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ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE BUSINESS LEADERSHIP GRAGUATE PROGRAM

**THE EFFECT OF PERFORMANCE MANAGEMENT PRACTICES ON
ORGANIZATION PERFORMANCE: THE CASE OF SAIN GARMENT PLC,
ETHIOPIA**

**A PROJECT PROPOSAL PAPER SUBMITTED TO THE
SCHOOL OF GRADUATE STUDIES OF ADDIS ABABA
UNIVERSITY IN PARTIAL FULFILLMENT OF THE
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LEADERSHIP**

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DECLARATION

Unless otherwise stated, I, Yohannes Demissie Workineh, declare that the project: “The Effect of Performance Management Practice on Organizational Performance: The Case of SAIN Garment Plc.” is my own work and has not been submitted anywhere else for any academic qualification partial fulfillment or research publication.

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Letter of Certification

This is to Certify that the thesis prepared by Yohannes Demissie, entitled: “The Effect of Performance Management Practice on Organizational Performance: The Case of SAIN Garment Plc.” was submitted for partial fulfillment of a Masters of Arts in Business Leadership [MBL] at Addis Ababa University School of Commerce. It was not previously submitted for academic award fulfillment or any other purpose at Addis Ababa University School of Commerce.

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CERTIFICATION

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This is to certify that the thesis prepared by Yohannes Demissie “The Effect of Performance Management Practice on Organizational Performance: The Case of SAIN Garment Plc.”; which is submitted in Partial Fulfillment of the Requirements for the Degree of Masters in Business Leadership (MBL). Complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Yohannes Demissie

Abbreviations

ANOVA: Analysis of Variance

BSC: Balanced Score Card

CC: Continuous Communication

DPP: Developing and Planning Performance

SAIN: SAIN Garment Plc

OLS: Ordinary least square

OP: Organizational Performance

PA: Performance Appraisal

Pass: Performance Assessment

PM: Performance Management

PMS: Performance Management System

RP: Rewarding Performance

SD: Standard Deviation

SPSS: Statistical Package for Social Science:

Table of Contents

DECLARATION	i
Letter of Certification.....	ii
CERTIFICATION	iii
ACKNOWLEDGEMENT	iv
Abbreviations.....	v
Table of Contents.....	vi
List of Tables	ix
List of Figures	x
Abstract.....	xi
CHAPTER ONE.....	1
1. INTRODUCTION.....	1
1.1. Background of the study	1
1.2. Statement of the problem	4
1.3. Research questions.....	6
1.4. Objectives of the Study.....	7
1.5. Hypothesis of the study.....	33
1.6. Significance of the Study	7
1.7. Delimitation/ Scope of the Study	8
1.8. Organization of the Study	8
1.9. Definition of Terms.....	9
CHAPTER TWO	10
2. Review of Related Literature	10
2.1. Introduction.....	10
2.2 Theoretical Literature Review	10
2.2.1 Definition of Performance Management.....	10
2.2.2 Why Should a Performance Management System Be Implemented?.....	11
2.2.3 Measurement of Organizational Performance	13
2.1.4. Performance Management Process	15
2.1.5. Key Success Factors for effective Performance Management.....	21
2.1.6. The Relationship between Performance Management System and Organizational Performance	26

2.2.	Empirical Literature Review	29
2.2.1.	Relationship between Performance Management and Organizational Performance	29
2.2.2	Effective Implementation of Performance Management	31
2.3	Conceptual Framework and Hypothesis	32
2.3.1.	Conceptual Framework	32
CHAPTER THREE		35
RESEARCH DESIGN AND METHODLOG		35
3.1	Introduction.....	35
3.2	Description of the Study Area.....	35
3.3	The Research Approach.....	35
3.4	Research Design.....	36
3.5	Data Type and Source.....	36
3.6.	Research Population and Sampling.....	37
3.6.1	Target Population /Population of the study/.....	37
3.6.2	Sampling Frame	37
3.6.3	Sample and sample size determination	37
3.6.4.	Sampling Design	38
3.6.5.	Sampling Technique	39
3.6.6.	Sampling Procedures.....	39
3.6.7.	Sampling Distribution Plan.....	39
3.7.	Data Collection Instrument	39
3.8.	Validity & Reliability of the data collection instrument	40
3.8.1.	Assessing Reliability.....	40
3.8.2	Analysis of Validity	41
3.9.	Data Analysis Methods	41
3.10.	Ethical Consideration.....	41
CHAPTER FOUR.....		43
Result and Discussion		43
4.1.	Introduction.....	43
4.2.	Questionnaire Response Rate.....	43
4.3	Demographic Characteristics of Respondents.....	43
4.3.1.	Gender of the respondents'	44
4.3.2.	Age of the Respondents Table:	44
4.3.3.	Educational Background of the Respondents	45
4.3.4.	Job position of the Respondents.....	45
4.3.5.	Years of Experience of the Respondents	46

4.4. Descriptive Analysis of the Variables.....	46
4.5. Inferential Analysis.....	47
4.5.1 Correlation Analysis	48
4.5.2. Regression Analysis	50
4.5.3. Diagnosis test result	51
4.5.3.1. Multicollinearity Test.....	51
4.5.3.2. Autocorrelation Test.....	52
4.5.3.2. Linearity Test.....	53
4.5.3.3. Normality	54
4.6. Summery regression test	54
4.6.1. ANOVA Test	55
Chapter Five.....	58
Conclusion and Recommendation	58
5.1 Conclusion	58
5.2 Recommendation	60
5.1 Recommendation for Further Research.....	61
REFERENCES	62
Appendix 1: Questionnaire	72
Part One. General Information.....	72

List of Tables

Table 4.1: Questionnaire Response Rate	42
Table 4.2: Gender of the respondents' of the respondents	43
Table 4.3: Ages of the Respondents	43
Table 4.4: Educational Background of the Respondent.....	44
Table: 4.5: Job position of the respondent	44
Table 4.6: Years of Work experience in SAIN.....	45
Table 4.7: Descriptive Statistics.....	46
Table 4.8: Measure of Internal Consistency - Cronbach's alpha.....	47
Table 4.9: Correlation of dependent and independent variables	49
Table 4.10: Multicollinearity Test Coefficients a	52
Table 4.11: Autocorrelation Test Summary b.....	53
Table 4.12: ANOVA	55
Table 4.13: Regression Output Coefficients a	55

List of Figures

Figure 1.1: Organization of the study	10
Figure 2.1: The four building blocks of the BSC	22
Figure 2.2: Conceptual Framework	34
Fig 4.1: Linearity Test Result	53
Figure 4.2: Normality test result	54

Abstract

Based on a sample of data obtained from several work units within SAIN, this study looked at the effect of performance management on the organization's performance. All the employee of the organization was considered as the population of study and 304 employees were sampled using systematic random sampling technique used. Descriptive and inferential analyses were carried out, with the correlation coefficient being used to evaluate the link between all of the study's variables, and regression analysis being used to determine the effect of each explanatory variable on the dependent variable SPSS was used to examine the data. All performance management techniques, such as planning, communication, appraisal, assessment, and reward, are positively connected with organizational performance, according to the correlation result. However, the regression result revealed that only assessment and reward have a beneficial impact on an organization's performance. As a result, the study suggests that SAIN. improve its assessment and incentive procedures in order to have a positive and significant impact on its organizational performance.

Keywords – Performance management process and organization performance.

CHAPTER ONE

1. INTRODUCTION

The opening contents of the study are revealed in this section, which are supposed to be the blueprint for the complete thesis effort. As a result, it includes the following: the study's background; the issue statement; research questions; the study's purpose; the study's hypothesis; the study's definition of terms and concepts; the study's importance; the study's scope; and the paper's organization.

1.1. Background of the study

In today's fiercely competitive business world, organizations make every effort to stay competent and beat the competition by constantly improving their productivity and efficiency. Increased international trade and price competitiveness, product re- and de-regulation, capital and labor market changes, and technical and communication advancements are all contributing to this (McDonnell & Gunnigle, 2008).

Globalization is a major factor that causes countries' borders to crumble and allows international trade to flourish. Easy availability to natural resources and constant technology breakthroughs produce pricing and quality differences in products and services across businesses in their respective industries. These attributes give a business a competitive advantage over its competitors, whereas low productivity, high absenteeism, and frequent turnover are symptoms of low team engagement (Schwab, 2019). As a result, businesses all over the world are being compelled to audit their structures and processes in order to enhance performance. Performance management is one of the newest ways for enhancing performance (Armstrong, 2012).

A company must compete in more markets, operate across more platforms, and manage more stakeholders than ever before in order to remain successful and maintain a competitive advantage over its competitors. In today's business, cutting expenses isn't the only method to make a company profitable; companies must also redesign and reorganize their work processes, as well as examine how performance is driven and measured. The performance management

system is one of the most important tools for implementing these changes (Padmaja, 2015).

Performance management is the method or set of actions for aligning an organization's resources, processes, and workers with its strategic goals and objectives. As a result, performance management encompasses all operations that ensure that objectives are consistently met in the most effective and productive manner feasible. It encompasses all efforts that ensure the organization's objectives are consistently met in a cost-effective and efficient manner. Its nucleus can be an organization's overall performance, a department's team performance, an individual employee's performance, or a series of operations to produce a product or deliver a service, as well as other crucial areas in an organization that lead to employee productivity (Homayounizadpanah & Baqerrkord, 2012).

The organization, supervisors, and employees all benefit from successful completion of all performance management processes (Fatemeh, 2019; Sahoo and Sukanta, 2012). Employees gain from performance management methods because they can focus on achieving common goals. It generates and ensures that every employee understands the business's vision and goals, how their work fits within the organization, and how they contribute to the mission's accomplishment. This increases employee engagement and improves program delivery. Employee performance plans for balanced and credible metrics are provided by performance management systems, which define clear goals and expectations. Balance is to mean that in addition to measuring expected results, the performance plans comprise suitable measures, such as quality, quantity, timeliness, and cost- effectiveness.

Performance objectives must be based on work analysis, clear, specific, and intelligible; reasonable and realistic; measurable, observable, or verifiable; and results-oriented; communicated promptly; and stimulate continuous productivity development. As a result, performance management ensures that job expectations are clearly understood. Any ambiguity in the workplace is eliminated when employees and supervisors have a clear grasp of their specific job responsibilities. Each person is responsible for his or her own obligations and responsibilities. Employees can think about and explain their function in the organization with the help of performance management. So that supervisors may easily evaluate personnel, allowing for fair and mutually beneficial discussion and dialogue between supervisors and

employees.

Performance management handles regular feedback and improves workplace communication to improve performance. It assists managers in identifying their strengths and weaknesses, as well as providing opportunity to hear and exchange ideas and opinions outside of the workplace. Most significantly, it gives managers a clearer picture of how their performance is measured and evaluated. This boosts employee morale and increases their ability to contribute at work. Performance management is extremely important to various stakeholders inside the firm. The key question this study posits is how these rights in Performance management can be supplied to diverse stakeholders and play a part in their organization's performance.

Illustration and communication of company goals, use of performance management software, frequent feedback, peer review, preventive management and acknowledgement, and framing an environment for well-organized events to examine development and consequences are the six strategic dimensions of organizational performance (Raffaele Carpi, John Douglas, and Frédéric Gascon, 2017). As they explain again, the performance management system in large corporations is slow, ineffective, or outright flawed. They argue that unless these companies perform as efficiently or effectively as they could, technological, market, and competitive environment innovation will render them unable to compete.

Planning, communicating, reviewing, analyzing, and rewarding are all aspects of understanding the influence performance management methods have on organizational performance. It is primarily determined in terms of financial, customer satisfaction and employee satisfaction, and will assist in approaching appropriate procedures to gain the maximum benefit of performance management. Making such an assessment for SAIN provides the company with a significant possibility to compete with the present garment sector.

SAIN, was established in 2014, is a privately held manufacturer of clothing focused on the domestic market with a bold goal to be a fashion-focused and industry leader. It strives to increase capacity, raise the level of knowledge and expertise of skilled workers, and provide chances for education and training in the labor-intensive clothing sector. Since the organization's establishment, a performance management policy has been in place, built on the tenets that people are the organization's most significant asset and that the accomplishment of its

goals depends on how well the staff members do their duties.

1.2. Statement of the problem

It is critical for an organization to be equipped with resources such as materials, information, capital, and human resources in order to achieve its goals. People, as human assets, are the "glue" that holds all other assets, such as financial, non-financial, and physical assets, together and orchestrates their utilization to create better results. Many firms have recently stated that keeping human resources as core competences distinguishes them from their competitors and is a significant competitive advantage aspect (Abdurazek and Tigist, 2019, p. 3).

Other factors of production become impractical and idle when human resources are scarce. When compared to other components of production, human resources are the sole factor that generates more than its input, is mobile, can be motivated, obtain more knowledge, and become competent over time, whereas other resources deplete (Abdurezak & Girma, 2014). The main idea is that, in this highly competitive business world, firms are expected to focus their attention on their human resources as a primary strategy for competing.

Organizations should develop their own distinctive strategies and integrate and focus all resources toward the effective implementation of these strategies in order to achieve the intended organizational objectives and to survive in such rising global competition.

The goal is to qualify personnel with the skills and knowledge needed to meet or exceed the organization's goals. Performance Management brings together corporate and individual goals to lubricate the understanding and explanation of roles' tasks and accountabilities, skills, and conduct (Kebre, 2016). In the current competitive corporate environment, improving the individual and team performance of human resources is an eminently relevant approach to survive and outsmart the competition. In other words, it is critical for organizations to invest in their human resources in order to equip them with the necessary skills and knowledge to enable them to do their responsibilities to the appropriate level of alignment with the organization's objectives and goals. As a result, employees can set their exertion in the proper orchestration for the successful achievement of the goals (Tahsildar & Shahnaei, 2015).

The goal of performance management is to improve organizational performance by improving the entire work process and system. As a result, the organization's primary responsibility is to create and implement a profitable performance management system in lieu of the most appropriate strategies, policies, and procedures. Despite this, establishing a well-designed performance management system is not enough; rather, it necessitates the unstoppable execution of each stage of the system, including the piloting of the in-place documentation, in order to pave the way for the successful achievement of the intended organizational goals.

Although there are some implications that the strengthened amalgamation of the balanced scorecard inside these systems promotes more strategic connection among individual, group, and organizational outcomes, as advocated by strategic human resource management theorists, the utilization and satisfaction with performance management systems remain paradoxical, as Alan, R., and Robert-Leigh, C. (2006) conclude, the utilization and satisfaction with performance management systems remain paradoxical, despite the fact that there are some implications that the strengthened amalgamation of the balanced scorecard inside these systems promotes more strategic connection

The purpose of adopting a performance management system as a strategy or technique of evaluating and monitoring the performance of their employee's vs the determined organizational goals is to improve organizational performance for both public and commercial businesses.

For some public and private companies, however, effective system implementation in terms of warranties to generate a better performance result remains a challenging task yet (O.Samwel, 2018).

The conclusions of diverse publications on the effects of performance management systems on company-wide organizational performance are mixed, with some finding that PMS increase both financial and non-financial components of organizational performance, while others finding no such effect (DE Waal et al., 2015). They clearly show that more research on the function of performance management in improving organizational performance is needed to avoid the double-talk.

This shows that the effects of performance management systems do not have the same impact on all firms' outcomes. We only recognize the impact when we conduct an assessment for a specific organization. Furthermore, some of the local company studies are not in the broadcast business.

As a result, in response to the central question, is there a link between SAIN's performance management and its overall performance? One has conducted study because, to the best of the researcher's knowledge, no such appraisal of the company has been made thus far. Furthermore, to the researcher's knowledge, there are only a few national studies on the impact of performance management on organizational performance. As a result, the goal of our research is to close these gaps.

SAIN clearly defines its short and long-term objectives, and its path is detailed enough for management and staff to grasp and operate in accordance with the organization's objectives. The organization has used a performance management system since its start. However, no actual research has been done to see if the established performance management system helps the firm achieves the targeted performance outcome.

As a result, in response to the central question, is there a link between SAIN's performance management system and its overall performance? Although study has been conducted to the best of the researcher's knowledge, no such assessment of the company has been made thus far. Furthermore, the researcher is aware of only a few studies on the impact of performance management on organizational performance at the country level. As a result, the goal of our research is to close these gaps.

1.3. Research questions

The research paper answered the following basic research questions to meet the above-mentioned objectives:

- What is the effect of planning on the organization performances?
- What is the effect of performance continuous communication on the organization performances?

- What is the effect of performance assessment on the organization performance?
- What is the effect of performance appraisal on the organization performance?
- What is the effect of evaluation and reward performance on organization performance?

1.4. Objectives of the Study

1.4.1. Main Objective of the study

The general objective of this paper is to evaluate the relationship between performance management and organization outcomes for SAIN.

1.4.2. Specific Objective of the study

More specifically, the study had have the following objectives:

- To examine effect of planning performance on organizational performance.
- To examine the impact of performance continuous communication on organizational performance.
- To determine the effect of performance assessment on organizational performance.
- To determine impact of performance appraisal on organizational performance.
- To examine the impact of rewarding performance on organizational performance.

1.5. Significance of the Study

Performance management on organizational performance benefits stakeholders. The company SAIN is one of the players in this situation. A performance management system allows a company to define the desired outcome. It also detects gaps and devises a strategy for filling them, allowing a firm to achieve its desired goal in terms of financial performance, customer satisfaction, employee satisfaction, and internal processes. Furthermore, analyzing, observing, or keeping an eye on performance management procedures improves organizational performance by coordinating individual and team efforts to achieve the company's objectives.

As a result, such processes enables the organization to identify the main points for anticipated competition. If the firm participates in the process of improving organizational performance, performance management practice will become another domain in which the company may engage constructively and gain a competitive edge. The research also contributes to scientific understanding. The investigation contributes to scientific understanding in analyzing the interconnection between the variables without taking into account very little input. The study serves as a foundation for future researchers who may be interested in undertaking similar research for another or the same organization; the study also acts as a resource for such researchers.

1.6. Delimitation/ Scope of the Study

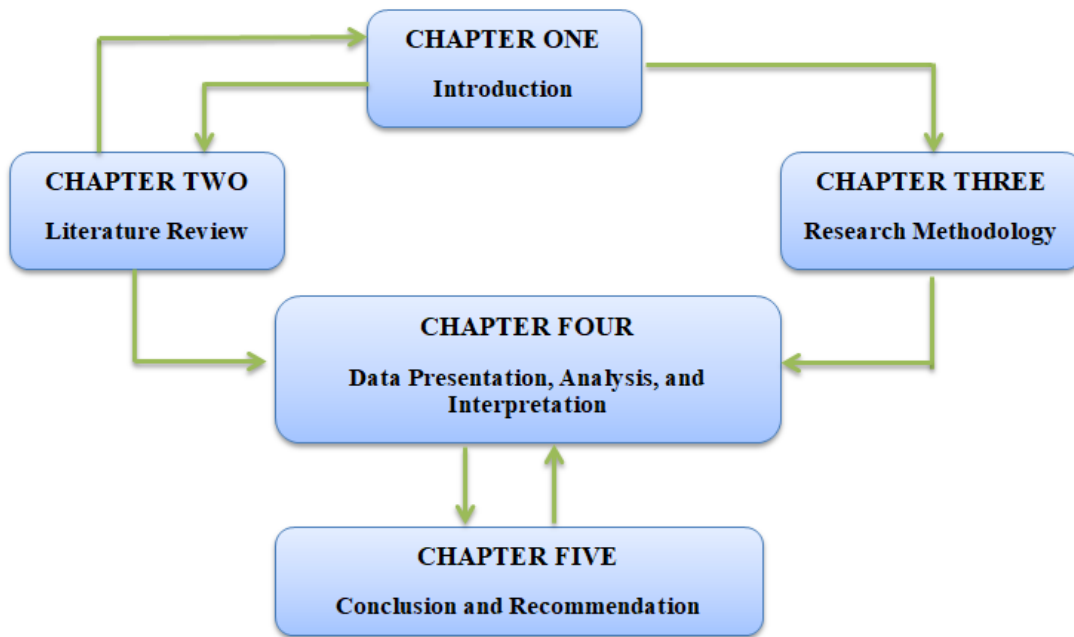
Regardless of the size, nature, or aim of a business, a performance management system is necessary. In the case of SAIN, the focus of this research was on determining the influence of the current performance management system on organizational performance.

It looked into the effects of performance planning, communication, performance assessment, evaluating performance, and rewarding performance on organizational performance in particular. The study included all management and employees, with a total population of 1,256 people.

1.7. Organization of the Study

To fulfill its main purpose, the research was be divided into five chapters and subdivided into smaller sections. The backdrop of the study, the problem statement, the study's objectives, the significance of the study, the scope of the study, operational definitions of words, and the study's organization were covered in the first chapter. The second chapter gave a quick summary of the concepts, theories, and empirical studies that have been done on the impact of performance management on organizational performance. The design and methods was discussed in the third chapter: the research design, research environment, study participants, sampling methodologies, data collection instruments, study processes, and data analysis approaches were all discussed. Detailed analysis of the data was presented in the fourth chapter.

Then, the summary, conclusion, and recommendations of the results from the analyzed data were presented in the final chapter five.



Source: Researcher own design (2022)

Figure 1.1: Organization of the study

1.8. Definition of Terms

Performance Management practice: is a tool that constitute of the process of identifying, evaluating and developing the employee’s performance (Panda, 2016).

Performance Management: is a methodical procedure of successful organizational performance by aligning individual employee’s efforts to address organizational planned aims (Newstrom, 2011).

Performance Appraisal: is one of the most important phases of performance management which contains planning, implementation, and valuation of the performance of individuals in the institution (Appelbaum et al., 2003).

CHAPTER TWO

2. Review of Related Literature

Research can be done independently, but not alone. As a result, the theoretical and empirical literature assessed in relation to the issue of this investigation was presented in this section of the study.

2. Introduction

This chapter examines the impact of performance management practice on organizational performance. It covers the following topics: definition of performance management, performance management system, purpose of performance management system, theories of performance management, performance management principles, performance management system process, performance management best practice, challenges in implementing performance management systems, conceptual framework and related performance management practice, summary of performance management, and its challenges.

2.1. Theoretical Literature Review

2.1.1 Definition of Performance Management

Performance management, according to Armstrong and Baron (1998), is a systematic and integrated strategy to providing sustainable success to businesses by increasing the performance of team members and developing team and individual contributor capabilities. By improving employees' competency and health through participation in organizational activities, performance management improves employees' incentive to provide their best for the benefit of the organization (Appelbaum et al. 2003).

An organization's responsibility is to improve team and individual capacities in order to achieve its goals. According to Armstrong and Baron (2005), performance management is a natural

management process that aids in the effective management of individuals and teams in order to attain high levels of organizational performance. As a result, it establishes a shared knowledge of what has to be accomplished, as well as a leadership and development method that will ensure that it is accomplished.

According to Armstrong (2006), performance management is the process of enhancing an organization's performance by aiding individuals and teams in maximizing their potential or achieving the desired outcome. Performance management refers to the process that firms use to set work goals, establish performance standards, evaluate workers' work, provide feedback on employees' level of performance, determine training and development needs, and provide performance-based bonuses to employees (Briscoe & Claus 2008).

According to Chiang and Birtch (2010), performance management is the process of analyzing and enhancing the productivity of employees. According to Newstrom's (2011) reasoning, an organization must be more responsive to client needs in order to keep their performance management system aligned with the international trend of making business. They must be revised on a regular basis by organizations.

Performance management, according to Daniels (2014), is a technique for changing employees' behaviors with the goal of improving and securing their persuasiveness, as well as, to a significant extent, organizational performance. Performance management, according to O.Samwel (2018), is a process by which businesses oversee or conduct the organizational process on the road to improving employee productivity and assessing its level of achievement. Overall, the previously given definitions can be utilized to put a stamp on the role of performance management in improving organizational performance by boosting employee effectiveness.

2.1.2 Why Should a Performance Management System Be Implemented?

The six purposes of PM, according to Aguinis H. (2009), that differentiate it from organization to organization depending on the goal to be attained are:

Administrative: It assists managers in making appropriate employee decisions, such as wage

adjustments, promotions, employee retention or termination, recognition of superior performance, identification of poor performers, layoffs, and merit increases. Information collected through performance management practices and free of bias assists the organization in making informed administrative decisions.

Strategic: This is the process of connecting an organization's aims with individual goals in order to achieve its objectives. Individual objectives should be aligned with business goals, and individuals should understand what contribution they are making and how their function fits into overarching strategic business objectives. The fundamental difficulty here is how to align an organization's aims with individual objectives. When individual goals and organizational goals clash, the organization's performance suffers.

Communication: employees have complete information on how well they are performing, how they may receive information on specific areas that may require development, and how they can learn about the organization's and supervisor's expectations, as well as what components of work the supervisor considers most important. Employees benefit from openness, transparency, and a smooth flow of information when it comes to performance management. Communication is also crucial throughout the appraisal or feedback session. A performance management system designed and disseminated to employees and supervisors in the organization aids in the quick correction of faults by designing the appropriate solution.

Developmental: It provides feedback to management to assist them train personnel and continuously improve their performance. As a result, by providing diverse training for employees, performance management helps to increase higher productivity, enhance job quality, increase motivation and dedication, and boost morale. Continuously developing people will assist the organization in maximizing performance, and it is the strength of a good performance management system.

Organizational maintenance: performance management is critical in giving information on present employees for workforce planning, assessing future training needs, reviewing organizational performance successes, and assessing the effectiveness of human resource interventions. In other words, data obtained from a performance management system aids the organization in filling gaps in employee knowledge, skill, and attitude and sustaining high

performance.

Documentation: performance management aids in the preservation of documents, primarily for legal purposes. It gives information on how to check the critical accuracy of freshly predicted selection instruments. The documentation of all employee reports can help the company cope with any legal difficulties that may emerge.

In general, the above-mentioned goal of performance management is to assist both employees and managers in carrying out their responsibilities in accordance with the organization's mission, strategic objectives, and goals.

2.1.3. Measurement of Organizational Performance

Organizational performance indicators or determining factors are contentious subjects. In this regard, as Hansen and Wernerfelt (1989) proposed in business policy publications, there were two major courses of analyses: one was rooted in the economic tradition, which prioritized factors outside the organization, such as market factors, which provided a range of major determinants of organizational profit, such as: characteristics of the industry in which the organization competed; the organization's position relative to its competitors and the quality of the firm's resources. Organizational elements and their "fit" with the environment, on the other hand, were seen as the primary demonstrable achievement by the organizational model of firm performance, which was ensconced in the behavioral and sociological mirror. In other words, it concentrated on issues such as human resources policies, corporate culture, climate, and leadership styles (Chien, 2004).

Among the many studies that support this economic and organizational factors approach, Hansen and Wernerfelt (1989) discovered that economic factors account for 18.5 percent of variance in business returns, while organizational factors account for 38 percent of variance in organizational performance. The focus of this study was on the organizational aspects that influence an organization's performance. Furthermore, organizational characteristics were found to regulate performance to a substantially greater extent than economic factors, according to Trovik and McGivern (1997).

The measurement idea of performance is complicated due to scholars' differing definitions of performance metrics. Scholars have employed multiple variables for one feature, according to Giménez (2000). They have used a variety of profitability metrics to assess organizational performance in terms of financial aspects, including gross profit, return on assets, return on investment, return on equity, return on sales, revenue growth, market share, stock price, sales growth, export growth, liquidity, and operational efficiency. Although Salzainna (2004) contends that, in addition to financial indicators as a measure of a firm's performance in any industry, other industry-specific measures of effectiveness, such as customer satisfaction, job satisfaction, organizational citizenship, employee turnover, and internal company processes, may also reflect the firm's success.

Assessing organizational performance in terms of non-monetary aspects aids the organization in comprehending the sources of financial success, which the financial component ignores. Similarly, Kaplan and Norton (2001) assert that many organizations are currently focused on managing intangible or non-financial assets such as client relationships, innovative products and services, superior quality, and responsive operating processes (a company's ability to respond to changing conditions as they occur) as a substitute for managing tangible assets such as cash, financial, current, fixed assets, and inventory. As a result, the changing nature of value creation obscures the performance assessment process at this time, and performance measurement tools are not keeping up with these latest phenomena.

The balanced scorecard approach is used by most firms to evaluate performance by combining financial and nonfinancial variables in a balanced fashion. It connects monitoring and non-monitoring measures to the company's aims and objectives. This method employs a well-balanced set of metrics organized into four categories: financial, internal business process, learning and growth, and customer. Non-financial measures are frequently included in the latter three viewpoints. As a result, this research evaluates SAIN performance management assessment procedures in terms of monetary and non-monetary performance evaluation, as previously stated, in a way that fosters balance between the two.

Since it began operating in a manner consistent with Kaplan and Norton's (2001) theories, the SAIN has been using a Balanced Score Card to measure performance. The business examines

the four aspects of balanced score care. According to Bourne et al. (2005), the three measurements sufficiently indicate the organization's performance, taking long-term growth into account, for enterprises providing service and using the Balanced Score Card. As a result, this research divides the organization's success into three dimensions: financial, customer satisfaction, and personnel satisfaction.

Financial performance refers to a company's financial position over a set period of time, which includes accumulating and employing wealth and is measured using many indexes such as capital adequacy ratio, liquidity, leverage, solvency, and profitability. As (IAI, 2016) defined, financial performance is the company's capacity to manage and control its resources.

Customer satisfaction is calculated as follows: anticipated service quality – awareness of service quality (Minh, 2015), with deviating scores or gaps between anticipation and awareness of service quality weighting customer satisfaction. Accessibility, responsiveness, trustworthiness, inevitableness, and skill in service supply are all used to determine quality.

Employment satisfaction, according to Sweeny and Mcfarln (2002), is the consequence of a psychological comparison activity in which different parts of their job rank up to what they desire. As a result, the larger the difference between "what employees have" and "what they desire" from their job, the happier the employees are. To put it another way, employees are most content with their jobs when "what they have" and "what they desire" are in sync. Employees gain confidence in their everyday actions as a result of clear objective setting, communication of such objectives in order to raise knowledge of what is expected of them, ongoing feedback on their job, and performance reviews.

2.1.4. Performance Management Process

Performance management must span multiple activities in order for them to be connected and useful in delivering significant results. A performance management system, according to Armstrong (2009), is a collection of correlated processes that are handled and aggregated as an integrated and key element of an organization's approach to managing performance via people and developing the skills and capabilities of its human capital, thereby enhancing organizational capability and achieving sustained competitive advantage. As most authors agree, performance

management is a continual process that involves both the manager and the employee in determining how they may effectively collaborate to accomplish the desired outcomes. As a result, the performance management system has its own set of procedures in place.

At the corporate level, performance management is linked to strategy planning and performance (concepts) abstraction with budget generation. Strategic plans, annual action plans, budget requests, and annual performance evaluations are all tied to program performance management, which is driven by outcome-based performance measurements (Verardo, 2007). This section discusses the many levels of performance management and their relationship to organizational performance.

2.1.4.1 Pre-requisites

Every employee of the organization should be aware of the organization's vision, mission, and strategic goals before implementing a performance management system. There will be a lack of clarity about what each employee needs to do and achieve to help the organization get there if there is a lack of perceptibility or clarity about where the organization wants to go, or if the relationship between the organization's mission and strategies and each of its units' missions and strategies is unclear (Aguinis, 2009).

2.1.4.2 Performance Planning

The phase of performance planning is when firms explicitly define their employee expectations. The two strategic and performance plans are launched during the planning process. Strategic planning is a long-term, future-oriented process of assessment, goal setting, and strategy architecting that plots a precise path between the present and a desired future. It's a practical and creative approach to eliciting fundamental decisions and behaviors that define and monitor what an agency is, what it does, and why it does it.

A systematic process such as SWOT analysis, which is tied to analyzing a company's internal capabilities such as detecting a company's strengths, weaknesses, opportunities, threats, or risks, and PESTLE analysis, which scans the organization's environment for political situations, economic growth, socio-cultural, technical and technological changes, legal, and environmental

and ecological impacts for convenient growth, is required for developing a strategic plan for a company. According to Darbi (2012), once the strategic plan has been clearly defined, it should be descending continually to the individual level via departmental, directorate, divisional, or sectional plans, where each employee and his or her management participate in an annual performance agreement. When employees are included in the development of the strategy plan, such cascade and acknowledgment make sense.

The most important aspect of goal setting is how it can be utilized to inspire and challenge managers and employees to achieve their career management objectives. According to Locke and Dr. Gary Latham's "A Theory of Goal Developing and Task Performance," published in 1990 and 2002, there are five elements to consider while setting goals that would drive others. Clarity, challenge, commitment, feedback, and task complexity are the guiding concepts. They produce better results than no goals or broad aims.

In order for the desired outcomes and behaviors to be accomplished, the supervisor and the employee must discuss and agree on what has to be done and how it should be done. It entails a conversation and agreement between the supervisor and the employee about what has to be done and how it should be done, with both results and behaviors taken into account. This is accomplished by putting the strategy and unit plans, as well as the job description, performance agreement, and personal development plan, into practice.

A job description is a straightforward document that explains the activities, responsibilities, functions, and liabilities of a position. It specifies who performs certain tasks, how those tasks are to be completed, and the frequency and purpose of those tasks in relation to the organization's mission and goals. It is one of the primary documents used to create individual performance agreements for employees. All positions in the organization have job descriptions that include information on the job's purpose, competency profiles, job requirements, and job responsibilities.

The performance agreement is an explanation by the employee's manager or supervisor of an agreed-upon clear or comprehensive understanding of the recommended degree of performance of an individual staff member.

A staff member and the employee's boss meet at the start of each fiscal year to weigh in and agree on the outcome and performance indicator for the next year, and the two sign the performance agreement. The unit objectives, key results, performance indicators and targets, assumptions, resource requirements, values, and organizational offerings that are aligned to the strategic plan should be displayed in this agreement, which should be cascaded down to the individual level. Finally, a personal development plan is required because employees can only be expected to meet a performance agreement if they possess the necessary competence. As a result, a Personal Development Plan describing an employee's development needs is required.

As soon as an organization's strategic plan has been clearly developed, the organization's teams must begin working on the goals that they want to achieve in order to meet the strategic plan's organizational objectives. The company-wide strategy and its objectives can be cascaded down through the organization to produce business unit objectives through performance planning. Individual performance plans with well-defined ownership and responsibility can then be created from these objectives.

The activities listed above are directly related to the company's performance during the planning phase.

2.1.4.3. Execution Stage

The effective implementation phase is when the presciently contracted goals are turned or translated into action. As a result, staffs are expected to deliver the required results, display the expected behavior, and work to support the development strategy throughout this phase (Abdurazek and Tigist, 2019). Commitment to achieving pre-determined goals, ongoing performance feedback and coaching, contact with the supervisor, accumulating and sharing performance data, and preparing for performance reviews are all key activities at this stage. Employees are first-hand responsible and obligated to be committed to the accomplishment of the agreed-upon objectives when doing the performance. Instead, managers and supervisors are encouraged to encourage and coach employees' efforts, so realizing the enabling employees' efforts. Supervisors' main responsibilities during this stage, according to Smither and London (2009), include observation and documentation, updating objectives, standards, key accountabilities and competency areas, providing feedback on employees' performance and

coaching to improve performance, providing employees with resources and opportunities, and reinforcement. As a result, it is at this stage that organizational goals are achieved through a collaborative effort between employees and supervisors.

2.1.4.4. Performance Appraisal

Both the supervisor and the employee are involved in the performance appraisal phase to examine the degree to which the intended behaviors have been demonstrated and whether the desired results have been attained. Even though numerous sources can be used to gather performance information, such as peers or subordinates, the bulk of the time the information is collected by the direct supervisor. Organizations should devise a method for summing up performance assessments that allows high and low performers to be easily identified (Armstrong, 2010). The management should complete his or her appraisal form, and the employee should do the same.

The fact that both parties are involved in the evaluation provides useful data for the review phase. Performance evaluations should accurately reflect where people stand in the eyes of their bosses and can serve as a foundation for forecasting potential based on the dubious assumption that people who do well in their current employment would perform well in future positions. This is questionable since past performance is only a predictor of future performance if there is a connection or linkage (Bourne, 2000). Forms such as performance agreement implementation, results and value assessment, and organizational contribution are all part of the performance evaluation. Performance in the above-mentioned performance areas is summed up in the overall assessment of the staff member and action to be taken in the next assessment period.

2.1.4.5. Reviewing Performance

After the implementation of the planned and agreed upon organizational object, performance appraisal and reviewing performance are among the most significant aspects of the performance management process. This stage comprises the employee and supervisor meeting to discuss their evaluations. A meeting like this is known as an appraisal meeting or a discussion. The evaluation meeting is important as long as it provides a formal atmosphere in which the employee accepts receiving performance comments. It is a method by which an organization

evaluates and reviews the performance of its personnel over a period of time (O.Samwel, 2018). Successful performance reviews and verifications pave the way for organizations to carry out extensive performance improvement functions, such as confirming continuous progress toward set objectives, aligning performance, providing timely feedback, providing support and coaching when needed, goal setting, skills development, pay determination, legal documentation, employee comparison, equity, and moderation of performance and layoff selections (Murphy, 2004). Both strategic and operational management are built on the foundation of performance evaluation and verification.

2.1.4.6. Performance Rewarding

Employees receive non-financial, intangible, and financial rewards, as well as tangible services and benefits, as part of their work relationship. "Rewards are the benefits that result from completing a task, providing a service, or fulfilling an obligation" (Waruni, 2014). The remuneration that an employee receives from an organization in exchange for the service that the employee provides or as a remit for work completed is known as reward (Lin, 2007). It also refers to the configuration of brain areas that attempt to govern and manage behavior through the pursuit of satisfaction (Ajila & Abiola, 2004).

Human resource can be rewarded and optimally put into service via rewarding it employing different techniques of substantial importance. According to Armstrong (2001) the rewarding performance phase is consists of an organization's amalgamated policies, processes and practices for rewarding its employees in appropriateness with their contribution, skill and competence and their markets worth. The reward system is developed within the context of the organization's reward philosophy, strategies, and policies, and includes preparatory measures such as processes, practices, structures, and procedures for providing and maintaining appropriate types and levels of pay, benefits, and other forms of reward. A reward system, according to Obisi (2003), is an award provided to employees as an incentive to improve their performance.

"The reward review is the process through which managers must decide who receives increments, bonuses, and other tangible incentives based on individual performance," writes (Tyson, 2006). It's a potentially tense and divisive situation because there will undoubtedly be

winner and loser, and the possibility of unfair treatment exists. These issues are bound to arise, no matter how strong a scheme is; therefore, it is evident that careful planning and practice are required to guarantee that any incentive review process is as fair and efficient as possible. After performing performance evaluations, PMS attempts to relate rewards to performance. Good performance should be reinforced with suitable reward and recognition, and performance faults should be dealt with appropriately. Use only available and visible awards; guarantee that all employees are eligible; make prizes timely and conditional on performance; use non-monetary rewards; and, last but not least, make rewards reversible (Armstrong & Baron, 1998).

2.1.5. Key Success Factors for effective Performance Management

The identification of key success elements for the adoption of good performance management is critical since it aids firms in determining where to focus their efforts in controlling corporate performance. Key success factors dominate constructive adoption of performance management systems, according to numerous studies (Tung, Baird, and Schoch, 2011; Baird et al., 2012; Hao, Kasper, and Muehlbacher, 2012; Dermol and Cater, 2013; Elzinga, Albronda, and Kluijtmans, 2009; Murphy, Cooke, and Lopez, 2013). Scholars have developed a collection of multi-dimensional approaches used to evaluate the efficacy of the performance measurement system in the form of the Balanced Scorecard (BSC) and organizational elements as part of the development of performance management knowledge (Tung et al., 2011; Baird et al., 2012; Ratnawat et al., 2013). The primary success elements impacting the effectiveness of PMS have been studied (Lawler, 2003; Padovani, Yetano, Orelli, 2010; Biron, Farndale, and Paauwe, 2011; Tung et al., 2011; Baird et al., 2012; Hawke, 2012). Multi-dimensional elements such as the balanced scorecard (BSC) and organizational characteristics like as top management support, employee engagement, incentive management, and culture have captured the focus.

2.2.5.1 Balanced Scorecard

Organizations are on a never-ending and growing quest to establish an improved performance management system, particularly one that integrates many aspects of the business and is aligned with the strategic plan (Tardivo and Viassone, 2010). The requirement for multi-dimensional

performance assessment systems, such as the BSC, performance pyramid, and determinants framework, has already been stated. The use of multidimensional measurements has been demonstrated to improve PMS effectiveness in the literature (Malina and Selto, 2001; Ittner, Larcker, and Randall, 2003; Braam and Nijssen, 2004; Crabtree and DeBusk, 2008; Baird et al., 2012). Because of its cascading effect, Baird et al. (2012) strongly endorse the usage of BSC as part of a PMS. It facilitates the provision of accurate and relevant performance measurement, hence encouraging appropriate employee conduct in the workplace. As a result, it provides managers with more accurate and reliable data to help them make better decisions.

BSC may fulfill requirements as a strategic management system that benefits managers across the organization by allowing them to make decisions based on the company's common strategies (De Geuser, Mooraj, and Oyon, 2009). It assists employees in understanding the cause-and-effect links of the activities they perform (Papalexandris, Ioannou, and Prastacos, 2004). Organizations can benefit from BSC by matching departmental and personal goals with the strategy, as well as considering and aligning strategic activities (Afande, 2015).

The four building blocks of the BSC are depicted below:

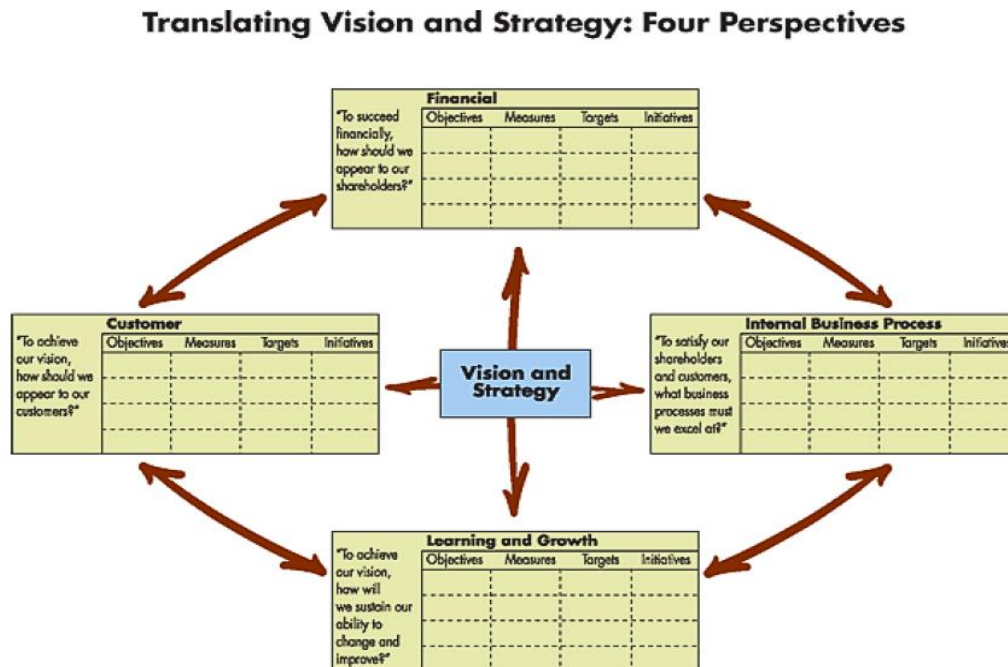


Figure 2.1: The four building blocks of the BSC

Source Kaplan and Norton (1996)

BSC has been identified as a critical component in PMS uptake. To continue and succeed in the implementation of a BSC, it is necessary to have a vision and mission, perspectives, success factors, objectives, metrics, strategies, and action plans. This can be accomplished by following the seven steps: building a vision, strategies, critical success elements and perspectives, corrective measures, performance evaluation and monitoring, and action planning (Hallgarde and Johansson, 1999).

2.1.5.2. Top Management Support

Top management support deals with connection and keenness to put comprehensive effort on account of the organization (Porter, Steers, Mowday and Boulian (1974) and Salancik and Pfeffer, 1977). At the same time, Cheng et al. (2007) have underlined that for the efficient function of a PMS process, organization should have dynamic senior management support, involvement and leadership. According to Krumwiede (1998) the situation that top management commitment and leadership acknowledgement for PMS implementation is absent; employees will have the tendency to display less or no emphasis to the new system. The most condemning threats that any organization has to face throughout the implementation stage of a performance management are related to deficient management support (Pace, 2011). According to Ochurub, Bussin and Goosen (2012) the lack of commitment from senior and line management can expand complex circumstances as employees from bottom-levels will obviously not take PMS acutely. Then, as Nel, Van, Haasbrack, Schultz, Sono and Werner (2004); Armstrong and Baron, (2005); Rao (2007) state for a PMS to be functional, it must be possessed, committed and delivered by line managers.

2.1.5.3. Employee Engagement

Employee engagement, according to Swarnalatha and Prasanna (2014), is a relatively new concept in the corporate and academic worlds. As Gruman and Saks (2011) point out, considerable recognition has been justified in recent years as being critical to an organization's performance. Employee engagement has been linked to work performance, according to Albrecht, Bakker, Gruman, Macey, and Saks (2015), and this is the hidden goal that has caused so much concern over the years. Despite this, it is crucial to remember that an employee is said

to be engaged in a manner only when physically and psychologically present, according to Kahn (1990). Employee engagement, on the other hand, is defined by Robinson, Perryman, and Hayday (2004) as an employee's positive attitude toward his or her organization's goals, objectives, and fundamental values. Furthermore, Robinson et al. (2004) discovered that an engaged employee is aware of the organization's goals and will increase job performance for the benefit of the organization.

In this fast-paced environment, corporate executives recognize that having a high-performing workforce is essential for growth and survival, as mentioned in the Harvard Business Review Analytic Services report (2013). They recognize that a highly engaged workforce can boost innovation, productivity, and bottom-line results while also lowering hiring and retention costs in highly competitive talent markets. Extensive research on employee engagement has revealed that low engagement and job satisfaction can lead to a variety of challenges, including labor turnover, absenteeism, and other potential costs associated with poor performance, according to Kahn (1990), Gruman and Saks (2011), Das and Mishra (2014), and Swarnalatha and Prasanna (2014).

There are six key drivers of employee engagement: valuable performance dialogues between employees and supervisors; employment development and training where employees see that they have provision in their organization; supervisor encouragement to balance work-life time; a comprehensive working environment; employee participation in decision-making; and supervisor communication (Freeman, 2018).

2.1.5.4. Reward Management

The concept of reward has grown in popularity and is attracting the attention of managers and researchers because it is one of the most important aspects of performance reward management, as it is directly linked to employee motivation, performance, and expected behavior in their efforts to put extra effort into completing assigned duties and accountabilities (Njanja, Maina, Kibet and Njagi, 2013). Employees are rewarded when they show a willingness to contribute to the company's profitability by going above and beyond (Humphrey, 1987). A second prerequisite of the incentive system, according to Bajorek and Bevan (2015), is that employees should realize a clear link between their daily tasks and the predicted reward via increased

motivation and improved performance.

As Ajila and Abiola (2004) demonstrate, a good remuneration package can have a big impact on employee performance. At the same time, Allen and Kilmann (2001) argue that incentive plans are essential for boosting employee performance and accomplishing organizational objectives. Positive employee impressions of the reward plan, according to Bae and Lawler (2003), influence their attitude toward the organization. This is consistent with the findings of Rhoades et al. (2001), who claim that the compensation system is a key factor in motivating employees to innovate. This will ensure that employee opposition is minimal, and the success of performance management can be simply assessed and quantified.

2.1.5.5. Culture

Pettigrew (1979) was the first to use an intellectual essay to convey the concept of organizational culture. According to Ouchi (1981), there is considerable agreement among academics and practitioners that organizational effectiveness is dependent on the extent to which cultural values are widely shared. According to Johari and Sanbasivan (2003), organizational culture has received a lot of attention in the last twenty years because of its potential impact on organizational success.

The widespread popularity and focus on organizational culture stems from the common notion that a positive business culture leads to improved financial performance. Baird et al. (2012) offer the three organizational characteristics of innovation, outcome orientation, and teamwork in their study of the impact of organizational culture on performance.

Innovation is simply the vision of a qualitatively new item that has been softened to a considerable part through the advancement of technology. The major determinant leading to the process of innovation, according to Laforet, 2008; Tellis, Prabhu, and Chandy (2009), is none other than organizational culture. Learning and knowledge building that support a culture that is responsive to new opportunities, paradigm shifts, risk-taking, and mistakes acceptance. To put it another way, it is challenging the way things are done in a company. As a result, the decision-making procedure becomes soften.

As Sheridan (1992) asserted outcome orientation indicates to the extent to which a competitive organization makes consideration to actions, results, performance and expectations. As Hofstede (1998) proposed, literature and research have confirmed that employees in outcome-oriented organizations are mainly more motivated, dedicated and have a high sense of belongingness. Assumed that the objective of a PMS is to realize improved organizational performance through employees' commitment and motivation, it can be concluded that outcome-oriented organizations are more appropriate to achieve these set objectives (Baird et al., 2012).

In today's challenging business environments, teamwork has gained acceptance as the intermixing of individuals' unique skills with the goal of escalating performance through various tasks that could not have been accomplished by an employee working alone or by employees working outside of a team, according to Katzenbach and Smith (1993). It is widely held that the primary responsibility is to plan, lead, organize, direct, monitor, and coordinate team activities in order to achieve the company's goals through effective resource management (Pineda and Lerner, 2006).

2.1.6. The Relationship between Performance Management System and Organizational Performance

The most essential system in the organization has long been thought to be the performance management system. This subdivision will explain how different components of the performance management system influence organizational performance.

2.1.6.1 Relationship between Performance Planning and Organizational Performance

Performance planning is the phase that explains an organized process for establishing a company's vision, mission, and objectives, analyzing external and internal circumstances, developing strategies to take advantage of opportunities and forecast threats, monitoring and evaluating success, and harmonizing the strategy to the conditions of a dynamic environment in order to gain a competitive advantage and improve company performance.

As mentioned in the 2.2.3.2 section, all of these activities obstruct organizational performance

to the point when someone disregards the plan, causing it to fail. Current study has identified trends in successful performance planning and assessed how this activity affects organizational success. Because these factors influence organizational performance, senior managers must focus on performance planning in their organizations. Successful organizations acknowledge performance planning as a diagnostic business tool for translating strategy into results (Sumilan, 2006).

Planning and performance management systems in general, according to Hewitt Associates (1994) and Lingle and Schiemann (1996), have a direct impact on five acute organizational outcomes. Financial performance, productivity, product or service quality, customer contentment, and employee job satisfaction are all factors to consider. It is also found in comparable pathways via which good performance planning affects organizational performance. They discovered that effective planning plays a substantial influence in all four strategic performance lines, which are measured factors in long-term success: financial performance, customer happiness, staff performance, and operating efficiency.

2.1.6.2. Relationship between Managing and Reviewing Performance and Organization Performance

This level of performance management includes actions such as analyzing input against set objectives or criteria, conducting periodic performance reviews, and communicating. The output of those actions indicates the organization's current position in regard to its goals and creates the ideal conditions for improvement. As previously said, improvements in communication will strengthen stakeholders' commitment to moving the performance forward. To put it another way, financial statement reports, such as income statements, balance sheets, cash flow, and changes in capital reports, are created on a regular basis to demonstrate an organization's financial performance.

The company successfully analyses financial performance indicators, provides timely feedback, and conducts periodic performance reviews to identify and fix variables that exacerbate financial performance concerns across the board. Similarly, Armstrong and Baron (2005) claim that the entire goal of performance management is to improve a company's financial performance by creating transparency over its expenditures and revenues. Companies with

capable performance management and review, according to similar litterateurs, have higher returns, superior cash flows, stronger stock market performance, and higher stock value than companies without performance management.

Managers may have to instruct the junior if the performance monitoring reveals a strict performance shortage in the assessment. This will entail outlining the expected performance and, if necessary, modeling it for juniors, asking the subordinate to execute, and providing critical feedback until the performance reaches the desired level. A subordinate's performance may be unsatisfactory due to personal or interpersonal issues. At this stage, the manager or supervisor may need to counsel the employee and provide solutions to the issues.

Similarly, organizations may satisfy their consumers' expectations by constantly evaluating and controlling customer satisfaction assessment variables. In the customer service industry, the enterprise-level goals are translated into key performance indicators (KPIs) that reflect customer experience and satisfaction, according to Samwel (2018). As a result, true success necessitates a grasp of client needs and desires, as well as the ability to respond appropriately. Customer satisfaction is projected to improve as a result of managing and analyzing performance.

2.1.1.6.3. Relationship between Rewarding and Organization Performance

According to McAfee and Chanmpagne (1993), rewarding performance occurs towards the end of the performance cycle, and its primary actions include appraising an employee's achievements and skills, as well as chatting with employees about their appraisal. It evaluates the effectiveness of the entire process and its contribution to overall organizational performance in order to allow for changes and improvement, as well as providing feedback to the company and individual employees on their real performance.

Managers who want to influence their employees' performance must make sure that good performance is the consequence of positive replies, according to Schultz et al. (2003). Good performance should, ideally, result in not only recognition but also tangible rewards for the subordinate. The key idea is that in the workplace, there should be a perfect correlation between good performance and incentive.

Schultz et al. (2003) show that sometimes a subordinate does not perform as expected. If the poor performance continues, it may be essential to initiate disciplinary action, depending on the circumstances. As Gunter and Furnham (1996) point out, this activity should be coordinated with labor union proclamations whenever possible to avoid being exposed to legal costs. In either case, it precisely provides for the performance of the organization.

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2.2. Empirical Literature Review

The empirical data supporting the organizational performance management system has been revealed in this subdivision. Despite this, just a few researches are underway, and the majority of them are not related to the broadcast sector.

2.2.1. Relationship between Performance Management and Organizational Performance

Traditionally, there has been debate in performance management studies over whether or not performance management has a positive impact on business performance. As a result, the claim is contradictory. As a result, anyone in the process of attempting to answer the question "what environments can performance management positively effect organizational performance?" could look into it.

A study on performance management practices conducted by Melat (2014) at the Ethiopian Management Institute found that organizational goals were not completely aligned with individual and departmental goals; employee involvement in the planning stage of PMS was not through all of the organization's staff; lack of regular feedback; and lack of consistency in gathering information on employees' performance are the most significant problems in PMS implementation.

Meseret A. (2021) looked at the impact of performance management practices on organizational performance in Ethiopia's Addis Ababa city administration's health bureau. According to the conclusions of the study, performance management systems are an important tool for positively and significantly impacting organizational performance. Despite having a performance management system in place, the case organization was unable to raise its organizational performance to the needed level due to incorrect installation and lack of practice with the system.

Butali and Njoroge (2018) investigated the impact of performance appraisal on organizational performance in three Kenyan companies that participate in the stock exchange. The study discovered that performance appraisal had a statistically significant positive impact on organizational performance. Furthermore, the data demonstrated that emotive, continuous, and normative commitment is required for the association between performance appraisal and organizational performance.

Panda and Reddy (2016) discovered the relationship between performance management system and organizational effectiveness in Malaysia. The empirical result of the regression analysis showed that Performance Appraisal, Performance Management, Performance Feedback, Performance Monitoring and Performance Training as a factor of the performance management system have positive and statistically notable effect on organizational achievement.

However, several research findings suggest that building a performance management system by itself will not have a beneficial impact on performance unless specific conditions are met for success. According to Wyat (1994) research, which looked at the systems of a select group of 37 organizations known for financial success and creative resource programs to uncover best practices in performance management. Only those with decentralized control, which allows

individual business units to modify the system, generate a better sense of employee ownership, and those with strong pay-for-performance ties are successful, according to the findings.

2.2.2 Effective Implementation of Performance Management

As discussed in this theoretical literature section, the importance of adopting excellent performance management will gradually ensure that a collection of actions and outputs fulfills an organization's goals in an effective and efficient manner.

According to the findings, there are some businesses that are less likely to employ formal performance management procedures such as goal formulation, performance assessment, and performance evaluation. Similarly, they typically use traditional methods for fundamental human resource functions such as staff recruitment, selection, training, and remuneration. Furthermore, some businesses employ effective performance management in an acceptable manner. This section displays the results of practical study on organizations' performance management adoption, importance, and other viewpoints.

As Maleka (2014) analytically assessed the effectiveness of the performance management and its alignment with organizational goals for Department of Communication (DoC) in South Africa. The research result discloses that even if some factor of the performance management within the DoC can be discovered as being effective, though there are issues which still need to be addressed such as to communicate with employees and evidently reviewing the purpose of the performance management, commitment of senior managers and conveying the staff attitudes and awareness, as staff attitude and negative awareness by employees can have harmful outcomes to the organization and positive perception can increase the organization and commitment of employees on the way to organizational performance. But, the research is mute on the reasons for the gaps if it is as a result of a design problem where stakeholders should take part and feel ownership.

Likewise, Makamu (2016) evaluated the performance management and development systems in designated South African national government sections by sampling personnel from 47 such enterprises at salary levels 3–12. The findings of the study show that current performance management and development strategies are ineffective in boosting a company's success.

Employees are also demotivated, according to the study, and their confidence and trust in the appraisal system has failed. According to the researcher, the primary cause of the problem is supervisor bias. As a result of their bias in managing and implementing the system, they predominantly use performance management as compliance rather than management.

Colorosa (2016) conducted a study that contradicted earlier findings. With opposing results, he did study on a company called Blue Star Recyclers (BSR), which provides work for people with disabilities (including Autism) and reuses electronics. Managers pay attention to their employees' talents and the output required to satisfy the organization's objective while also creating a pleasurable working environment, according to the findings of the study. They have had almost no turnover or absenteeism in these situations. The author also suggests that different firms use the model Blue Star Recyclers BSR of focusing emphasis on employee results and objectives, matching individual goals with company goals, and creating a work environment that people like.

2.3 Conceptual Framework and Hypothesis

2.3.1. Conceptual Framework

Hypotheses from various theoretical and empirical literatures would be used to build a research framework. The framework was constructed based on numerous pieces of literature, according to Samwel (2018) and Ying (2012). As a result, the conceptual framework for this study was created using previously evaluated theoretical and empirical studies on the impact of performance management systems on organizational performance. As a result, the research tested the following hypotheses: (Hypothesis 1), the relationship between the developing and planning performance stage, which deals with setting objectives in particular, and organizational performance; (Hypothesis 2), the relationship between performance communication and organizational performance; (Hypothesis 3) the relationship between performance appraisal and organizational performance; and (Hypothesis 4) the relationship between performance rewarding and organizational performance. Figure 1 illustrates the research model at the end of this paragraph.

2.3.2. Hypothesis of the study

The study had have the following five research hypotheses based on its literature reviews and the conceptual framework:

H₁: Planning performance generates better organization performance

H₂: Continuous communication on performance within organization brings to pass better organization performance.

H₃: Assessing performance upshot better organization performance

H₄: Performance appraisal triggers better organization performance

H₅: Performance Rewarding gives rise to better organization performance.

To examining the effect of performance management practice on organizational performance, the relationship between the performance management system and organizational performance, has been formulated by taking planning performance, continuous performance communication, performance assessment, reviewing performance and performance reward as independent variables and organizational performance as a dependent variable.

Conceptual Model

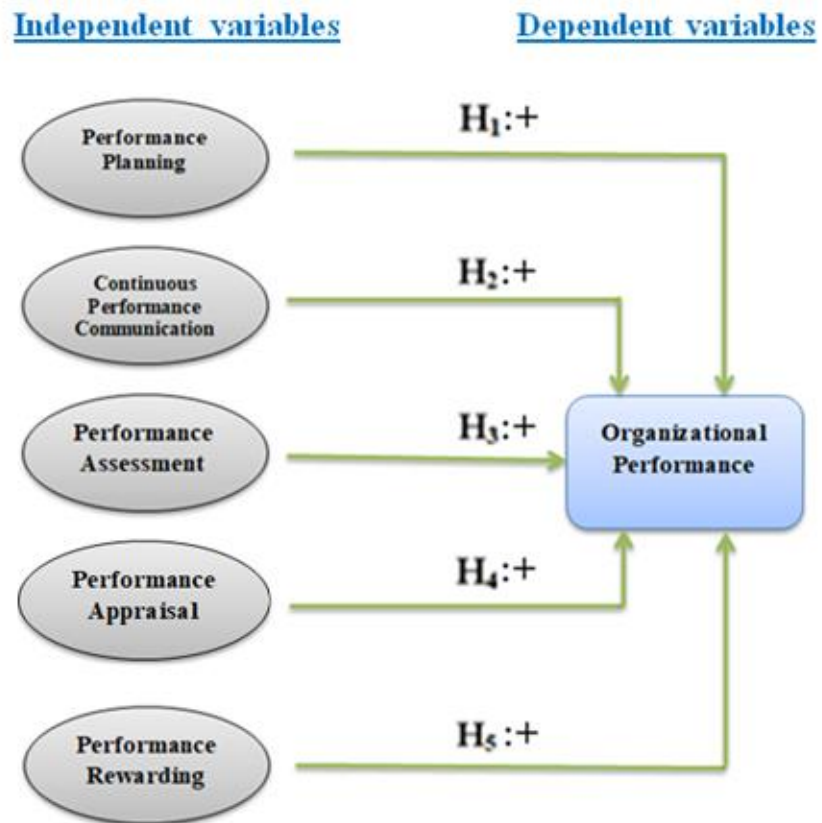


Figure 2.2. Conceptual Framework

Source: Owen developed based on the literature reviewed

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

Methodology, according to Zikmund (2003), has an impact on how the researcher investigates what needs to be discovered. According to Knight (2002), the same phenomenon can be explored from various perspectives.

The methodologies were defined in this section of the study, which was included the evaluation of specific research approaches, research designs, sampling and sampling techniques, data type and source of data, data gathering techniques and instruments, and data analysis techniques, as well as a suitable rationalization.

3.2 Description of the Study Area

The study was carried out on SAIN in Addis Ababa, Ethiopia.

3.3 The Research Approach

Depending on the nature of the research, it can be qualitative or quantitative. Qualitative research is a broad phrase that encompasses a variety of techniques for decoding, translating, and comprehending the meaning of naturally occurring occurrences in the social environment (Wexley, 1986).

Quantitative research technique, on the other hand, is the act of gathering numerical data and interpreting it using statistical methods. As a result, the researcher has considered a quantitative way to determine the impact of performance management practices on SAIN's success.

According to Creswell (2012), the quantitative approach assists researchers in testing correlations between variables, with the investigator predominantly relying on post-positive

assertions for knowledge development. It employs investigative methodologies regarding the cause-and-effect link between known variables of interest.

Due to the nature of this research, which involves analyzing the effect of numerous variables (PMP) on a single variable (OP), a qualitative research approach does not appear to be appropriate. As a result, the researcher used a quantitative research approach to quantify (to see) the impact of performance management practices on the performance of SAIN. This method aids in determining the relationship (correlation) between PMP and the performance of the case organization.

3.4 Research Design

The research design, which might be exploratory, descriptive, or explanatory, is determined by the type of the study to be done. Causative or explanatory research is thought to provide insight into the effect or influence of particular modifications in existing standard methods, or the cause-and-effect relationship. To evaluate the influence of performance management practice on organizational performance, the study was employed a quantitative research approach, and an explanatory research design was appropriate because the study attempted to understand the cause-and-effect relationship. As a result, Pearson's correlation and linear multiple regression was used in conjunction with statistical tools such as mean and standard deviations to determine the relationship between performance management systems and organizational performance.

3.5 Data Type and Source

For the entire analysis of this study, the student researcher was used primary data. The information was acquired from a pre-selected sample of respondents via a structured questionnaire. The information gathered from respondents via questionnaires was used as primary data.

Primary data is information about a topic that the researcher discovers on his or her own (Biggam, 2008). It means that the data it generates will be more in line with the study questions and objectives.

Closed-ended questionnaires was adapted from various literature and previous research papers relevant to the subject and tailored to this research study. The questionnaire was chosen because it assists in gathering extensive data at a reasonable cost.

3.6. Research Population and Sampling

The following sub-sections detail the entire population for the study, as well as the sampling frame, size, design, approach, and other activities.

3.6.1 Target Population /Population of the study/

Employees and executives at SAIN are the study's target population. According to SAIN profile, the company has roughly 5 divisions and 1,256 workers. The study's target populations are as follows.

3.6.2 Sampling Frame

It was difficult for a researcher to make random sampling without defining sampling frame. Here the researcher framed the random selection sampling from employee data base. The researcher relied on the list of employees. This framing was more cost effective compared to other alternatives as the company has Enterprise Resource Planning (ERP) system.

3.6.3 Sample and sample size determination

The sample size relied on considering different factors such as population variability, statistical issues, economic factors, availability of participants, and the importance of the problem. In determining sample size, different techniques can be applied. Sloven's formula was used in this study to determine the sample size. This formula was developed by Sloven in 1960 and it determines the size based on the confidence interval needed and error tolerance.

The formula is:

$$\text{Sample } n = \frac{N}{1 + N(e)^2}$$

Where N = population number,

e = margin of error.

In this study, the confidence interval is assumed to be 95% which means margin of error 5%.

Therefore,

$$\text{Sample } n = \frac{1,256}{1 + (1,256 \times (0.05)^2)}$$

n = 304

Thus, in this study, 304 employees were chosen as a sample based on Slovin's formula (Serkan, 1992) and a 5% margin of error, out of the 1,256 employees designated as the study's population. The survey was conducted with these 304 employees as the primary data source for the study.

Because there was a chance that respondents would misplaced the questionnaire, a 1% contingency is included in for additional respondents.

3.6.4. Sampling Design

Random and non-random sampling designs are the mainly two kinds. The type of the population, level of accuracy, and other criteria influence a researcher's decision between the two. A random sampling design was used for this study since it allows for a representative sample from all work units. There are various sample strategies under random sampling, including random, stratified, cluster, and multistage sampling. Each has its own set of qualities from which to choose. In this study, stratified random sampling was used, in each division was stratified first, and then personnel from each division was randomly picked. The number of employees chosen from each division was proportionately distributed.

3.6.5. Sampling Technique

To obtain a representative sample, a stratified random sampling technique was utilized. Because components of the total number of employees was handled, the sampling technique is acceptable. As a result, employees were classified into their appropriate work units or divisions initially. Then, to choose responders from the various divisions, a random sample approach was used.

3.6.6. Sampling Procedures

The sampling eliminated systematic bias and sample errors. First, specify the population and secure the personnel database from the ERP system. Then the data was stratified into the appropriate division or work unit. The third step was to use an excel sheet to implement a random selection mechanism. In order to avoid systematic bias owing to non-respondents, the study included a 1% contingency of respondents. Finally, the questionnaire was completed by the randomly selected sample respondents. This approach was chosen since it is both cost-effective and ensures the accuracy of the data to be collected.

3.6.7. Sampling Distribution Plan

The proportionate stratified random sampling method was used to disperse the sample selection among SAIN's divisions. The population and sampling activities was compiled and given in conclusion.

3.7. Data Collection Instrument

The instrument used to collect data must be reliable and valid. To collect primary data, a well-designed survey questionnaire was employed. The instrument was built using existing standardized and validated equipment (Kardaslarson, human resource consulting, 2013). Employees and management were polled using closed-ended survey questions. The use of a closed-ended questionnaire is justified since it is less costly and time-consuming than other methods of measurement. They can also be given in batches to large groups of people.

With numeric values of 1–5, the Likert-type scale approach was utilized to rate a variety of responses: "Strongly Disagree," "Disagree," "Neutral," "Agree," and "Strongly Agree." The research study was able to examine and measure responses quantitatively in order to develop a pattern or trend thanks to the usage of this specific scaling approach.

The research instrument is divided into three parts. Part 1 consisted of five questions aimed to assess the demographic information of the respondents. Part 2 had 28 questions about various facets of performance management, while Part 3 had 18 questions about organizational performance.

3.8. Validity & Reliability of the data collection instrument

As the input data determines the output, ensuring the validity and reliability of the data gathering instrument is critical.

3.8.1. Assessing Reliability

Cronbach's alpha was utilized in the computation to confirm the measurement scales' reliability (Cronbach, 1951). A greater value of over 0.6 implies that the variables was reliable, while values above 0.9 was the most reliable, and anything below 0.6 was considered inconsistent with Haines, Saba, and Choquette's reliability scales (2008).

Reliability Test Result

	Cronbach's Alpha	N of Items
Developing and Planning Performance	0.879	5
Continuous Communication	0.798	4
Performance Appraisal	0.874	6
Performance Assessment	0.724	9
Rewarding Performance	0.868	4

Source: Own calculation from the Survey Data (2022)

The reliability test for all of the independent questions is shown in the table above. The internal consistency test for all of the independent variables, as shown in the table, reveals that all of the Cronbach's alpha values are more than 0.6, indicating that they are all reliable. The degree of reliability, on the other hand, varies. The internal consistency test for planning consists of five questions, with a score of 0.879 indicating 88 percent reliability scale. Communication, Appraisal, assessment, and reward, on the other hand, are made up of four, six, nine, and four questions, with alpha values of 0.8, 0.87, 0.72, and 0.88, respectively.

3.8.2 Analysis of Validity

The most important criterion is validity, which reveals how well an instrument measures what it claims to measure (Kothari, p.73, 2004). Content validity is one of the strategies for determining whether the content of the questionnaire is appropriate for measuring the latent concept. The researcher was attempted to measure (planning, communication, review, assessment, and reward) (Muijs, 2010, p.66). The researcher was attempted to build a content-valid construct in this study by doing an exhaustive literature review and carefully selecting all variables and their measurements.

3.9. Data Analysis Methods

The data analysis method determined by the nature of the data to be deployed which is quantitative. The primary data gathered from the selected sample respondents in the targeted sector was analyzed and interpreted using quantitative data analysis methods. The quantitative analysis together with inferential statistics techniques was deployed align with the objective of the research. The data obtained via the primary source was analyzed using Statistical Packages for Social Science (SPSS) software version 20.

3.10. Ethical Consideration

The respondents were able to choose whether or not to participate in the study. They were given

the option to withdraw from the study at any time, as stated in the questionnaire's introduction. After being instructed about the research's goals and importance, respondents were participating in the study. There was also an assurance that the collected data was kept private and anonymous. The researcher was ensuring that the information acquired solely for the purpose of conducting the research.

CHAPTER FOUR

Result and Discussion

4.1. Introduction

This chapter focuses on the presentation, analysis, and interpretation of data collected from selected respondents via an online questionnaire distributed to them in order to address the research questions posed in the previous chapter. Does performance management have an impact on organizational performance? That is the main research question. 304 of the 304 questionnaires distributed have zero missing values (including the one percent contingency for un-collectability). This demonstrates proper questionnaire handling. This is because all of the questions have been made necessary to be filled out online, and no submissions with missing values will be accepted. This chapter uses this information to evaluate all of the study questions and hypotheses.

4.2. Questionnaire Response Rate

Table 4.1: Questionnaire Response Rate

		Gender of the respondents	Age of the respondents	Educational qualification	Work experience in SAIN	Position status
N	Valid	304	304	304	304	304
	Missing	0	0	0	0	0

Source: own survey, 2022

4.3 Demographic Characteristics of Respondents

Researchers can better comprehend the diversity among respondents in terms of key demographic factors by analyzing their demographic data. As a result, this part aimed to give

the study respondents' demographic characteristics by sex, age, educational background, job title, and years of experience.

4.3.1. Gender of the respondents'

Table: 4.2: Gender of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	209	69.7	69.7	69.7
	Female	95	30.3	30.3	100.0
	Total	304	100.0	100.0	

Source: own survey, 2022

According to the gender distribution of the respondents, male respondents make up 69.7 percent of the overall sample, while female respondents make up 30.3 percent. This demonstrates that male respondents outnumbered female respondents.

4.3.2. Age of the Respondents Table:

Table 4.3: Ages of the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 to 29	92	30.3	30.3	30.3
	30 to 39	122	40.2	40.2	69.7
	40 to 49	90	29.5	29.5	100.0
	Total	304	100.0	100.0	

Source: own survey, 2022

According to the table above, almost 40.2 percent of respondents are between the ages of 30 and 39 years, followed by those between the ages of 18 and 29, who account for 30.3 percent of the total. 29.5 percent of the respondents were between the ages of 40 and 49. The majority of the responders (about 70.5 percent) are between the ages of 18 and 39, which is a productive age group. As a result, the organization under investigation has a big proportion of employees who are of productive age, which aids the organization's performance as employees in this age

group.

4.3.3. Educational Background of the Respondents

Table 4.4: Educational Background of the Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	212	69.6	69.6	79.5
	First degree	55	18.1	20.1	30.3
	Master's degree or above	37	12.3	10.3	100.0
	Total	304	100.0	100.0	

Source: own survey, 2022

As a consequence of the findings, it is clear that the majority of the example organization's employees are educated in order to comprehend, accept, and correctly apply the performance management system, allowing the business to achieve its goal.

From the result one can understand that the majority of employees of the case organization are educated to understand, accept and properly implement the performance management system thereby by the organizational goal be achieved.

4.3.4. Job position of the Respondents

Table: 4.5: Job position of the respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Management	30	10.5	10.5	89.5
	Non-Management	274	89.5	89.5	100.0
	Total	304	100.0	100.0	

Source: own survey, 2022

Table 4.4 above depicted that 10.5 percent of the respondents were managers followed by non-managers with 89.5 percent share. The result shows that the majority of the respondents are non-managers as expected for as is common for every organization.

4.3.5. Years of Experience of the Respondents

Table 4.6: Years of Work experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 to 3 Years	58	19.7	19.7	19.7
	4 to 6 Years	91	30.3	30.3	50.0
	7 to 10 Years	155	50.0	50.0	100.0
	Total	304	100.0	100.0	

Source: own survey, 2022

In terms of work experience, the study indicated that 19.7 percent of respondents had 1-3 years of experience and 30.3 percent had 4-6 years of experience, while 50 percent have more than seven years. This indicates that more than half of the respondents have worked for at least four years. This means that a significant number of the case organization's personnel are knowledgeable enough about the value of the performance management system to the organization's success.

4.4. Descriptive Analysis of the Variables

Various statements were presented to motivate the employees' perception of the performance management practice of the case organization against each stage of the system and its effect on organizational performance in order to understand the respondents' perception of the practice of the various stages of the performance management system and its effect on the organizational performance of the organization under study. As a result, the five-Likert scale was used to measure each statement under each stage of the process or the variables. Each statement under a variable is scaled 1–5 in the Likert five-scale measurement, where 1 reflects the respondents' impression of a statement as strongly disagree, 2 for disagree, 3 for neutral, 4 for agree, and 5 for strongly agree of a statement.

The employees' perception of a variable, i.e., the practice of the various stages of the performance management system, will be determined by the mean value of the respondents' ratings for each statement under a variable. As a result, the mean value for each variable is

interpreted as follows: 1.00-1.80 = strongly disagree, 1.80-2.60 = disagree, 2.60-3.40 = neutral, 3.40-4.20 = agree, and 4.20-5.00 = strongly agree.

As a result, descriptive statistics for both the independent and dependent variables reveal that communication has the highest mean of the independent variables, slightly above four, indicating that respondents strongly agree on the presence of continuous communication on performance, with a standard deviation of 0.5. On the other hand, awarding has the lowest mean of 3.6, indicating that respondents think that high achievement should be rewarded, with a standard deviation of nearly 0.8.

With a standard deviation of 0.5 for each, the mean value for performance planning and appraisal is around 3.9, showing that respondents agree on the appropriate implementation of these performance management phases. The mean score for assessment is also 3.7, indicating that the respondents agree that proper evaluation is in place.

Table 4.7: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Developing and Planning Performance	304	2.00	4.00	3.9787	.51369
Continuous Communication	304	2.25	5.00	4.0029	.54258
Performance Appraisal	304	1.00	4.80	3.9131	.54207
Performance Assessment	304	2.00	4.13	3.7302	.72511
Rewarding Performance	304	2.00	4.75	3.6123	.79818
Organizational Performance	304	3.24	4.47	3.8761	.61441
Valid N (listwise)	304				

Source: Own calculation from the Survey Data (2022)

4.5. Inferential Analysis

Unlike descriptive statistics, which allow researchers to infer information about the entire population based on sample data, correlation analysis investigates the type and strength of association between variables, whereas regression analysis investigates the effect of the independent variables, or explanatory variables, Developing and Planning Performance,

Continuous Communication Performance, Performance Appraisal, Performance Assessment, and Performance Reward, on the dependent variable called Organizational Performance.

4.5.1 Correlation Analysis

Correlation analysis was used in this case to determine the direction and strength of the relationship, association between the variables in the regression model. As a result, the Pearson correlation analysis approach was used to conduct correlation analysis between the dependent variables and the dependent variables in this phase of the study. The degree and direction of a linear relationship between two or more variables is described using correlation analysis. The association between performance management and organizational performance for SAIN is investigated using Pearson Correlation Coefficients. Pearson correlation coefficients (r) can only have values between -1 and $+1$, according to Field (2005). The sign specifies whether the correlation is positive (as one variable rises, so does the other) or negative (as one variable falls, so does the other) (as one variable increases, the other decreases). The magnitude of the absolute value (ignoring the sign) indicates the relationship's strength. A perfect correlation of 1 or -1 means that the value of one variable can be precisely determined by knowing the value of the other.

As a result, as stated in the table below, the output is as follows

Table 4.9: Correlation of dependent and independent variables

		Developing and Planning Performan ce	Continuou s Communic ation	Perform ance Appraisa l	Performa nce Assessm ent	Rewarding Performanc e	OP
Developing and Planning Performance	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	304					
Continuous Communication	Pearson Correlation	.622**	1				
	Sig. (2-tailed)	.000					
	N	304	304				
Performance Appraisal	Pearson Correlation	.350**	.385**	1			
	Sig. (2-tailed)	.000	.000				
	N	304	304	304			
Performance Assessment	Pearson Correlation	.490**	.435**	.284**	1		
	Sig. (2-tailed)	.000	.000	.002			
	N	304	304	304	304		
Rewarding Performance	Pearson Correlation	.557**	.577**	.484**	.441**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	304	304	304	304	304	304
Organizational Performance	Pearson Correlation	.417**	.362**	.486**	.589**	.584**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	304	304	304	304	304	304

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

Source: Researcher’s own calculation from survey result (2022)

With the dependent variable organization performance, the Pearson correlation coefficients are calculated for all the independent variables, including performance developing and planning, continuous communication, performance appraisal, performance assessment, and performance

rewarding. The results reveal that the organization's success is connected with all five independent factors. The Pearson correlation coefficient also measures the degree and direction of the association between variables. A positive association is shown by a coefficient of +1, whereas a negative relationship is indicated by a coefficient of -1. A value of zero (0) shows that there is no link between two variables.

As a result, the strength of the association between the independent and dependent variables is not consistent. According to Field (2005), a weak relationship is defined as $r = 0.1$ to 0.29 , a medium relationship is defined as $r = 0.3$ to 0.49 , and a strong relationship is defined as $r = 0.5$ to 1.0 . As can be seen in the table above, the correlation coefficient for planning, communication, appraisal, and assessment and reward is nearly 0.1 , indicating a medium association between these factors and organizational success.

4.5.2. Regression Analysis

Correlation assesses the intensity and direction of the relationship between variables, as detailed in the preceding sections. However, regression is required to determine the best predictor of the dependent variable. As the equation was stated, many regression models were applied. Before performing the regression, however, it is necessary to double-check the many basic assumptions.

The major goal of this research was to see how performance management approaches affected organizational performance in the SAIN. As a result, multiple linear regression analysis using the ordinary least square (OLS) technique was used to investigate the effect of the explanatory variables on the dependent variable. This method aids in the investigation of the impact of multiple explanatory variables on the dependent variable.

Five independent variables, namely performance planning, performance continuous communication, performance appraisal, performance assessment, and performance reward were included in the regression model, as well as one dependent variable, organizational performance. The following is a summary of the regression analysis' findings:

4.5.3. Diagnosis test result

The five OLS assumptions must be followed in order to apply the OLS (Ordinary Least Squares) technique in regression analysis; otherwise, the study results would be invalid. As a result, diagnostic tests were carried out with the goal of avoiding invalid results. The results of the diagnosis test confirmed that the data used in the study met all five OLS assumptions, namely, that the relationship between the dependent and independent variables is linear, and that the data is from a normally distributed population, that there is no serial correlation, that there is no heteroscedasticity, and that there is no multi-collinearity. The results of the diagnosis test are shown below.

For the basic assumptions, such a test is carried out as follows.

4.5.3.1. Multicollinearity Test

Linear regression is based on the assumption that the data has little or no multi-collinearity. When the independent variables are not independent of one other, multicollinearity arises. The error of the mean must be independent of the independent variables, which is a second crucial independence assumption. According to Keith (2006), such tests can be carried out based on a variety of factors. One such criterion is the correlation matrix, which may be used to check for multicollinearity by looking at Bivariate Correlation findings. All of the independent variables' coefficients must be less than one. As can be seen in table 4.8, all of the coefficients meet this criterion, indicating that there is no difficulty with multicollinearity among independent variables. The second criterion is tolerance, which assesses how much one independent variable influences all of the other independent variables. The outcome is shown in Table below. The outcome must be less than one. As a result, the results demonstrate that all of the tolerance coefficients are smaller than one, indicating that there is no tolerance issue. The Variance Inflation Factor is the third (VIF). The rule is that if $VIF > 10$, there is a good chance that multicollinearity is present; if $VIF > 100$, there is a good chance that multicollinearity is present. The results are also displayed in table 4.9 below, and all of the VIF coefficients are less than 10, indicating that there is no hint of multicollinearity. The values of the VIF for the independent variables are even less than 2 for all.

Table 4.10: Multicollinearity Test Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.292	.267		4.833	.000		
	Developing and Planning Performance	.265	.084	.297	3.154	.002	.519	1.928
	Continuous Communication	.237	.072	.307	3.273	.001	.523	1.912
	Performance Appraisal	.086	.058	.117	1.490	.139	.745	1.342
	Performance Assessment	.147	.057	.206	2.557	.012	.707	1.414
	Rewarding Performance	-.054	.070	-.073	-.778	.438	.528	1.893

a. Dependent Variable: OP

Source: Researcher's own calculation from survey result (2022)

4.5.3.2. Autocorrelation Test

The data must also have little or no autocorrelation, according to the other assumption of linear regression analysis. Autocorrelation arises when the residuals are not independent of one another, according to Stevens (2009). The Durbin-Watson test can be used to check for autocorrelation in a linear regression model. Durbin Watson's value is thought to be between 0 and 4, with values around 2 indicating no autocorrelation.

Table 4.11 displays the Durbin-Watson result. The table value is around 1.729, which is less than 2, implying that there is no autocorrelation.

Table 4.11: Autocorrelation Test Summary^b

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	.683 ^a	.467	.444		.74442	1.511

a. Predictors: (Constant), Rewarding Performance, Performance Assessment, Performance Appraisal, Continuous Communication, Developing and Planning Performance

b. Dependent Variable: OP

Source: Researcher’s own calculation from survey result (2022)

4.5.3.2. Linearity Test

A linearity test is performed to see how the equation illustrating the impact of the independent variables relates to the dependent variable. The relationship between the dependent variable and the independent variable must be linear in order to use a multiple regression with ordinary least square (OLS). A scatter plot diagram with line of fit was used in this study to evaluate if the relationship is linear, among the numerous techniques of assessing linearity.

The linearity test, presented in figure below, indicates that the data is normally distributed and does not exhibit a non-linear pattern, indicating that the specific model is adequate. It is evenly distributed since it closely follows the diagonal line and has no non-linear pattern.

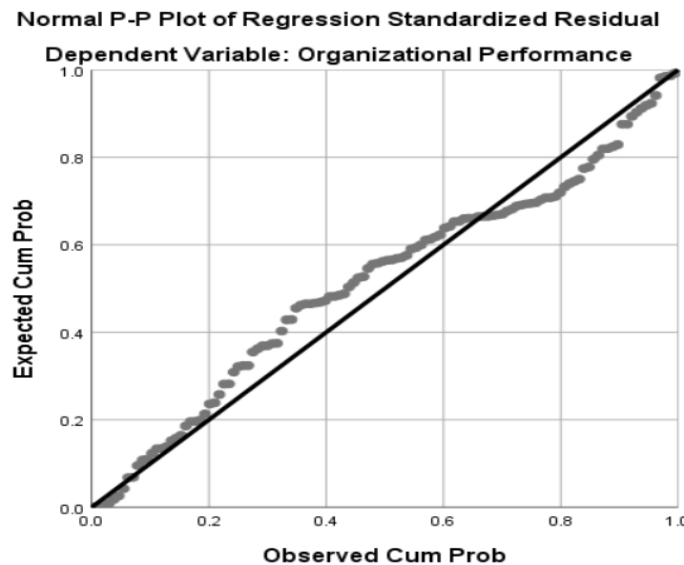


Fig 4.1: Linearity Test Result

Source: Researcher’s own calculation from survey result (2022)

4.5.3.3. Normality

The sample data is gathered from a regularly distributed population, which is one of the assumptions in multiple regression analysis using the ordinary least square (OLS) approach. This means that errors are regularly distributed, and a plot of the residual values will resemble a normal curve (Keith, 2006). The data is drawn from a regularly distributed population, as shown in the histogram below.

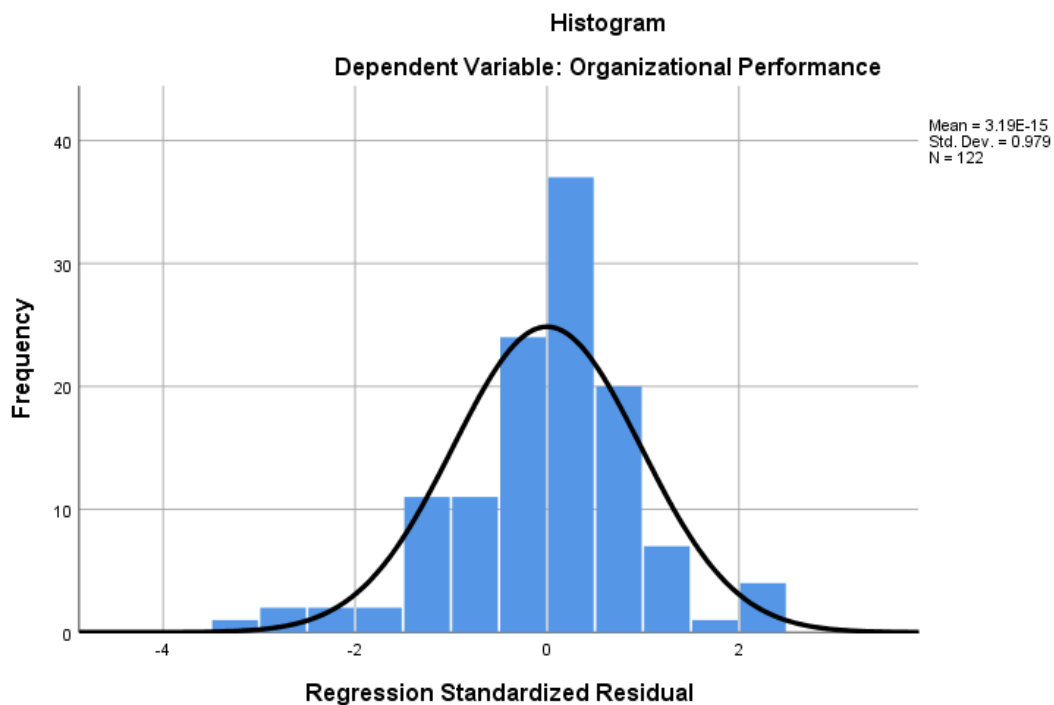


Figure 4.2: Normality test result

Source: Researcher's own calculation from survey result (2022)

4.6. Summery regression test

All four assumptions, namely normality, linearity, multi-colinearity, and residual independence (Durbin-Watson) tests, must be tested and confirmed to fit the model and execute the regression analysis, as described above.

4.6.1. ANOVA Test

The basic goal of the ANOVA, also known as the F-test, is to see if the independent factors have a significant effect on the dependent variable when considered together. If the F statistic's significance value is less than the expected error margin (0.05 in this case), the independent factors significantly explain the variation in the dependent variable.

As a result, the F value in table 4.11 below is 47.585, which is significant at the 0.00 significance level, and is smaller than the error margin of 0.05. As a result, all of the independent variables statistically predict the dependent variable.

Table 4.12: ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	56.249	5	11.250	20.301	.000 ^b
	Residual	64.282	116	.554		
	Total	120.531	121			

a. Dependent Variable: OP Organizational Performance

b. Predictors: (Constant), Rewarding Performance, Performance Assessment, Performance Appraisal, Continuous Communication, Developing and Planning Performance

Source: *Researcher's own calculation from survey result (2022)*

Let's run the regression and see what happens because all of the assumptions tested above support the linear multiple regression models provided in chapter three.

Table 4.13: Regression Output Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.664	.248		2.610	.008
Developing and Planning Performance	.043	.072	.033	.584	.563
Continuous Communication	.086	.064	.075	1.367	.554
Performance Appraisal	.122	.060	.1022	1.882	.171
Performance Assessment	.364	.057	.396	6.494	.000
Rewarding Performance	.162	.044	-.208	3.636	.000

a. Dependent Variable: Organization Performance

Source: Researcher's own calculation from survey result (2022)

Let's run the regression and see what happens because all of the assumptions tested above support the linear multiple regression model provided in chapter three. The coefficients of all the independent variables are positive in table 4.12, indicating that all of the independent factors have a positive impact on the dependent variable. The results demonstrate that incentive and assessment have a statistically significant impact on organization performance, but the remaining variables, such as planning, review, and communication, have no statistically significant impact.

Now the equations can be presented as below.

$$OP = B + x_{PP} + x_{PC} + x_{PA} + x_{PA} + x_{RP} + \epsilon_i$$

$$OP = 0.66 + 0.04DPP + 0.08PCC + 0.12PA + 0.34PA + 0.16RP$$

The outcome demonstrates that a one-unit improvement in reward practice leads to a 0.16-unit increase in organizational performance. Similarly, evaluation has a greater influence, with one unit increase in assessment activities resulting in a 0.34 rise in organizational performance. Another important lesson from the regression result is that the R square for the regression is 0.43, indicating that the independent variables only account for 43% of the variation in the dependent variable. External factors other than the variables examined in the model account for the remaining 57% of the variability.

The study hypothesis can now be examined based on the outcomes so far to see if they are accepted or rejected.

H₁: Planning performance generates better organization performance.

The results of the correlation and regression studies conducted on the relationship between planning and organizational performance demonstrate that they are favorably associated. The impact of planning on organizational performance, on the other hand, is statistically inconsequential. As a result, the hypothesis is accepted because it just speculates on the

relationship's direction.

H₂: Continuous communication on performance within organization brings to pass better organization performance.

Like the planning variable, continuous communication is also positively related with organization performance which shows that continuous communication leads to betterment in the organization performance. But the impact on organization performance is not statistically significant. In conclusion, the hypothesis is accepted as both are changing in the same direction

H₃: Assessing performance upshot better organization performance

We can get the same result for this hypothesis by rejecting the null hypothesis, which implies the reverse of H₃. Furthermore, assessment has a statistically significant impact on the success of an organization. As a result, H₃ is approved.

H₄: Performance appraisal triggers better organization performance

Performance appraisal, like planning and communication, has a positive relationship with organizational performance, but the effect is statistically significant. As a result, because the change is in the same direction, H₄ is permitted.

H₅: Performance Rewarding gives rise to better organization performance.

It has a favorable link with organizational performance, just like assessment, and the influence is statistically significant. As a result, H₅ gets approved.

Chapter Five

Conclusion and Recommendation

5.1 Conclusion

In the example of SAIN, the study attempted to determine the impact of performance management on the organization's performance. The study has primarily engaged in two actions in order to achieve this goal: The first step is to conduct a rigorous evaluation of the theoretical and empirical literature on the variables in question. The researcher was able to identify the theoretical explanations for the impact of performance management on organizational performance as a result of this. Furthermore, the empirical literature review that has been conducted on the topic thus far aids in determining how the outcome appears in different sectors or nations. In the example of SAIN, the study attempted to determine the impact of performance management on company performance. The study has primarily engaged in two actions in order to accomplish this goal: The first step is to conduct a critical evaluation of both theoretical and empirical literature on the variables in question. The researcher was able to identify theoretical justifications supporting the impact of performance management on organizational performance as a result of this. Furthermore, the empirical literature analysis conducted so far on the topic aids in determining how the outcome appears in different industries or nations.

The second achievement is the collecting of data from selected samples using a structured questionnaire to examine the relationship between performance management and organizational performance. Furthermore, using a multiple regression equation, the same data is analyzed to estimate the extent to which performance management predicts organizational performance. This aids in the resolution of the research questions posed at the start of the investigation. As a result, conclusions can be derived from these two research fields.

Disagreements on what elements influence organizational success emerged from the theoretical literature review. As previously stated, there are economic variables that rely on external markets to decide a company's performance and organizational elements that are internal to the firm, such as human resources and management. The paper has followed the same rationale in

picking organizational elements such as planning, communication, evaluating, assessing, and rewarding performance as predictors of organizational performance as the researcher concluded from the literature in chapter two. However, a statistical test revealed that these variables only account for 41% of the variances in SAIN organizational performance. As a result, one might deduce that the remaining 59 percent could be explained by economic issues that aren't the focus of this study.

The empirical literature research also revealed several case studies on the impact of performance management on organizational performance, from which it can be concluded that the outcomes range from company to firm or country to country. Despite the fact that the association between the two is beneficial in the majority of the study outcomes, it has little or no impact on a few due to factors like senior management sponsorship.

Various inferences can be inferred from the samples and the analysis performed:

- The correlation analysis reveals that performance planning, communication, appraisal, assessment, and reward as independent factors, and organizational performance as a dependent variable, have a favorable and good association.
- The correlation study reveals that the independent variables of performance planning, communication, review, assessment, and reward, as well as organizational performance, have a favorable and good association.
- Planning, communication, review, assessment, and reward of performance all have a favorable impact on an organization's success, according to the linear multiple regression.
- Only assessment and compensation, on the other hand, have a statistically meaningful impact on organizational success.

5.2 Recommendation

One of the outcomes of this research is that it will provide suggestions based on the analysis' findings, which will help SAIN. And other researchers leverage the research.

- According to the findings, performance evaluation has a substantial impact on SAIN performance. As a result, the organization must devote sufficient resources to improving its performance evaluation methods on a constant basis.
- Similarly, performance awarding has a huge impact on a company's performance, so the company's rewarding mechanisms must receive a lot of attention.
- While it is crucial to ensure participation in performance planning, as mentioned in the literature, only 60% of respondents believe that the planning follows a participatory approach and that the organization improves as a result.

5.1 Recommendation for Further Research

The study attempted to answer the question of how performance management affects organizational performance. However, the regression analysis reveals that the performance management factors evaluated account for just 43% of the variances in the organization's performance. This could be owing to the fact that the organization's performance is also influenced by external influences. Such gaps could be filled by taking a holistic approach to such analyses. As a result, this is a research recommendation for a deeper grasp of the topic.

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Appendix 1: Questionnaire



Dear Respondent,

Dear Participants: Thank you ahead of time for taking the time to respond to my questions. The goal of this survey is to gather primary data for a study titled "*The Effect of Performance Management Practices on Organization Performance: The Case of SAIN Garment PLC.*" Second, conducting this research as part of a research project is a requirement for earning a Master of Art in Business Leadership degree.

The study is conducted solely for academic purposes and has no bearing on the respondent's personality. I'd also like to reassure you that your response is private and protected by Addis Ababa University's research ethics guidelines. As a result, you are sincerely requested to complete this questionnaire, and your prompt response is critical to the study's success. I'd want to express my gratitude to your firm and its employees for their willingness to participate in this important study.

Part One. General Information

The following questions are general questions on demography and experience. Please put tick mark (✓) in the square to indicate your most closely represent your personal situation. Please mark one item only per question.

1. Gender Male Female
2. Age 18-29 30-39 40-49 Above 50
3. Educational qualification
Diploma First Degree Master's Degree or above
4. Work experience in SAIN Garment PLC in years
1-3 3-6 7-10

5. Position status Management Non-Management (Professional)

Part Two: Performance Management evaluation survey questions.

Please use a tick mark (√) to indicate the level of agreement or disagreement that best describes the scenario in your firm. Please mark one for each statement on a five-point scale. Where 1 indicates strongly disagreement, 2 indicate disagreement, 3 indicate neither disagreement nor agreement, 4 indicate agreement, and 5 indicate strong agreement.

Performance Management Practices		Rating				
		1	2	3	4	5
2.1 Developing and Planning Performance						
1	There is a detailed strategic plan that outlines the objectives and how they will be achieved.					
2	Each year, the expectations for each work unit are clearly stated.					
3	Management is dedicated to seeing the strategy through to completion.					
4	A participative approach is used in the planning.					
5	Revisions to yearly performance plans are permitted once they have been organized.					
2.2 Continuous Communication						
1	I am always aware of what is required of me as an employee/manager.					
2	I am aware of how my actions impact the company.					
3	We have meetings with the purpose of keeping employees					

	informed on a regular basis.					
4	I understand the overarching objective of my business as well as the various components that make it up.					
2.3 Performance Appraisal						
1	Because of my performance evaluation, I worked harder than usual.					
2	If I disagree with a performance review score, I can appeal it.					
3	As a result of the performance evaluation, I have a greater grasp of what I am doing and what I should be doing.					
4	The purpose of performance reviews is to assist me in making decisions about how to improve my performance.					
5	Performance evaluation has an impact on individual performance.					
6	The organization's current performance evaluation approach is satisfactory to me.					
2.4 Assessment						
1	The assessment is accurate in its measurements.					
2	I believe the performance evaluation is reasonable.					
3	The evaluation procedure is straightforward and quick.					
4	Managers see the evaluation as a useful management tool.					
5	The ratings are correct and represent actual results.					

6	Managers conduct performance evaluations on schedule.					
7	Managers are evaluated on their ability to conduct assessments.					
8	The organization's performance requirements are uniform.					
9	Actual performance, not personal feelings, is used to assign ratings.					
2.5 Rewarding Performance						
1	Performance excellence is praised and rewarded.					
2	The system encourages personal development.					
3	Performers who need to grow are offered opportunities to do so.					
4	When employees' performance is deemed unacceptable, they are told in writing.					

Part Three: Organizational Performance evaluation survey questions.

Please use a tick mark (√) to indicate the level of agreement or disagreement that best describes the scenario in your firm. Please mark one for each statement on a five-point scale. Where 1 indicates significant disagreement, 2 indicate disagreement, 3 indicate neither disagreement nor agreement, 4 indicate agreement, and 5 indicate strong agreement.

Organization outcome	Rating				
	1	2	3	4	5
3.1 Financial performance					

1	Our company's return on assets is significantly lower than the industry average.					
2	Our company's value added per employee is significantly lower than the industry average.					
3	In comparison to the industry, the company's costs are gradually lowering					
3.2 Customer Satisfaction						
1	The number of client complaints has dropped dramatically during the last few months.					
2	Customer complaints are handled quickly (in comparison to others I know).					
3	We respond to consumer concerns more quickly than similar businesses.					
4	We manage to keep existing clients while also attracting new ones.					
5	In the perspective of our clients, our company's reputation has deteriorated.					
6	Customers frequently regard our innovative products and services as groundbreaking.					
3.3 Employee Satisfaction						
1	Employees are pleased with the current situation at work.					
2	Employee productivity is significantly higher than the industry average.					

3	Leadership has a high level of employee trust.					
4	Employees have a high level of trust.					
5	Employees do not have a strong attachment to the company.					
6	Employees are willing to go above and above for the organization.					
7	Workplace costs per employee are significantly higher than the industry average.					
8	Employees have a strong capacity for learning and flexibility (in comparison to the competition).					

Thank you once more for taking your precious time to fill the questionnaire!