stages of performance evaluation process. They provide a self - assessment and the Performance review interview - a two - way communication process. At this stage supervisor have first-hand responsibility for the following areas: (Agunis, 2009).

Observation and documentation; it is the supervisors must responsibility. Observation and documentation of performance on a daily basis is their duty. Examples of best and poor performance should be recorded and documented for further progress.

Updates; when the organizations amend or modified its goals, it is better to renew and refresh their first objectives, standards, and key accountabilities (in the case of results) and competency areas (in the case of behaviours).

Feedback; before the assessment time has completed feedback on progression toward goals and coaching to improve performance should be provided on a regular basis.

Resources; employees should get facilities (resources and opportunities) from their supervisors to have active involvement on the development activities. Supervisors should encourage their subordinates to participate in training classes, and special assignments. Generally, supervisors have a responsibility to ensure that the employee has the necessary supplies and funding for proper performance of the job.

Reinforcement; creating knowhow or understanding for employees about the noticeably and recognition of their discretionary performance and progress toward goals is supervisors job. Providing feedback regarding bad accomplishment and how to dissolve the observed problems is other function of supervisors. Observation and communication are not sufficient. Performance problems must be diagnosed early and appropriate steps must be taken as soon as the problem is identified.

2.7.3. Performance Assessment

Evaluating the extent to which the desired behaviours have been displayed, and whether the desired results have been achieved is the responsibility of both the employee and the manager. Although many sources can be used to collect performance information (for example, peers or subordinates), in most cases the direct supervisor provides the information. This also includes an evaluation of the extent to which the goals stated in the development plan have been achieved. It is important that both the employee and the manager take ownership of the assessment process. The manager fills out his or her appraisal form, and the employee should also fill out his or her form. The fact that both parties are involved in the assessment process provides better information to be used during the review phase (Smither and London, 2009).

When both the employee and the supervisor are active participants in the evaluation process, there is a greater likelihood that the information will be used productively in the future. Specifically, the inclusion of self - ratings helps emphasize possible discrepancies between self-views and the views that important others (that is, supervisors) have. It is the discrepancy between these two views that is most likely to trigger development efforts, particularly when feedback from the supervisor is more negative than are employee self - evaluations. The benefit of self-appraisal is to reduce an employee's defensiveness during the assessment meeting and also to increase employee's satisfaction and trust in the performance management system. The time for the formal performance appraisal nears, the manager reflects on how well the subordinate has performed over the course of the year, assembles the various forms and paperwork that the organization provides to make this assessment, and fills them out. The manager may also recommend a change in the individual's compensation based on the quality of the individual's work (Grote, 2002). Habitually, people think that performance appraisal is an event required by the personnel department in which the manager fills out the form and then uses it to give feedback which is totally wrong. Rather performance assessment is one of the most important processes in performance management system in which supervisors are assessing their subordinates regarding their performance in the past which lays a ground for keeping the strength and improving on the weaknesses and working on the development plan for the future.

Managers often complain that evaluating someone's performance is difficult. The reason that they find it difficult is usually that they have not done a good job of performance planning at the beginning of the year. If a manager has not held a planning discussion at that time, it's difficult to evaluate performance at the end of the year. According to Armstrong, 2009 there are seven ways of assessing performance: Overall analysis of performance, Narrative Assessment, Rating, forced distribution, Forced ranking, Quota systems, and Visual methods of assessment.

2.7.4. Performance Review

The performance review stage usually called the appraisal meeting or discussion, involves the meeting between the employee and the manager to review their assessments. The appraisal meeting is important because it provides a formal setting in which the employee receives feedback on his or her performance. In spite of its importance in performance management, the appraisal meeting is often regarded as the most difficult of the entire process because many managers are uncomfortable providing performance feedback, particularly when performance is deficient. This high level of discomfort, which often translates into anxiety and the avoidance of the appraisal interview, can be mitigated through training those responsible for providing feedback (Smither and London, 2009). Providing feedback in an effective manner is extremely important because it leads not only to performance improvement but also to employee satisfaction with the system. At this point, however, let's emphasize that people are apprehensive about both receiving and giving performance information, and this apprehension reinforces the importance of a formal performance review as part of any performance management system. The performance review meeting is the basis for assessing the three key elements of performance (the three Cs), namely contribution, capability and continuous development. Such meetings are also the means through which the five primary performance management elements measurement, feedback, positive reinforcement, exchange of views, and agreement can be put to good use. A performance review should be rooted in the reality of the employee's performance. The latter is concrete, not abstract, and it allows managers and individuals to take a positive look together at how performance can become even better in the future and how any problems in meeting performance standards and

achieving objectives can be resolved. Individuals should be encouraged to assess their own performance and become active agents for change in improving their results. Managers should be encouraged to adopt their proper enabling role (Armstrong 2009). There should be no surprises in a formal review if performance issues have been dealt with as they should have been, namely as they arise during the year. In one sense the review is a stocktaking exercise, but this is no more than an analysis of where those involved are now, and where they have come from. This static and historical process is not what performance management is about. The true role of performance management is to look forward to what needs to be done by people to achieve the overall purpose of the job, to meet new challenges, to make even better use of their knowledge, skills and abilities, and to help them to develop their capabilities and improve their performance. This process also helps managers to improve their ability to lead, guide and develop both individuals and teams for whom they are responsible (Armstrong 2009).

2.8. Performance Management Best Practices

According to Dixit (2007), effective practice of performance management can start with clarification of organization goal. After the organizational goal is communicated, it will be translated to program, department, teams and individual goals. Finally, this goal improves performance and brings the organization success. Superiors should rely on consensus and cooperation rather than controlling or coercion in performance management. Additionally, Dixit states that superiors should promote self-management of individual's performance and encourage an open and honest leadership style which makes two way communications between the manager and employee very smooth.

This will ensure continuous feedback that enables the experience and knowledge gained on the job by individuals and teams to influence organizational objectives. Monitor and measure all performance against the jointly agreed goals. It is also important to arrange training and development program for the employee according to gap or limitation observed on the process. Apply this practice to all employees" helps the effectiveness of the system. Uses of performance management should not be limited only to financial rewards.

Even though an organization has the above mentioned performance Management system, there are certain practical factors that constraint which may not allow the organization to implement these systems. Examples like „there may not be sufficient funds to deliver training to all people involved, supervisors may have biases in how they provide performance ratings, or people may be just too busy to pay attention to a new organizational initiative that requires their time and attention“ (Aguinis 009).

Aguinis also suggested managers should strive to place a check mark next to each of these characteristics: the more features that are checked, the more likely it will be that the system will live up to its promise.

2.9. Alignment of Performance Management with Business Strategy

Alignment is defined as the extent to which employees are similarly connected to or have consistent lone of sight to the vision and direction of the organization and its customers, often encapsulated within its current strategy (Smither and London, 2009). This would include three elements 1, the line of sight of employees“ behaviours and result with unit, department, and overall organizational goal; 2, the line of sight to customers“ need and expectations; and 3, behaviours that are sync with the organization“s brand (Smither and London, 2009).

As Smither and London (2009) say, other things being equal, the greater the total degree of congruence, or fit, among various components, the more effective the organization will be, or essentially the degree to which, work, people, structure, and culture are smoothly aligned will determine the organization“s ability to complete and succeed. When alignment is low, there are many visible effects on employees, employers and customers.

Wastage of time and energy are the most common effects of low alignment. If individuals (concerned party) have good alignment with an organization or its customer“s additional energy is needed to reach the goals because time is often diverted to low or no value added activities. This often creates stress (related to work life balance: perceptions of time wasted) and other dysfunctional outcome, ranging from poor performance to turnover.

Inferior alignment will result the following effects:

- ❖ Confusing brand promise
- ❖ Many urgent but not important activities
- ❖ Non-competitive cost due to low productivity resulting from misdirected activities or talent
- ❖ Burnout- Working hard, but not smart
- ❖ Overstaffing, to compensate for time lost on low-value activities
- ❖ Slow strategy execution
- ❖ Low teamwork; high conflict across interdependent unit
- ❖ Talent loss

The following are drives of high alignment

- ❖ A clear, agreed-on vision strategy
- ❖ Translation of the vision and strategy into clear, understanding goal measures
- ❖ Acceptance or passion for the vision, strategy, goals among those who are implementing them
- ❖ Clarity regarding individual roles and requirements in supporting the strategic goals and the extent to which these been effectively cascaded and interlinked across the organization
- ❖ Sufficient capabilities (talent, information, and resources) to deliver the behaviours needed to reach the goals.
- ❖ Clear, timely feedback on goal attainment and the drivers of those goals
- ❖ Meaningful incentive to encourage employees to develop or deploy sufficient capabilities to achieve the goals

2.10. Effective Implementation of PMS

Almost all Professional practitioners similarly agree that having effective tools and processes is a necessary but certainly not sufficient condition for having an effective performance system. This is because what really matters in any performance management system is how effectively it is used and how seriously managers and employees take it. This is why both the most challenging and the most important part of developing an

effective performance management system is successful implementation (Armstrong, 2009).

According to various articles successful implementation of performance management depends on the framework of various organizations (Price, 2000; Armstrong 2009). Some of the important components that should be taken into consideration have been discussed by different Authors as follows.

According to Buchner (2007), successful use of performance management system should include the conduct of cautious study regarding the existing performance management system and the identification of a relevant and strong theoretical support. Such a theoretical base must be in congruent with the circumstances of the organization, or to simply put, the culture of the organization. The integration of a well-founded and valid theory in the performance management system will result surely to the attainment of a highly performing organization.

Buchner (2007) has also described the need for organizations to create an open and active communication. To ensure an open and active communication there must be a clear communication of goals and job expectations, ongoing feedback, and finally suggested the need for participation of all involved parties.

It is important that the organizational vision and goals are crafted with the employees for them to clearly understand how their works fits into the organization, and how they could contribute to the achievement of such organizational goal (Buchner, 2007).

It must be a regular and frequent performance feedback process that will facilitate dialogue between the manager, supervisor and the employee. Consequently, it will foster better communication in the organization. An effective performance management system promotes regular checking of the strengths and weaknesses and allows the performer to participate in the exchange of views (Buchner, 2007).

Organization must foster a performance management system that must include manager, supervisor(s), and employees in the work planning, setting expectations, monitoring performance, developing the capacity to perform, rating and good performance must be

rewarded. (Buchner, 2007) According to Poulkas(2004), the corner stone for successful implementation of performance management system has explained as follows:

Ensure alignment of PMS with other HR functions: In developing a performance management system, it is important to ensure that it is aligned with other HR systems in the organization. For example, competencies used as the basis for performance management should be the same as those used for recruitment, staffing and training. This not only ensures that employees are being hired, trained and appraised on a consistent set of critical job requirements, but it also sends a strong message, internally and externally, about what is valued by the organization.

Get organization members on board: The literature on many different types of management programs shows that effective program implementation depends on the level of top management commitment. Management support means that the highest level managers follow all parameters of the system themselves and establish expectations for their direct reports to do so as well by including performance management as a critical aspect of their evaluations.

Communicate: Specially, in cases where new systems are designed, organizational members should also be provided with ample opportunities to comment on the new system, and their comments should be incorporated.

Automate: Performance management systems involve a considerable amount of paperwork, writing and exchange of documents. When the administrative demands are great, both employees and managers end up spending their performance management time pushing paper rather than discussing performance issues and development. Automation can greatly facilitate the performance management workflow and substantially reduce the paperwork associated with this process.

Train employee and managers: Employees and managers need to be able and motivated to use the performance management system effectively. When employees and managers are required to attend a structured performance management briefing or classroom training session, this sends a message that performance management is important. Evaluate and

improve-performance management systems need to be evaluated and continually improved over time (Armstrong, 2009).

From the above literatures, notwithstanding effective design, effective implementation of performance management system, most importantly requires a culture of open dialogue and participation, clear communication of goals and expectations between managers and subordinates, exchange of ongoing feedback, and sort of motivational packages.

2.11. Challenges in Implementation of PMS

“Although performance approaches are generally considered as the most basic and the inevitable approaches to the effective management of enterprises, in practice managers might face various obstacles to their implementation. In the following points, I describe my own summary of performance management” (Augins, 2011).

Basically Krishnan (2013) mentioned some of the major challenges in managing performance. These challenges are presented below:

A. Wrong Design: The performance management system and tools must fit with the specific needs of the organization. It cannot be a duplication of a system designed and implemented in another organization, even an organization in the same industry or the same business group. Intense consultation with various stakeholders and users of the system is necessary. User trust is an absolute necessity for the success of the system. The design should be tried out on a pilot basis before it is rolled out to the organization as a whole. All documents and forms must be in place. The system should be fair and equitable. Performance management should be viewed as a continuous process and not an activity conducted once or twice a year. The design should also include mechanisms for rewarding performance and handling poor performers.

B. Absence of Integration: The performance management system has to be integrated with the strategic planning and human resource management systems as well as with the organizational culture, structure and all other major organizational systems and processes.

C. Lack of Leadership Commitment: Leadership commitment and support is a must for smooth implementation of the system. Leaders must drive the process and make performance management an integral part of the management of the company. Leaders contribute not only in setting the strategic direction and performance measures but also in monitoring and reviewing performance across the organization. They also reinforce the performance cycle by recognizing and rewarding performance.

D. Ignoring Change Management in System Implementation: Strategic management of change is a vital part of implementing the system. Driven by the top management, it involves careful management of resistance. Communication would be a major intervention and a key tool in managing the change. Implementation milestones and schedules must be followed. Proper documents must be in place.

E. Incompetence: Competence to use the performance management system is necessary to ensure smooth implementation of the system. Some of the major skills would include:

- ❖ Defining strategic objectives, performance indicators, core competencies and performance contracts
- ❖ Defining performance measures that correspond to the KPIs
- ❖ Giving and taking feedback, conducting appraisal interviews, and active listening
- ❖ Performance coaching

2.12. PMS policies and procedures

According to Augins (2009) Policies and procedures of PMS are a set of documents that set forth principles, rules, authorities, responsibilities and actions for an organization's management and operations about their performance management functions. They typically identify what is to be done, who is to do it, and how it should be done.

2.13. HRM Philosophies

According to Negandhi (1971) "Management Philosophy is the expressed and implied attitude of the managers of an organization toward its external and internal agents such as consumers and employees". Philosophy gives a direction to one's attitudes, beliefs and

behaviour, and provides a guide for choosing among various means and ends. Managerial philosophy is an executive's internal system of interpreting knowledge, facts, and events according to inherently based assumptions, about and conceptualizations of, reality, validity, and value Sikula (1976).

Managers' attitudes and beliefs toward employees, namely human resources are explored according to their underlying ideas and assumptions. Douglas McGregor and Chris Argyris are pioneers of such analysis. "Perhaps it is now clear that the all-important climate of the supervisor-subordinate relationship is determined not by policy and procedure, nor by the personal style of the supervisor, but by the subtle and frequently quite unconscious manifestations of his underlying conception of management and his assumptions about people in general McGregor (1960).

Haire et al, (1966) stated that, the approach by which supervisors or managers work with subordinates most probably depends upon their assumptions about what people are like and how people can most effectively be led by a supervisor. Additionally, they quote that, "the crucial point is not what abilities and traits the employees actually have, but rather what their capabilities are as seen by their immediate and higher level supervisors." This is why it is essential to learn about managers' assumptions concerning human nature and about their attitudes toward the way in which subordinates should be supervised.

Effective HR philosophies “High-impact HR organizations tend to commit themselves to creating work environments that enable employees to thrive both as individuals and as contributors to business success. They strive to create positive employee environments, and clearly communicate these expectations in the HR philosophy and mission. The most effective philosophies focus on fostering innovation and collaboration, or creating the best place to work, while the least effective philosophies focus narrowly on efficiency or cost-cutting efforts.”

2.14. Summary of Review of Related Literature

As have noted from the above literature, different views of PMS have been discussed. Studies show that PMS plays a crucial role in the organizations success. PMS contributes a lot for companies“ decision making strategically and operationally. Almost all articles sited in this review assure that PMS enables organizations to meet their objectives when it implements effectively. By performing effective PMS on board companies can align their employees to their strategy and retain them in their company to meet their long term objective.

While, as it“s important as PMS gains more attention from companies, it faces with various challenges such as incompetency, wrong design, absence of integration and so on. With this difficulties and challenges organizations can sustain themselves by applying effective PMS. Effective HRM philosophy is one contributor for successful implementation of PMS. Standardized policies and procedures enable the company to identify roles and measure and manage them fairly.

Effective implementation of PMS encourages, provide motivation, develop, and provide chance communication for employees. For the companies like bank and insurances which provide almost identical products implementation of effective PMS is mandatory to win and sustain in the highly competitive market.

Finally, companies those who have effective PMS can get strategic, administrative, informational, developmental, organizational maintenance and documentation benefits.

2.15. Conceptual Framework

According to Freifeld (2013) one of the biggest challenges for any company lies in achieving organizational alignment: that desired state in which the entire enterprise is working together to achieve business goals. But just like the tires on a car, if just one piece isn“t aligned with the others, there will be no forward movement. And unlike a car, creating full alignment in an organization can“t be achieved just by tinkering around with a few key components. Instead, achieving alignment involves a top-to-bottom transformation, in which leadership communicates goals and expectations and everyone

has an understanding of what is expected and what they must do to advance the organization.

According to Aguinis (2009) Policies and procedures of PMS are a set of documents that set forth principles, rules, authorities, responsibilities and actions for an organization's management and operations about their performance management functions. They typically identify what is to be done, who is to do it, and how it should be done.

According to Aguinis (2009) implementing performance management system effectively has many advantages. From the perspective of employees, a good system increases motivation and self-esteem, helps improve performance, clarifies job tasks and duties, provides self-insight and development opportunities, and clarifies supervisors' expectations. From the perspective of managers, good systems allow them to gain insight about employees, allow for more fair and appropriate personnel actions, help them to communicate organizational goals more clearly, let them differentiate good and poor performers, and help drive organizational change. Finally, from the perspective of the HR function, a good system provides protection from litigation. From the above literature review the following conceptual frame work can be developed.

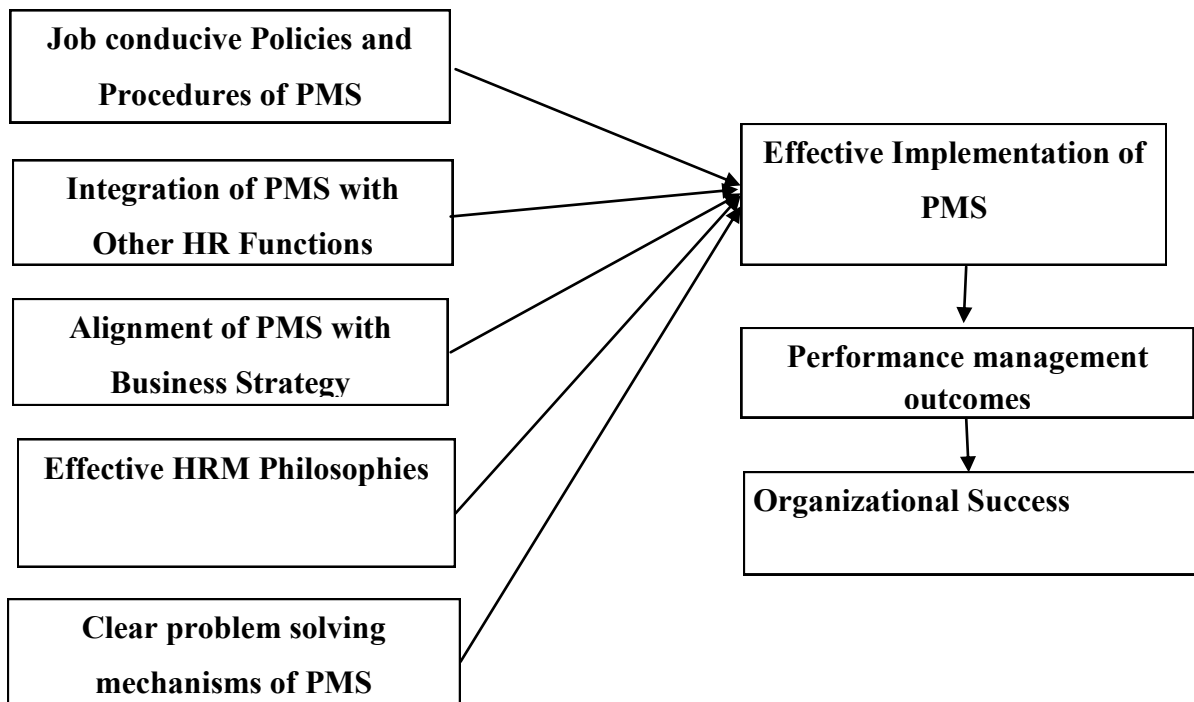


Figure 1 Conceptual Framework of the study

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This Chapter of the study deals with the research design and methodology has employed for data gathering as well as the relevant statistical analysis tools that have been employed for analyzing the survey results that has been gathered during the study.

3.1. Research Design

This study has used a descriptive type of research through surveys to assess performance management practices in Commercial Bank of Ethiopia. This type of research helps to portray accurately the characteristics of a particular individual, Situation or a group (Creswell, 2003). The descriptive survey research design is appropriate choice, because the study is aimed at assessing the implementation of the performance management system of the bank.

This study has applied both qualitative and quantitative approach (mixed method approach). The core argument for a mixed methods approach is that the combination of both forms of data provides a better understanding of a research problem than either quantitative or qualitative data by itself. Mixed methods designs are procedures for collecting, analyzing, and mixing both quantitative and qualitative data in a single study or in a multiphase series of studies (Creswell, 2012). Hence, by applying the mixed method the researcher has tried to ensure the strength of the findings towards being more objective and generalizable to the entire population.

3.2. Method of Data Collection

The study used questionnaires compiled from: book (Armstrong, 2009), and from MBA/MA dissertations (Penel, 2016; Marie B Walsh, 2003) by making a modification to fit for this study. The questionnaire has included closed-ended questions that has been measured by a four-point Likert scale (from strongly disagree to strongly Agree) and two open ended questions to elicit the respondents feeling about benefits and challenges of PMS in their bank freely.

First the reliability and validity of research instrument has checked, then after questionnaires have distributed to the participants of the study. After the questionnaires are carefully filled, the researcher personally has collected and arranges the completed questionnaires and compiled for data discussion and analysis. Finally, the collected data have inserted into data set and make ready for data analysis and discussion by using statistical package for social sciences (SPSS) Version 20.

Semi structured interview has also scheduled to gather information on the subject from the district human resource and business managers and senior human resource officer/expert of the bank. As a final point the result has summarized, tabulated and interpreted appropriately and lastly conclusions and recommendations has also forwarded.

3.3. Reliability and validity

It estimates the consistency of the measurement or more simply, the degree to which an instrument measures the same way each time it is used under the same conditions with the same subjects. Reliability is essentially about consistency Adams et al, (2007). To make sure that the data collection methods were error free and to minimize the instruments' biases the researcher undertook the following:

Table 1 Reliability Statistics

Cronbach's Alpha	N of Items
.899	38

Source: own survey (2017)

- 1) The researcher has made a pilot test on 35 employees and got a result of Cronbach's Alpha .899 before questionnaire has been distributed to all sample size.
- 2) Interview questions have re-asked in different place in a different order. That means five interviewees found in five different places. For these respondents the same seven questions have been asked in five different orders.

- 3) The researcher, when collecting the questionnaires, has tried to make sure that it is the respondents who have complete the questionnaire through making the distribution and collection time gap short an as much as possible.

Validity is the strength of our conclusions, inferences or propositions. It involves the degree to which you are measuring what you are supposed to, more simply, the accuracy of your measurement Adams et al, (2007). To raise the validity of the research, questionnaires have distributed and collected by the researcher himself in order to maintain its validity. And also questionnaires and Interview questions has been distributed and revised by Two University Lecturers and Three Bankers (all of them are MA/MSc holders and experienced professionals). Lastly its emanation from Armstrong (2009) improves its validity.

3.4. Sampling Technique

As discussed above, this research is aimed at assessing performance management practice in the commercial bank of Ethiopia. So the total population of the study was employees of the bank found in Addis Ababa city which is 12,720. Though, incorporating all employees' idea on the analysis would have been better for conclusion and generalization, economically and operationally it would be very difficult to contact all employees in the research. Therefore, taking a respective sample of the population of the employees has found to be feasible.

According to Kothari (2004) a sample design is "a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher would adopt in selecting items for the sample". Determining sample size is a very important issue "because of sample that are too large may waste a lot of time, money and other resources; while sample that are too small may lead to inaccurate result" (Kothari, 2004). Therefore, while deciding the size of the sample parameters and cost to dictate must be taken into consideration. Different author has suggested different sample size as appropriate. The sample size of this research was decided in consideration of the following scholar's contention.

Because of that the target population of the study is employees of commercial bank of Ethiopia found in Addis Ababa city, the researcher used stratified random sampling method to select samples from the target population. According to Kothari (2004), stratified sampling result in more reliable and detailed information and enable to get more representative samples. The head office and four districts were the five strata that have been used to collect data. Simple random sampling technique has employed once the five different strata are identified by registering all members for each stratum using excel. This is because all the 5 divisions in a given stratum are homogenous (have same level of educational background and level of job categories) and all employees who are within the same divisions have an equal access and information about employee performance management implementation of the organization. A purposive sampling technique has also used to select interviewees (four district HR and business managers and Senior Human Resource Development officer in the organization). This is because of that, these five participants are the main actors of the system and their role and closeness to the subject they believed to be having a better knowledge on the subject.

Sample Size

Table .2 Sample size for different size of population at a 95% level of certainty (assuming data are collected from all cases in the sample)

Population	Margin of Error			
	5%	3%	2%	1%
50	44	48	49	50
100	79	91	96	99
150	108	132	141	148
200	132	168	185	196
250	151	203	226	244
300	168	234	267	291
400	196	291	434	384
500	217	340	414	475
750	254	440	571	696
1000	278	516	706	906
2000	322	696	1091	1655
5000	357	879	1622	3288
10000	370	964	1936	4899
100000	383	1056	2345	8762
1000000	384	1066	2395	9513
10000000	384	1067	2400	9595

Source: M. Saunders, P.Lewis and A.Thornhill,(2003)

It can be concluded from the above scholar's assumption that sample size calculation at 5% margin of error for infinite population is 384. Based on the above table the researcher was taken sample size of 370 employees from the target population of 12,720.

Table .3 Sample size distribution

Strata's	Sampling Frame	Sample Size
Head Office	3022	88
South Addis Ababa District	2369	69
East Addis Ababa District	2403	70
North Addis Ababa District	2649	77
West Addis Ababa District	2277	66
Total	12720	370

Source: CBE portal September, 2016

3.5. Methods of Data Analysis

Once the required data are collected from the primary and secondary sources, it was analyzed through quantitative and qualitative data analysis methods. And, descriptive statistic helps to describe the general level of agreement of respondents. It reveals the conformity of respondents' response about employee performance management practice in CBE. In addition, frequency and percentage was used to present the data. And tables have also been used to ensure easily understanding of the analysis. Finally, the result of statistics analysis has been summarized and interpreted appropriately.

Responses found from the interview have reported in line with the questions forward to the interviewees. And then these findings have combined and summarized together with the quantitative data findings to triangulate the results accordingly.

3.6. Ethical Consideration

Respondents who have completed the questionnaire were informed about the purpose of data collection, analysis and the covenant to maintain privacy of their responses. Participants have informed about the purpose of the study and their privacy and dignity also maintained. Confidential information of the bank has not disclosed and the collected data have used for the purposes of the study only. Regarding published and unpublished materials used in the literature review and throughout all part of the study, all citations from copy right holder has made properly.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

As it stated on chapter three interviews with district human resource and business managers and the human resource development officer of the bank and questionnaire were distributed for each District and Head Office Senior employees.

The questionnaire has three parts Part –I was used to gather general information about the respondents, in part II 4 point Likert scale questions were used to collect information that are related with subject matter and part III contain Two open ended questions in order to allow respondent to answer the contributions and challenges that they are facing regarding PMS in their Bank (CBE).

Three Hundred Seventy (370) questionnaires were distributed to the organization and it was distributed proportionally depending on the size and the number of employees the office has. The researcher focuses on managers and senior employees of CBE because of their closeness for PMS and they have better understanding about the practice of Performance Management System (PMS). From the total sample only nine questionnaires were not returned.

Testing for Non-Response Bias

The study distributed 370 and actually collected 361 usable questionnaires (response rate of 97.57%) as a result, there is a need to check whether 97.57% response is enough to go through the analysis or not. Accordingly, non-response bias was tested based on comparison of the pattern of „early“ and „late“ respondents on selected variables of the study assumed to motivate respondents to give their response to the survey by taking 9 early (2.4% of the data) and 9 late (2.4%) respondent's response and the results showed that for almost all of items (99.1%) there was no significant difference between the late and early respondents ($p > .05$) indicating that non-response bias was not a problem for the data.

Respondents“ response was measured using Four point Likert scale from „1“ being „strongly disagree“ to „4“ being „strongly agree“. The researcher is going to assess PMS practices in CBE by taking senior officers and managers. So all of the respondents have insights about PMS, and they will not have a tendency of Uncertainty or Neutrality. That

is the rationale behind the use of four point likert scale. Because once collected data were tested for internal consistency using the commonly used statistical tool –Cronbach’s Alpha coefficient. The result indicated that the collected data are highly reliable with Cronbach’s alpha coefficient as shown in the table below. According to Nunnally, (1978) the closer the coefficient is to 0.7 the greater the internal consistency of the data, which implies that the data is qualified for further analysis.

Interview questions presented to four district human resource business managers and one senior human resource officer comprises seven questions (one for each variable) which help the researcher to triangulate the responses found from questionnaires.

4.1. Characteristics of Demographic Variables

Table 4 Characteristics of Demographic Variables

Variables	Descriptions	Frequency (N)	Percent (%)
Gender	Male	301	83.4
	Female	60	16.6
	Total	361	100
Age Group	25-35 Years	137	38
	36-45 Years	150	41.6
	46-55 Years	74	20.4
	Above 55 Years	-	-
	Total	361	100
Position	Director	3	.8
	Division/Branch Manager	165	45.7
	Team Leader	88	24.4
	Senior Officer	105	29.1
	Total	361	100
Educational Status	Masters	95	26.3
	BA Degree	266	73.7
	Diploma	-	-
	Any Other	-	-
	Total	361	100
Service Year	0-5 Years	72	19.9
	6-10 Years	112	31
	11-15 Years	120	33.2
	Above 15 Years	57	15.8
	Total	361	100
Place of Assignment	Head Office	87	24.1
	South Addis District	68	18.8
	East Addis District	65	18
	North Addis District	78	21.6
	West Addis District	63	17.5
	Total	361	100

Source: Survey Questionnaire 2017

As have seen from table 4 a total of 361 employees participated in this study of which (83.4%) were male and the rest (16.6%) were female participants. Regarding the age group of respondents, the largest group was employees whose age is from 36 to 45 years with 41.6 percent following these employees whose age is from 25-35 years holding the second with 38 percent. Least and last group of employees with 20.4 percent share are under age group of 46 to 55 with 20.4 percent.

From the above table most respondents are Division and branch managers (45.7%), followed by senior officers (29.1%). Team leaders and directors constitute (24.4%) and (.8%) respectively.

As shown in the table, employees with first Degree constitute 73.7% of the total respondents and 26.3% are Master's Degree holders.

Regarding work experience of participants, the majority of participants, (33.2%), were having from 11 to 15 years of work experience. 31% and 19.9% of participants were having work experience of 6 to 10 years and 0-5 years respectively. The rest, which is the minority of participants 15.8%, were having work experience of above 15 years. this data informs us again most respondents are young professionals have work experience from 6 to 15 years (64.2%).

Participants were represented from head office and city branches under four districts in Addis Ababa. Head office respondents secured first with 24.1% and North Addis district follows by 21.6% of respondents. Others constitute 18.8%, 18%, and 17.5% for South Addis, East Addis and West Addis districts respectively.

4.2. Nature of Performance management system

Table 5 Summary of Responses related to nature of PMS

No.	Nature of PMS Items	N & %	Response			
			1 Strongly Disagree	2 Disagree	3 Agree	4 Strongly Agree
1	My company knows and appreciates the concept and objective of Performance management system.	N	33	46	202	80
		%	9.1	12.7	56	22.2
2	In my opinion, there is a formal performance management process in CBE.	N	-	79	148	134
		%	-	21.9	41.1	37.1
3	In my company goals of the company are effectively Communicated.	N	138	142	81	-
		%	38.2	39.4	22.4	-
4	Communicated goals improve performance and bring success for my company.	N	173	188	-	-
		%	47.9	52.1	-	-

Source: own survey (2017)

From the total respondents, 78.2% agreed that Commercial Bank of Ethiopia gives concern and work on employee performance management system. However, 21.8% of the respondents disagreed with the statement that company knows and appreciates the concept and objective of Performance management system. Therefore, the point that can infer from table 5 is that CBE works and appreciates on and for the concept and objective of PMS. On the same table (table 5), from the respondents of item 2, 75.2% agreed on the presence of formal performance management process in CBE. However, 21.9% of the respondents disagreed that the presence formal performance management process in their organization. What has been infer from this figure is that CBE conducts formal PMS processes.

As shown in table 5 above for 61.8% of the respondents disagreed that company goals are effectively communicated. The rest 38.2% of the total respondents agreed with the

statement of company goals are effectively Communicated. So it is sensible to conclude that Commercial bank Ethiopia didn't effectively communicate its goals for employees.

As indicated in the above table from the total respondents (52.1%) strongly disagreed that Communicated goals improve performance and will bring success for their company. The remaining 47.9% of respondents agreed on the statement. Here, the researcher can infer that when goals are not effectively communicated they will not improve performance and bring success for company.

In addition to the above results, responses from the interviewees confirmed that, PMS has been implemented in CBE starting from July, 2014. From the beginning to date the implementation of the system becomes more conducive and there is a continuing progress from the bank itself and employees benefited.

Therefore, based on the result found performance management system has been implemented in the bank. By which the bank conducts formal PMS process. But there is no effective communication of goals and that is not improving performance of employees and brings organizational success.

4.3. Problems Underlying PMS

As indicated in table 6 below, from the total respondents 76.4% agreed with the statement says there is lack of alignment between organizational and individual goals. However, 23.6 % of them have disagreed that there is lack of alignment. From this the researcher can infer that there is no alignment between organizational and individual goals. From the same table, 84.8% of the total sample respondents agreed that there is a tendency of giving unbalanced targets for similar positions. Many respondents also explained in the open ended question part of the questionnaire that, even for equal job grades there is a tendency of giving different goals in terms of difficulty. From the same table 87.8% of our respondents agreed that there is no fair job rotation in the bank. From the total respondents 78.1% have agreed that the bank doesn't provide employees sufficient resources to perform their duties. Participants were expected to answer that Performance assessment is not based on written evidences. For this question 65.4% agreed that Performance assessment is not based on written evidences. However, 34.6 % respondents disagreed that

performance assessment is not based on written evidences. Among the total respondents, 90.9% agreed that there is no clear mechanism to address underperformance. From the analysis that has been inferred that there are different types of challenges encountered during employee performance management system implementation. For instance, there is a tendency giving unbalanced goals for similar positions. This is usually happened due to when giving different goals and targets for employees who are at the same job grades but assigned at different places. As participants responded, there is no fair job rotation in the bank. When there is fair job rotation, it is possible to reduce challenges of giving unbalanced goals for employees under the same job grade levels since all the performers are circulating at all assignments for a given job grade position. The employees are also challenged by no sufficient resource allocation to execute their job properly. Without sufficient resource it is difficult for employees to achieve the planned objective. Thus supervisors have a responsibility of ensuring the availability of the necessary supplies and funding to perform the job properly. This will affect their level of performance. And, there is no clear mechanism in the bank to address the issue of underperformance and no action has been taken for both poor as well as good performers. The interviewees have also added that, resistance to change was the main problem.

Table 6 Summary of Responses related to Problems Underlying PMS

No.	Problems Underlying PMS Items	N & %	Response			
			1 Strongly Disagree	2 Disagree	3 Agree	4 Strongly Agree
1	There is lack of alignment between organizational and individual goals.	N	33	22	291	15
		%	13.4	10.2	74.2	2.2
2	There is a tendency of giving unbalanced targets for similar positions.	N	33	22	17	136
		%	9.1	6.1	47.1	37.7
3	There is no fair job rotation among employees in our branch/office.	N	32	12	57	260
		%	8.9	3.3	15.8	72
4	The bank doesn't provide employees sufficient resources to execute the job.	N	-	79	281	1
		%	-	21.9	77.8	.3
5	Performance assessment is not based on written evidences.	N	33	92	236	-
		%	9.1	25.5	65.4	-
6	There is no clear mechanism to address underperformance.	N	-	33	291	3
		%	-	9.1	80.7	10.2

Source: own survey (2017)

4.4. Alignment of PMS with business strategy

As indicated from the table below, 57.6% of the respondents have disagreed that they have a clear understanding on vision and strategy of CBE. However, 42.4% of the total respondents have agreed that they have a clear understanding on vision and strategy of CBE. This implies that most employees don't clearly understand vision and strategy the bank.

From the below table 71.7% of the total respondents disagreed that there is a translation of the vision and strategy into clear and understandable goal measures. However, 28.3% of the respondents agreed there is a translation of the vision and strategy into clear and understandable goal measures. Which means vision and strategy of CBE is not translated in to clear and understandable goal measures.

Table 7 Summary of Responses related to Alignment of PMS with business strategy

No.	Alignment of PMS with Business Strategy Items	N & %	Response			
			1 Strongly Disagree	2 Disagree	3 Agree	4 Strongly Agree
1	I have A clear understanding on vision and strategy of CBE.	N	47	161	153	-
		%	13	44.6	42.4	-
2	According to my experience, in CBE there is a translation of the vision and strategy into clear and understandable goal measures.	N	208	74	44	35
		%	57.2	14.5	16.2	12.1
3	CBE performer's accepted or has passion for the vision, strategy and goals among those who are implementing them.	N	208	74	35	44
		%	56.6	20.5	10.7	12.2
4	There is clarity regarding individual roles and requirements in supporting the strategic goals and the extent to which these has been effectively cascaded and interlinked across CBE.	N	143	160	58	-
		%	39.6	44.3	16.1	-
5	My Bank provides clear and timely feedback on goal attainment and the drivers of those goals.	N	-	190	17.1	-
		%	-	52.6	47.4	-
6	CBE has meaningful incentive to encourage employees to develop or deploy sufficient capabilities to achieve the goals.	N	80	144	102	35
		%	22.2	39.9	28.2	9.7

Source: own survey (2017)

As indicated in table 7 above; 77.1% of respondents have disagreed that CBE performer's accepted or has passion for the vision, strategy and goals among those who are implementing them. This shows that the bank performers didn't accepted or has no passion for the vision, strategy and goals among those who are implementing them.

According to table 7, among the total respondents 83.9% have disagreed that there is clarity regarding individual roles and requirements in supporting the strategic goals and the extent to which these has been effectively cascaded and interlinked across the bank. There is no clarity regarding individual roles and requirements in supporting the strategic goals and the extent to which such has been effectively cascaded and interlinked across CBE.

From the same table 7 above, among the total respondents 52.6% disagreed that Bank provides clear and timely feedback on goal attainment and the drivers of those goals. The remaining 47.4% respondents agreed that Bank provides clear and timely feedback on goal attainment and the drivers of those goals. That is noted from this that the Bank Don't provide clear and timely feedback on goal attainment and the drivers of those goals for all employees.

Finally, according to table 7 above, among the total respondents 62.1% have disagreed with statement; CBE has meaningful incentive to encourage employees to develop or deploy sufficient capabilities to achieve the goals. However, 37.9% of respondents agreed that CBE has meaningful incentive to encourage employees to develop or deploy sufficient capabilities to achieve the goals. From these the researcher can say that that CBE has no meaningful incentive to encourage employees to develop or deploy sufficient capabilities to achieve the goals.

4.5. Integration of PMS with other HR functions

Table 8 Summary of Responses related to Integration of PMS with other HR functions

No	Integration of PMS with other HRM Functions Items	N & %	Response			
			1 Strongly Disagree	2 Disagree	3 Agree	4 Strongly Agree
1	Competencies used for PMS similarly applied to recruitment activities.	N	223	47	80	11
		%	61.8	13	22.2	3
2	Competencies used for PMS similarly applied to selection activities.	N	63	208	90	-
		%	17.5	57.6	24.9	-
3	Competencies used for PMS similarly applied to staffing activities.	N	143	128	57	33
		%	39.6	36.6	14.7	9.1
4	Competencies used for PMS similarly applied to training and development activities.	N	128	143	57	33
		%	35.5	38	16.9	9.1
5	Competencies used for PMS similarly applied to promotion activities.	N	208	74	79	-
		%	58.4	19.5	22.1	-

Source: own survey (2017)

The above table 8 investigates the usage of similar competencies for PMS and recruitment activities. In this respect, the majority of participants (74.8%) disagreed. However, 25.2% agreed. This implies the bank doesn't apply similar competencies for PMS and recruitment activities.

Regarding the statement competencies used for PMS similarly applied to selection activities, 75.1% of respondents disagreed. However, 24.9% respondents agreed that Competencies used for PMS similarly applied to selection activities. This implies that the bank didn't use similar Competencies for PMS and selection activities.

Participants were asked whether competencies used for PMS similarly applied to staffing activities or not. Majority of respondents (76.2%) disagree similar competency used for PMS and staffing activities.

As it has seen from the above table 8 participants were asked to rate whether competencies used for PMS similarly applied to training and development activities or not. Accordingly,

73.5% participants disagreed with idea, 26.5% participants agreed with the idea that Competencies used for PMS similarly applied to training and development activities. This indicates in CBE competencies used for PMS are not similarly applied to training and development activities and vice versa.

The final question of this part was whether performance management system has integrated with promotional activities of the bank or not. From the above table the majority of participants (77.9%) agreed there are no integration between PMS and promotional activities.

Therefore, the whole result shows CBE's PMS have no integration with other HR functions. These practices might discourage employee of CBE to do better job every day because it has nothing in connection with their development, pay and all other HR activities

4.6. HRM philosophy

The first statement provided for respondents regarding HRM philosophy was that top management strives to create positive employee work environment. From the total respondents 74.4% disagreed that top management strives to create positive work environment. The rest 25.6% of respondents agreed that the management strives to create positive work environment. So that CBE's top management is not making an effort to create conducive or positive work environment.

On the same table respondents asked to rate top manager's expectation communication in the HR philosophy and mission. Most respondents (72.9%) disagreed with this idea. The rest 27.1% agreed that top managers communicate expectations in the HR philosophy and mission. This indicates that top management of CBE is not communicating expectations in the HR philosophy and vision.

The final question asked is that whether Company's HRM focus on fostering innovation and collaboration, or creating the best place to work or not. 67.1% respondents disagreed that company's HRM focuses on fostering innovation and collaboration, or creating the best place to work. However, 32.9% agreed that with the idea. Again conclusion can be

made from the figure CBE's HRM doesn't focus on fostering innovation and collaboration, or creating the best place to work.

Table 9 Summary of Responses related to HRM philosophy

No.	HRM philosophy Items	N & %	Response			
			1 Strongly Disagree	2 Disagree	3 Agree	4 Strongly Agree
1	In my opinion top management strives to create positive employee work environment.	N	191	80	90	-
		%	47.6	26.8	25.6	-
2	I believe that managers communicate expectations in the HR philosophy and mission.	N	2	280	68	11
		%	5.6	67.3	18.8	8.3
3	Company's HRM focus on fostering innovation and collaboration, or creating the best place to work.	N	161	121	11	68
		%	23.6	43.5	12	20.9

Source: own survey (2017)

4.7. Policies and procedures of PMS

Table 9, shows that 75% respondents disagreed performance management processes are done free of bias & objectively. However, 25% agreed that the process has been done free of bias and objectively. It is possible to conclude that performance management process is done subjectively and not bias free.

The table below indicates that, the majorities of participants 64.9% reported disagree on the statement that company's PMS policies and procedures are conducive for job. However, 35.1% agreed that PMS policies and procedures are conducive for job. This means that CBE's PMS policies and procedures are not conducive for job.

According to the mentioned table the majority (68.4%) of the total respondent disagreed, while 31.6% agreed on the statement of satisfied with the weightings given against each activity that I have supposed to perform in the specified period by PMS. It is possible to

say that employees are not satisfied with the weightings given against each activity that they have supposed to perform in the specified period by PMS.

The majority of respondents (87.5%) disagreed with the idea of fair treatment in every process of performance management system. From this researcher can infer that there is no fair treatment in the process of PMS.

Table 10 Summary of Responses related to Policies and procedures of PMS

No.	Policies and Procedures of PMS Items	N & %	Response			
			1 Strongly Disagree	2 Disagree	3 Agree	4 Strongly Agree
1	Performance management processes are done free of bias & objectively.	N	160	111	90	-
		%	44.3	30.7	25	-
2	My company's PMS policies and procedures are conducive for job.	N	80	191	57	33
		%	22.2	42.7	21.6	13.5
3	I am satisfied with the weightings given against each activity that I have supposed to perform in the specified period by PMS.	N	110	20.7	33	11
		%	30.5	37.9	19.2	12.4
4	I feel fairly treated in every process of performance management system.	N	274	42	12	33
		%	75.9	11.6	3.3	9.2

Source: own survey (2017)

4.8. Contribution of PMS Outcomes for Decision Making

According to table 10 majorities of participants 76.9 disagreed with idea of CBE pay decision is based on performance management outcomes. Therefore, this implies CBE not used performance outcomes for pay related decision making.

Table 11 Summary of Responses related to Contribution of PMS outcomes for decision making

No.	Contribution of PMS Outcomes for Decision Making Items	N & %	Response			
			1 Strongly Disagree	2 Disagree	3 Agree	4 Strongly Agree
1	My pay is tied to my performance outcome.	N	85	232	11	33
		%	23.6	53.3	7	16.1
2	The performance management system in this organization is related to my development.	N	112	194	44	11
		%	31	53.8	12.2	3
3	Result from employee's performance management linked to reward and incentives.	N	113	193	44	11
		%	31.3	37.5	17.2	14
4	Promotions are strictly based on PMS outcomes.	N	89	193	54	25
		%	24.7	53.5	15	6.9

Source: own survey (2017)

From the above table, it is possible to learn that of the total number of respondents, the majority (84.7%) disagreed. This indicates performance management system is not attached to employee's development.

According to our table 68.9% respondents disagreed their PMS outcome linked to rewards and incentives. However, 31.1% respondents agreed that PMS outcome linked to rewards and incentives. Although almost one third of respondents assumed that reward and incentives are tied to their performance outcomes, more than two third of them disagreed. It is reasonable to say that reward and incentives in CBE are not based on PMS outcomes.

"Promotions are strictly based on PMS outcomes" is the last statement of this part. From the total respondents 73.2 % disagreed, whereas the rest 26.8% agreed on the statements idea. From this figure promotion is not strictly based on performance outcomes.

Lastly participants asked open ended question about contributions of PMS implementation in CBE. Most of them said that it increases competition between customer service officers, because their performance is measured based on the number of transaction. They also add due to its recent implementation PMS is on a continuous and improvement step. It is better to wait for unknown time period to know its benefits.

The other open ended question was regarding to major challenges of the performance management system in CBE Lack of Quantitative measurement for some plans. Qualitative measurements are usually subjective in nature and it may be the reason for grievance. This reflected on inconsistency of measurement too.

4.9. Interview with District HR Business Managers and Senior HR Officer

As stated on many literatures, Interview is one of the commonly used primary data collection method. This method enables to obtain relevant information for highly targeted audience. Interview also provides the respondent with the opportunity to express their feeling and opinions. By this interview the researcher tries to cross check or triangulate questionnaires responses.

Regarding the successful implementation PMS in CBE most of them said PMS is starting implemented in CBE starting from July 2014. Additionally, they state that the system is under implementation and there are various timely amendments for measurements.

Senior HR officer stated that “Partially yes. Especially in the CATS process our Bank is able to implement it successfully as compared to other processes. Though not linked to any benefit, the PMS system has been implemented bringing the culture of high performance through healthy competition between employees without compromising team spirit.”

When they respond for presence of policy and procedures of PMS all of them explained that CBE has policies and procedures for PMS implementation. But there are complains that this policy and procedures are not conducive for job. According to respondents some parts of the procedures expose employees for fear and that leads employees for under performance.

Yes, they have made use of standard appraisal tool which is successively updated. However, PMS procedure & guideline is prepared & waiting approval so as to be disseminated to user organs said one District manager.

Respondents were asked about PMS-Business strategy alignment. All of them know about vision and strategy of CBE. But they have doubt on translation of Vision and strategy into clear and understandable goal measures, performers passion for company vision, clarity of individual roles and requirements in supporting the strategic goals and the extent to which these has been effectively cascaded and interlinked, provision of timely and clear feedback and banks meaningful incentive to encourage employees. One of the interviewees, Senior HR officer said that "CBE gives high value for human resource. HRM is considered as strategic. That's why the bank develops successor pool for various positions including managements. And HR is the means for all strategic plans. "Creation of attractive work environment and expectations communication is not that much enough.

One of the HR business managers said The Company is investing high amount of money for the facilitation of work place. But in so many branches or head office organs there is high complaining related to office furniture's and other work related equipment's. On the other hand, fostering innovation and collaboration, or creating the best place to work is no t that much common event or issue in the company.

"What challenges are faced during the implementation of PMS?" was another question raised for participants. Almost all of them quoted that measurement inconsistency, data tracking problems, lack of leadership commitment, and absence integration with other HR functions are basic challenges of the bank when implementing PMS.

Lack of awareness on the part of the employees much paper works due to not being assisted by computer systems: the problem our bank is striving to solve through the ERP system Unreliability of manually tracked data so far. This is also to be addressed by the ERP system The PMS not yet being linked to benefits & the like. The solution in my opinion is the top management setting the tone at a higher level and strict monitoring and follows up on the implementation of the PMS. Additionally, one of them stated that

"resistance to change, ignorance of change management and managers lack of commitment are the biggest challenges in PMS implementation."

The last question for managers was about PMS contribution for other HR functions (reward, learning and development, pay and others). They tell us the only thing that done based on PMS outcome is annual bonus. Except annual bonus every payment, reward, training and development and all other HR activities are not PMS outcome based.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1. Introduction

In the previous chapter the researcher has attempted to present findings of the survey data collected through questionnaire completed by randomly selected respondents with complementation of data gathered through interview and document reviews. The questionnaire and the interview were designed in line with the research questions and performance management system frameworks.

This section deals with the summary of the findings, conclusion and recommendations by putting the research topic and research questions into the account.

5.2. Summary of major findings

- ❖ According to the analysis of nature of PMS items some employees agreed or have adequate knowhow about CBE's PMS implementation. Detail analysis shows that majority of participants confirmed that CBE implements PMS. Formal PMS process also has been executed. Regarding effective communication of company goals employees know that it is not doing properly. They have no clear understanding about the contribution of communicated goals for individual performance improvement and company success. That indicates that even though PMS is implemented there is no effective goal communication and is doesn't play great role for company success.
- ❖ Concerning Problems Underlying PMS, the majority of participants confirmed that there is lack of alignment between individual and organizational goals. Most participants indicating that there is a tendency of giving unbalanced targets for similar positions. They also indicated that no fair job rotation among employees in their branch/office. Regarding sufficiency of resources provided to execute their job the majority said there is no delivery of enough and quality resources for them. Interview results show also similar problems are there. In respect to performance assessment, most of them indicate that their performance assessment is not conducting based on

written evidences. The result also shows there is no clear mechanism to address underperformance. Thus the listed problems related to PMS implementation have been existed in CBE.

- ❖ The result indicated PMS is not aligned to company's business strategy. Almost half of the respondents said that they have clear understanding on vision and strategy of CBE. The remaining half stated they have no clear understanding on vision and strategy of CBE. The descriptive statistics also indicating that CBE didn't translate its vision and strategy into clear and understandable goal measures. Again it found that performer's rejected or has no passion for the vision, strategy and goals among those who are implementing them. The result also shows that there is no clarity regarding individual roles and requirements in supporting the strategic goals and the extent to which these has been effectively cascaded and interlinked across the bank. Seemingly unavailability of clear and timely feedback on goal attainment and the drivers of those goals have been identified. Additionally, there are no meaningful incentives to encourage employees to develop or deploy sufficient capabilities to achieve the goals. From our interview with Managers and Senior HR officer found that there is doubt on translation of Vision and strategy into clear and understandable goal measures, performers passion for company vision, clarity of individual roles and requirements in supporting the strategic goals and the extent to which these has been effectively cascaded and interlinked, provision of timely and clear feedback and banks meaningful incentive to encourage employees.
- ❖ The majority of sampled participants responded that competencies used for PMS are not similarly applied to recruitment, selection, staffing, training and development, and promotion activities. That indicates disintegration of PMS with other HR functions. There is also confirmation from our interview. They tell us the only thing that done based on PMS outcome is annual bonus. Except annual bonus made on annual basis, any payment, reward, training & development and all other HR activities are not PMS outcome based.
- ❖ It is also found that top management is not striving to create positive work environment. The analysis also indicates that top managers didn't communicate

expectations in the HR philosophy and mission. Company's HRM focus on fostering innovation and collaboration, or creating the best place to work is not much satisfying. Interview from one HR business manager show that while the company invests huge amount of money for the facilitation of work place, there is many branches or head office organs reporting high level complain related to office furniture's and other work related equipment's. On the other hand, fostering innovation and collaboration, or creating the best place to work is not that much common event or issue in the company.

- ❖ When they discussed about Policies and Procedures of PMS, the participant specified that PM processes are not done free of bias and objectively. Similarly, company's policy and procedures are not conducive for job. Respondents indicated that they are not satisfied with the weightings given against each activity that they have supposed to perform in the specified period by PMS. Additionally, the result shows that respondents don't feel they fairly treated in every process of performance management system.
- ❖ Finally, on contribution of PMS outcomes for decision making, most participants understood that their pay is not tied to their performance outcome. The same to the first statement they believe that performance management system in is not related to career development. Reward and incentives of the bank are not based on PM outcome results. This study has found out that promotions are not strictly based on PMS outcomes.

5.3. Conclusion

This research is related with the study of current performance management in commercial bank of Ethiopia. The purpose of this study is to identify the weaknesses and draw backs of current performance management and also to provide recommendation for more improvement. Commercial Bank of Ethiopia is the most popular bank in the country. This study has explored the issues related with performance management practices in CBE. Also the recommendation and suggestions are provided.

On the basis of this study other organizations will also get the direction and guidelines to improve the performance management. The research findings have shown that performance management system has implemented in CBE, and have facing problems

from current performance management. This research shows that the performance management of Commercial bank of Ethiopia lacks alignment with its business strategy, PMS is not integrated with other HR functions, appropriate policies and procedures are not developed, and outcomes of PM have no significance contribution for decision making. And also HRM of the bank didn't give enough attention for PMS.

5.4. Recommendations

Usually performance management system is developed by considering the opinions of both employees and management. Through this system performance of employees is evaluated by rating their performance that base on the activities performed by them. There are some recommendations to improve the performance management practices and system of Commercial bank of Ethiopia so that effective and productive results can be obtained.

- ✓ Currently, Commercial Bank of Ethiopia is implementing modern performance management system, so goals should be effectively communicated so the bank can achieve its intended goals.
- ✓ The Bank should align individual and organizational goals. CBE should give balanced targets for similar positions. Again CBE should make sure that fair job rotation is in place, sufficient resource is provided, and performance assessment is made based on written evidences, and develop clear mechanism to address underperformers. By doing so the bank can remove its PMS related drawbacks.
- ✓ PMS of the bank should be aligned with its business strategy. The performance management system should ensure that the employees can see the direct relationship between the job competencies they are required to do their job.
- ✓ Performance management system should be integrated with other HRM functions. When similar competencies applied to PMS and other HRM activities employees can motivate to perform their activities passionately.
- ✓ Top management should strive to create positive work environment, communicate expectations in the HR philosophy and vision and giving significant focus for innovation fostering and collaboration.

- ✓ Although some elements of personal biases are inevitable PM process should be bias free and objective. Policy and procedures has to be job conducive and activity equivalent weightings should be developed.
- ✓ Finally, the bank must use PM outcomes for decision making in relation to pay, reward, training and development, and promotions. Generally, it is advisable for bank to improve its current implemented PMS on continuous basis and try to avoid or minimize the challenges.

REFERENCE

- Adams, Raeside and White. (2007) „,„Research Methods for Graduate Business and Social Science Students““Prentice hall.
- Aguinis, H. (2009), performance Management (2nded). Upper saddle River, NJ:Pearson Prentice Hall.
- Armstrong M. (2006) Performance Management: key strategic practical guidelines 3rd ed. London and Philadelphia:Kogan Page.
- Armstrong M. (2009) Armstrong“s handbook of performance Management: an evidence based guide to deliver high performance 4th ed. London and Philadelphia: Kogan Page.
- Armstrong M. (2009) Human Resource Management practice a guide to people management, Great Britain and the United States, Kogan page limited.
- Armstrong S. (2010)The Essential Performance Review Handbook, Pan-American and International, USA
- Boipono, Tsomele&Mogadime (2014), „,„implementation of performance management system (PMS) in Schools: Success factor““, international *journal of natural and social sciences* vol. 2, p 2347-4580. CBE performance management system follow-up report (2014) accessed on cbe.portal.
- Carr & Kline (2016) Encouraging Effective Performance Management Systems, *Society for industrial and Organizational psychology*. SIOP White Paper Series.
- Creswell (2003) “Research Design Qualitative, Quantitative and Mixed version”, Fourth edition. NebraskaLincoln.
- Creswell (2012) “Planning, conducting and Evaluating Qualitative, Quantitative and Mixed, Second edition. USA: Sage Publisher.
- Deanne N. den Hartog, Paul Boselie and Jaap Paauwe (2014) Performance Management: A Model and ResearchAgenda, *applied psychology: an international review*, 2004, 53 (4), 556–569.
- Dick, Grote, (2002). “The Performance Appraisal Question and Answer Book: A Survival Guide for Managers”, New York, AMACON.
- Dixit V. (2007)Performance Management: Vrinda Publications (P) Ltd, Delhi, India
- Elaine, D. Poulkas (2004). “Performance Management, a roadmap for developing,

implementing and Evaluating performance management systems”, Alexandria, SHRM Foundation.

Elif Öztürk & Ali Coskun (2014) “A Strategic Approach to Performance Management in Banks: The Balanced Scorecard” *Accounting and Finance Research Vol 3. No 3.*

Haire, M., Ghiselli, E. E., & Porter, L. W. 1966 *Managerial thinking. An international study.* New York: Wiley.

Jack N. Kondrasuk (2011) So What Would an Ideal Performance Appraisal Look Like? *Journal of Applied Business and Economics vol. 12(1).*

Josef Vodák (2013) *Mentoring - Performance Management Tool, Zilina University:Zilina. With Implications for HRD, Human Resource Development International, Vol. 10, No. 1, 59-73.*

Josef Vodák (2013) *Mentoring – Performance Management Tool: Žilina University press*

Kothari, C.R. (2004). „Research Methodology; Methods and Techniques”, Second Edition, New Delhi: New age International Publisher.

Krishnan R (2013) “Challenges in Implementing a Performance Management System Enterprise Risk

Lewis, P., Thornhill, A., & Saunders, M. (2007). *Research methods for business students.* Pearson Education UK. Management Academy: ERMA Pte Ltd-ERMA Asia SdnBhd-ERMA Europe Ltd.

Lorri Freifeld (2013), establishing alignment in employee performance management, <http://www.trainingmag.com/content/establishing-alignment-employee-performance-management>, (Accessed 12 June 2017).

Marie Burns Walsh (2003), “Perceived Fairness of and Satisfaction with Employee Performance.

McGregor, D. 1960 *Human side of enterprise.* New York: McGraw-Hill.

Mughal and Akram (2014), „Implementation and Effectiveness of Performance Management System in AlfalahBank” *Journal of Public Administration and Governance ISSN 2161-7104 2014, Vol. 4, No. 4.*

Muhammad Zulqarnain Asab, Fozia Safdar, Amna Akhtar Khan (2014) *Performance Management System “Habib Bank Limited” A Case Study of Bahawalpur, Research on Humanities and Social Sciences.*

- Mulu Bishaw (2016) MA Dissertation, Assessment of prospects and challenges of employee performance Management system: A case study on Commercial Bank of Ethiopia, Unpublished.
- Negandhi, A. R. 1971 Management practices in Taiwan. *MSUBusiness Topics*, 19(4), 47-55.
- Nunnally, J.C (1978). *Psychometric Theory*, McGraw-Hill. New York.
- Oxford Advanced Learner's Dictionary, (2006) 7th edition
- Pachsiry Chompukum (2011) "Performance management effectiveness in Thai banking industry: a look from performers and a role of interactional" *justice Journal of International Business and Cultural Studies*
- Penel Adem (2016) The Assessment of Performance Management Practices: In Berhan International Bank S.C, Unpublished.
- Price, A. (2000). *Principles of Human Resource Management, An active learning Approach*, Oxford: Blackwell Publishers Limited.
- Shagufta Showkat (2013) performance appraisal in banking organizations, *Journal of Arts, Science & Commerce*.
- Sikula, A.F. 1976 *Personnel management and human resource management*. New York: Free Press.
- Smither and London, (2009). "Performance Management Putting research into action", San Francisco, Jossey-Bass
- Souad Moufty (2012) Sustainability performance management in the UK banking sector using stakeholders' theory: Brunel Business School - Doctoral Symposium 27th & 28th March 2012
- Thomas W. Buchner (2007). *Performance Management Theory: A Look from the Performer's Perspective*
- Wouter Van Dooren, Geert Bouckaert and John Halligan. (2010) *Performance Management in the Public Sector*, published in the Taylor & Francis e-Library, U.K. Appraisal" PhD dissertation, Louisiana State University.

Annex I

**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
MBA PROGRAM**

Questionnaire to be Filled by Members of Top Management or Senior Staffs

**THE ASSESSMENT OF PERFORMANCE MANAGEMENT PRACTICES IN
COMMERCIAL BANK OF ETHIOPIA**

Name of the Student Researcher: Alehegn Ayanaw Alemu

Dear Respondent,

The purpose of this questionnaire is to collect primary data for conducting a study on the topic,

“Assessment of performance management practices in Commercial Bank of Ethiopia”
as a partial fulfillment of the Master degree in Business Administration (MBA) Program at Addis Ababa University, In this regard I kindly request you to provide me reliable information that is to the best of your knowledge so that the findings from the study would meet the intended purpose.

I strongly assure you of confidential treatment of your answers and would like to extend my deep-heart thanks in advance for being a volunteer to devote your valuable time in filling this form.

Thank you in advance for your cooperation;

Alehegn Ayanaw Alemu

❖ General Directions

- No need to write your name
- Answer by making a ‘√’ mark, or in writing wherever appropriate
- In case you have ambiguities on any of the questions, please do not hesitate to contact me through my Telephone and or Email address:
 - Tell: +251-913-62-94-29/909-55-09-73
 - Email: alehegn.hilme@gmail.com/alehegnayanaw@cbe.com.et

similar positions.				
3. There is no fair job rotation among employees in our branch/office.				
4. The bank doesn't provide employees sufficient resources to execute the job.				
5. Performance assessment is not based on written evidences.				
6. There is no clear mechanism to address underperformance.				
Alignment of PMS with Business Strategy				
1. I have A clear understanding on vision and strategy of CBE.				
2. According to my experience, in CBE there is a translation of the vision and strategy into clear and understandable goal measures.				
3. CBE performer's accepted or has passion for the vision, strategy and goals among those who are implementing them.				
4. There is clarity regarding individual roles and requirements in supporting the strategic goals and the extent to which these has been effectively cascaded and interlinked across CBE.				
5. My Bank provides clear and timely feedback on goal attainment and the drivers of those goals.				
6. CBE has meaningful incentive to encourage employees to develop or deploy sufficient capabilities to achieve the goals.				
Integration of PMS with other HRM Functions				
1. Competencies used for PMS similarly applied to recruitment activities.				
2. Competencies used for PMS similarly applied to selection activities.				
3. Competencies used for PMS similarly applied to staffing activities.				
4. Competencies used for PMS similarly applied to training and development activities.				
5. Competencies used for PMS similarly applied to promotion activities.				
HRM philosophy				
1. In my opinion top management strives to create positive employee work environment.				
2. I believe that managers communicate expectations in the HR philosophy and mission.				
3. Company's HRM focus on fostering innovation and collaboration, or creating the best place to work.				
Policies and Procedures of PMS				
1. Performance management processes are done free of bias				

& objectively.				
2. My company's PMS policies and procedures are conducive for job.				
3. I am satisfied with the weightings given against each activity that I have supposed to perform in the specified period by PMS.				
4. I feel fairly treated in every process of performance management system.				
Contribution of PMS Outcomes for Decision Making				
1. My pay is tied to my performance outcome.				
2. The performance management system in this organization is related to my development.				
3. Result from employee's performance management linked to reward and incentives.				
4. Promotions are strictly based on PMS outcomes.				

Part III: Open Ended Questions

1. What are the contributions of PMS implementation in your company? If it highly contributes list and discuss your reasons.

.....

.....

.....

.....

2. What do you think the major challenges of the performance management system in your company? Suggest any possible solution?

.....

.....

.....

.....

Annex II

**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
MBA PROGRAM**

Interview Questions to be addressed by Members of Top Management

**THE ASSESSMENT OF PERFORMANCE MANAGEMENT PRACTICES IN
ETHIOPIAN FINANCIAL SECTOR**

LEADING QUESTIONS FOR SELECTED INTERVIEWEES

The student researcher is currently conducting research project for the purpose of fulfilling requirements of Masters of Business Administration (MBA) Program at Addis Ababa University. The following questions will ask about *Performance Management practices in your company* and you are selected because of your role and closeness to the subject. Your responses will be kept confidential and used for academic purpose only.

Thank you for your time and consideration!

1. Could it be possible to say that Your Company has successfully implemented PMS? If Yes, how?
2. Is there any manual or rule being used to standardize the employee performance management system in your company?
3. In your opinion, is there any alignment or integration between the organizations business strategy and PMS? Justify with some evidences please.
4. Can you tell me the organizations view for HRM? How strategic is it in your company?
5. What challenges have you faced in implementing the system? What solution do you suggest?
6. What are the contributions and linkages of PMS with reward, learning and development, and other functions of HRM?
7. Do you have any additional comment regarding the PMS implementation at Your Company?

THE END!