

# The Role of Performance Management Practice on Employee Productivity in East Africa Bottling Share Company

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## **STATEMENT OF DECLARATION**

I declare that the thesis work entitled “**THE ROLE OF PERFORMANCE MANAGEMENT PRACTICE ON EMPLOYEE PRODUCTIVITY IN EAST AFRICA BOTTLING SHARE COMPANY**” is my original work and all sources of material used for the work have been duly acknowledged.

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**HAMID ABDUREHIM HAILE**

## **STATEMENT OF CERTIFICATION**

This is to certify that, this project work **“THE ROLE OF PERFORMANCE MANAGEMENT PRACTICE ON EMPLOYEE PRODUCTIVITY IN EAST AFRICA BOTTLING SHARE COMPANY”**, undertaken by **HAMID ABDUREHIM HAILE** in partial fulfilment of the requirements for Master of Arts Degree in Human Resource Management at Addis Ababa University School of Commerce, is an original work and not submitted earlier for any Degree either at this university or any other university.

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Productivity in East Africa Bottling Share Company*

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## TABLE OF CONTENT

LIST OF TABLE .....	I
LIST OF FIGURES .....	II
ACRONYMS .....	III
ABSTRACT .....	IV
Chapter – 1 Introduction .....	1
1.1. Background of the study .....	1
1.2. Background of the company .....	3
1.3. Statement of the problem .....	4
1.4. Research questions .....	5
1.5. Research objective .....	6
1.6. Significance of the study .....	6
1.7. Scope of the study .....	7
1.8 Limitation of the study .....	7
1.9 Definition of Terms .....	7
1.10 Organization of the study .....	8
Chapter 2 – Literature Review .....	9
2.1. Introduction .....	9
2.2. The Concept and Definition of Performance Management .....	9
2.3. The Process of Performance Management .....	10
2.4. The Performance Management Cycle .....	10
2.5. Performance Appraisal .....	11
2.5.1. Purposes of Performance Appraisal .....	12
2.5.2. Different Methods of Performance Appraisal .....	13
2.5.3. Performance Appraisal and Performance Improvement .....	13
2.5.4. Performance Appraisal and Employee Productivity .....	14

2.6. Performance Based Reward System.....	14
2.6.1. Employee Promotion.....	15
2.6.2. Pay-for-Performance.....	16
2.6.3. Performance Based Reward System and Employee Productivity.....	17
2.7. Performance Feedback.....	17
2.7.1. Feedback and Effectiveness.....	18
2.7.2. Performance Feedback and Employee Productivity.....	18
2.8. Employee Productivity.....	19
2.9. Empirical Review.....	20
2.10. Conceptual Framework.....	21
2.11. Hypotheses.....	22
Chapter – 3 Research Methodology.....	21
3.1. Research Design and Approach.....	23
3.2. Population and Sampling Design.....	23
3.2.1. Population.....	23
3.2.2. Sampling Techniques.....	25
3.3. Data Sources and Types.....	26
3.4. Data Collection Procedures.....	27
3.5. Validity Reliability of the study.....	27
3.5.1. Validity.....	27
3.5.2. Reliability.....	28
3.6. Data Analysis.....	29
3.7. Ethical Consideration.....	29
Chapter – 4 Data Presentation, Analysis and Interpretation.....	30
4.1. Response Rate.....	30
4.2. Demographic characteristics of respondents.....	30
4.3. Performance Management.....	33
4.4. Performance Appraisal.....	35

4.5. Performance Based Reward System.....	37
4.6. Performance Feedback.....	40
4.7. Employee Productivity.....	42
4.8. Group Mean Value of PA, PBRS, PF & EP.....	43
4.9. The relationship of Performance Appraisal, Performance Based Reward System, Performance Feedback with Employee Productivity.....	44
4.10. The Effect of Performance Appraisal, Performance Based Reward System, Performance Feedback on Employee Productivity.....	45
4.11. Summary of Hypotheses test result.....	49
Chapter – 5: Summary of Findings, Conclusion and Recommendation.....	50
5.1 Summary of Major Findings.....	50
5.1.1. Summary of Major Findings from Descriptive Statistics.....	50
5.1.2. Summary of Major Findings from Correlation analysis.....	51
5.1.3. Summary of Major findings from Regression analysis.....	51
5.2 Conclusion.....	52
5.3 Recommendation.....	54

**References**

**Annex**

## LIST OF TABLES

Table 3.1 Total Population Distribution .....	24
Table 3.2 Population and Sample Proportion .....	26
Table 3.3 Cronbach's Alpha statistics of the survey questionnaire.....	29
Table 4.1 Demographic characteristics of respondents.....	30
Table 4.2 Performance management .....	33
Table 4.3 Performance appraisal .....	35
Table 4.4 performance based reward system.....	37
Table 4.5 Performance feedback .....	40
Table 4.6 Employee Productivity.....	42
Table 4.7 Group Mean Value of PM, PA, PBRS, PF & EP .....	43
Table 4.8 Correlation result interpretation guide .....	44
Table 4.9 The Relationship of PA, PBRS, PF, with employee productivity.....	45
Table 4.10 Regression Model Summary .....	46
Table 4.11 ANOVA F test .....	47
Table 4.12 Coefficients and Collinearity Statistics.....	47
Table 4.13 The Effect performance management practice on employee productivity .....	48

LIST OF FIGURES

Figure 2.1 The Performance Management Cycle .....	11
Figure 2.2 Conceptual Framework of the study.....	21

## Abbreviations/Acronyms

<b>AAP</b>	Addis Ababa Plant
<b>BD</b>	Bahir Dar Plant
<b>CCBA</b>	Coca-Cola Beverages Africa
<b>CCSABCO</b>	Coca-Cola South Africa Bottling Company
<b>DDP</b>	Dire Dawa Plant
<b>EABSC</b>	East Africa Bottling Share Company
<b>PA</b>	Performance appraisal
<b>PBRS</b>	Performance based reward system
<b>PF</b>	Performance feedback
<b>PM</b>	Performance management

## **ABSTRACT**

*The purpose of this study is to assess The Role of Performance Management Practice on Employee Productivity in East Africa Bottling Share Company (EABSC). The study was guided by four research questions which seek to answers whether the existing performance management practice of the company affects employee productivity or not. The study adopted an explanatory research design. Out of 411 target population a sample size of 203 was taken using Taro Yemani's statistical formula and responses of 199 employees were analysed. Data was collected using structured questionnaires and the data was analysed using Statistical Package for Social Sciences (SPSS). From statistical tools, Pearson product-moment correlation and multiple regression were used to investigate the relationship and effect of performance management practice on employee productivity. The data was presented using tables, pie charts, and bars. The major finding of this study is that the independent variables, which are performance appraisal, performance based reward system and performance feedback from the process of performance management practice have positive and significantly high association and effect on employee productivity. From study, it is concluded that the performance management practice of the company has positive effect on employee productivity but in relation to performance based rewards the company doesn't give adequate incentive for high performing employees and bonus is not granted based on individual employee performance contribution. Hence, it is recommended that, the company should provide incentive which is adequate to reward higher performance and increased productivity and should link bonus with individual employee performance.*

*Key Terms: Performance management, Performance appraisal, Performance based reward system, Performance Feedback and Employee productivity.*

# Chapter One

## Introduction

### 1.1 Background of The Study

In today's global market economy and age of competition, organizations are turning to their human capital as an important source of competitive advantage. According to resource-based view, competitive advantage of an organization lies primarily in the application of the bundle of valuable resources at the organizations disposal. Sources such as technology, capital, natural resources and economics of scale could create competitive advantage for organizations but these traditional sources have lost their competitive edge as they could be easily imitated by the competitors. Thus, employees have replaced them as a main source of competitive advantage (Barney, 2001). Hence, human capital is the main means of competitiveness in the contemporary environment serving the same purpose.

According to Heinen and O'Neill (2004) sustained competitive advantage comes from effective talent-management practices. This means examining how the tenets of the talent management process have been implemented in an organization. These include talent planning, recruitment, talent development, compensation and rewards, performance management and employee empowerment, employee engagement and organizational culture.

Among the talent management practices, performance management is a process of advancing the performance of the organization to the higher expectation by developing the performance of individuals and teams in a systematic way. It is the process of cascading the goal of the organization down to teams and individuals with the aim of getting a better result (Armstrong, 2009).

Performance management comprises all activities that guarantee that organizational objectives are constantly being attained in an efficient and effective manner. Normally, performance management focuses on the organizational performance, employees, departments, and to some extent, the processes that are usually employed to build a service or product, as well as other key areas in an organization that would lead to employee productivity (Homayounizadpanah and Baqerrkord, 2012). Baron and Armstrong (2007) define performance management as an integrated and strategic approach towards enhancing the employee and organizational productivity by bettering the performance of employees through developing the individuals and teams capabilities.

Performance management shows a direct link between employee performance and organizational goals and makes the employees contribution to the organization explicit (Aguinis, 2007).

Productivity is a measure of the efficiency of a person, machine, factory, system such as in converting inputs into useful outputs (Marsor, 2011).

Employee productivity is an assessment of the efficiency of a worker or group of workers. Productivity may be evaluated in terms of the output of an employee in a specific period of time. Typically, the productivity of a given worker will be assessed relative to an average for employees doing similar work. Because much of the success of any organization relies upon the productivity of its workforce, employee productivity is an important consideration for businesses. In short, productivity is what comes out of production. Managers of every business organization are charged with the responsibility to motivate their employees to achieve organizational goals. Most organizations wonder how they can ensure sustainable performance among its employees. This means looking at what can be done to encourage the employees to give their best in whatever work they do in the organization (Armstrong, 2001).

Productivity sustenance is, therefore, a concern that many organizations are looking at addressing via various means so that employees can still remain productive in the long term.

EABSC has the mission to continually increase profitability, sustainable unit case sales of Coca Cola products by satisfying new and existing consumers through excellent market execution at an increasing return on investment. The company is striving to meet its vision to be one of the best bottler in the world in producing quality product and packaging standard.

Research has shown that when done right, performance management yields higher levels of engagement, retention and employee productivity. This study aimed to assess the role of performance management practice on employee productivity in the EABSC.

## **1.2 Background of the Company**

One of the players in the highly growing manufacturing sector is East Africa Bottling Share Company (EABSC) which is a sole bottler of coca cola products in Ethiopia, operating under Coca-Cola Beverages Africa (CCBA).

East Africa Bottling Share Company was established in 1959 by five Ethiopians with the first plant around Abinet, Addis Ababa, with an initial capital of birr 750,000. The second plant located in Dire Dawa was inaugurated in the year 1965. This time the five Ethiopians were joined by one foreign national. In May 1999, the company made a leap forward by signing a joint venture agreement with South Africa Bottling Company named Coca-Cola South Africa Bottling Company (CCSABCO). In 2001, Coca-Cola Sabco increased its share to 61% and took the lion's share in leading and managing the business. On July 02, 2016, it was declared that Coca-Cola Sabco was merged with The Coca-Cola Company and SABMiller to form Coca-Cola Beverages Africa (CCBA). Their respective share is SABMiller: 57.0%, Coca-Cola SABCO (Gutsche Family Investments): 31.7% and The Coca-Cola Company: 11.3%.

After the privatization and merger with the South African company, EABSC has shown continuous growth by benefiting from the strategic leadership and long years business experience of the mother Company which led to advancement in professionalism, knowledge and experience from which both parties have been benefiting for the past 15 years and is expected to continue for the years to come.

Now, CCBA serves 12 high-growth countries accounting for approximately 40 per cent of all Coca-Cola beverage volumes in Africa.

On June 12, 2013, EABSC established its third plant in Bahir Dar city and started serving the northern Ethiopia Market since November 16, 2016.

As a subsidiary company of CCBA, EABSC has a vision of becoming the best coca cola bottler in the world, the best in terms of sales volume and return on capital employed against all Coca-Cola bottlers in the world. EABSC has a purpose of creating value for everyone involved in the business by providing right refreshment, at the right price and place. The value statement of EABSC emphasizes that the company will create an environment where employees are passionate about performance by maintaining integrity, individual initiative, customer value, team work, people development, mutual trust, respect, and commitment.

EABSC is managed by board of directors which is composed of Ethiopians and foreign nationals. Reporting to the board, is the executive management team headed by the Chief Executive Officer with competency/department Directors.

As of November 10, 2016, East Africa Bottling Share Company has a total of 1,538 permanent employees who are working in Addis Ababa (1,152), Dire Dawa (317) and Bahir Dar (69) manufacturing plants.

### **1.3 Statement of The Problem**

Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements (Armstrong, 2006). From the definition, we understand that the ultimate purpose of performance management is to improve employees' performance and productivity and by doing so improving organizational performance. This purpose will be attained if one company has well designed performance management practice and it applies the practice in the right way.

Even though many academic researchers were done in the field of performance management but few are concerned with its role on employee productivity. In addition, to the best knowledge of the researcher, most of the researches that were conducted previously were concerned with only the assessment of performance management and performance appraisal in a given company without associating it with other variables. Considering this, the researcher assessed the role of performance management on employee productivity from different perspectives which are performance appraisal, performance based reward system and performance feedback.

The successful implementation of performance management practice along with other talent management programs in EABSC is a vital one since its employees are the one who transform its mission and vision into practice. However, employees are not still performing up to the expectation as it is elaborated below.

As per the performance management document review of the company, it was learnt that 50% (out of 818), 30% (out of 861) and 22.1% (out of 815) employees scored below the

target of three point in their performance appraisal rating in the fiscal year of 2013, 2014 and 2015 respectively. Meaning, employees are not still achieving the expected level of performance target, which is three and above as per the performance management guideline of the organization. This implies that the performance management practices i.e. performance appraisal, performance based reward systems and performance feedback could not bring the required level of employee productivity.

Despite the time, effort and resources devoted to performance management in EABSC, the performance management practice has not achieved its intended purpose of improving employee productivity. It is not clear which aspect of the performance management practice is responsible for lower productivity of employees of EABSC. There seems to be a gap between performance management theory and actual practice and this is the gap that this study aimed to fill.

Since the company is currently on aggressive expansions to maximize its market share in the country, proper management of employee performance is one of the timely issues that the company needs to address.

Thus, this research is intended mainly to study the role of performance management practice on employee productivity in EABSC. The study, specifically, focused on the existing performance appraisal practice, performance based reward system and performance feedback as factors affecting employee productivity.

#### **1.4 Research Questions**

This study addressed the following research questions.

1. What is the existing performance management practice of EABSC?
2. To what extent the existing performance management practice affect employee productivity?
3. As part of performance management practice, what is the role of performance appraisal, performance based reward system and performance feedback in influencing employee productivity?
4. Which performance management aspects i.e. performance appraisal, performance based reward system and performance feedback highly affects employee productivity?

## **1.5 Research Objectives**

### **1. General Objective**

The main objective of this study is to examine the role of performance management practice on employee productivity in East Africa Bottling Share Company.

### **2. Specific Objectives**

The study was guided by the following specific research objectives:

1. To examine the existing performance management practice of EABSC.
2. To examine the effect of performance management practice on employee productivity in EABSC.
3. To investigate how performance appraisal, performance based reward system and performance feedback influence employee productivity as part of performance management practice.
4. To examine the effect of performance management components (performance appraisal, performance based reward system and performance feedback) on employee productivity.

## **1.6 Significance of The Study**

The results of this study will be useful in the following way:

The results of this study will have greater input to the human resource practitioners that will design and administer performance management. In particular, this study will have greater importance to EABSC to redesign its performance management practice which drives employee productivity.

The study will add value to the scholarly research and literature in the field by becoming reference to those who wish to replicate. Therefore, this study will provide empirical evidence on how performance management practice affects employee productivity.

## 1.7 Scope of The Study

The case company has three manufacturing plants i.e. Addis Ababa plant (AAP), Dire Dawa Plant (DDP) and Bahir Dar Plant (BDP). The research was conducted on permanent employees in Addis Ababa manufacturing plant only because of the following reasons: First, majority of the work force (nearly 75%) is found at AAP and the researcher believes that a representative sample can be drawn from this target population in order to reach on plausible conclusion. Second, BDP just started operation in November 2016 and no performance management practice was implemented. In addition, almost all employees have been recruited from external source at the time the research was conducted.

Even though performance management practice can be investigated from different angles and perspectives, the study focused on performance appraisal, performance based reward system and performance feedback as aspects of performance management.

## 1.8 Limitation of the Study

- The study was conducted on a single company. Therefore, the results might be difficult for generalization.
- Performance management is a wide topic and can be studied from different angles though the study assessed it from the perspective of performance appraisal, performance based reward system and performance feedback.
- The study addressed only the influence of performance based reward system on employee productivity not the general reward system which is a wide human resource management area.

## 1.9 Definition of Terms

1. **Performance Management:** Performance management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and team (Armstrong, 2006).
2. **Performance Appraisal:** Performance appraisal is where a superior evaluates and judges the work performance of subordinates (Harter, Schmidt and Hayes, 2012).
3. **Feedback:** This refers to the information reflecting past performance and results and given by the manager to the employee (Solmon and Podgursky, 2010).

4. **Employee Productivity:** Productivity can be defined as “quality or volume of the major product or services that an organization provides” (Moorhead and Griffin, 2012).

### **1.10 Organization of the Study**

The study is composed of five chapters. The first chapter deals with the introductory part. Chapter two is review of related literature where different literatures and research effort were reviewed. The third chapter presents the research design and methodology. In the fourth chapter data presentation, analysis and interpretation are discussed. The fifth and final chapter deals with summary of major findings, conclusions drawn from the findings and also the possible recommendations forwarded by the researcher.

## **Chapter Two**

### **Literature Review**

#### **2.1 Introduction**

This chapter will serve as the foundation for the development of the study. Therefore, the primary purpose of this chapter is to give the theoretical understanding in assessing performance management practice and its relationship with employee productivity. More specifically, review of up-to-date related literatures regarding the concept of performance management and its aspect i.e. the concept of performance appraisal, performance based reward system and performance feedback and their effect on employee productivity will be presented.

#### **2.2 The Concept and Definition of Performance Management**

Performance management is a strategic and an integrated approach to deliver sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors (Armstrong and Baron, 2007).

According to Armstrong (2006) Performance management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements.

Performance management is the process through which managers ensure that employee's activities and outputs contribute to the organization's goals. This process requires knowing what activities and outputs are desired, observing whether they occur, and providing feedback to help employees meet expectations. In the course of providing feedback, managers and employees may identify performance problems and establish ways to resolve those problems (Raymond *et al.*, 2011).

### **2.3 The Process of Performance Management**

These are defining performance, measuring performance, and feeding back performance information. First, the organization specifies which aspects of performance are relevant to the organization. Next, the organization measures the relevant aspects of performance by conducting performance appraisals. Finally, through performance feedback sessions, managers give employees information about their performance so they can adjust their behavior to meet the organization's goals. When there are performance problems, the feedback session should include efforts to identify and resolve the underlying problems. In addition, performance feedback can come through the organization's rewards. Using this performance management process helps managers and employees focus on the organization's goals (Raymond *et al.*, 2011).

Hence, it can be summarized that performance management comprises of activities like performance appraisal, performance based reward systems and performance feedback. These are the focus of the study and each of them will be reviewed in detail.

### **2.4 The Performance Management Cycle**

Performance management can be described as a continuous self-renewing cycle which follows the plan–act–monitor–review sequence as defined by the total quality expert William Deming (1).

- Plan – decide what to do and how to do it.
- Act – carry out the work needed to implement the plan.
- Monitor – carry out continuous checks on what is being done and measure outcomes in order to assess progress in implementing the plan.
- Review – consider what has been achieved and, in the light of this, establish what more needs to be done and any corrective action required if performance is not in line with the plan.

According to Armstrong (2006) this sequence of activities can be expressed as a continuous cycle as illustrated in Figure 2.1.

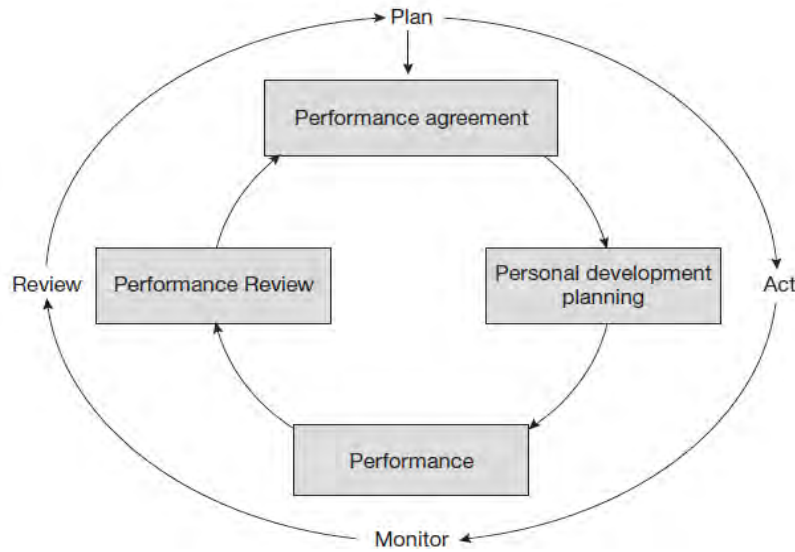


Figure 2.1: The Performance Management Cycle.

## 2.5 Performance Appraisal

According to DeNisi and Pritchard (2006) Performance appraisal is a discrete, formal, organizationally sanctioned event, usually not occurring more frequently than once or twice a year, which has clearly stated performance dimensions and/or criteria that are used in the evaluation process. Furthermore, it is an evaluation process, in that quantitative scores are often assigned based on the judged level of the employee's job performance on the dimensions or criteria used, and the scores are shared with the employee being evaluated. It is stated that performance appraisal is time bounded and there are dimensions or parameters against which the employee performance is evaluated.

Performance appraisal has been defined as the process of identifying, evaluating and developing the work performance of employees in the organization, so that the organizational goals and objectives are more effectively achieved, while at the same time benefiting employees in terms of recognition, receiving feedback, catering for work needs and offering career guidance (Lansbury, 1988). The definition shows how performance appraisal benefits both the organization and employees.

Performance appraisal refers to the process by which an individual's work performance is assessed. This is a narrow definition of performance appraisal and it is similar to the definition of Erdogan (2012) which says that performance appraisal is the formal process of observing and evaluating an employee's performance.

Performance appraisal should not only be the evaluation of the past. The supervisor, who makes the appraisal, should focus on the future and on the improvement of the results (Dzinkowski, 2010; Mone and London, 2010). The definition also suggests that effective appraisal can improve the employee performance in the organization, which also means increased employee motivation (Jackson and Schuller, 2012). Performance appraisal can and should be linked to performance improvement process and can also be used to identify training needs and potential, agree future objectives, support a career development and solve existing problems (Brown and Benson, 2013).

### **2.5.1 Purposes of Performance Appraisal**

Firms engage in the performance-evaluation process for numerous reasons. Managers may conduct appraisals to affect employee behavior through the feedback process, or to justify some sort of human resource management action (termination, transfer, promotion, etc.). However, many other benefits may also accrue from the information yielded by the appraisal. These benefits include increases in knowledge regarding the effectiveness of selection and placement programs, training and development needs, budgeting; human resource planning, and reward decisions (Cocanougher and Ivancevich, 1978; Dubinsky *et al.*, 1989; Thomas and Bretz, 1994; Wanguri, 1995). Perhaps the overriding reason for performance appraisals is provided by Ilgen and Feldman (1983). They contend that organizations cannot function effectively without some means of distinguishing between good and poor performance.

According to Yehuda Baruch (1996), performance appraisal systems are used for two main purposes:

- To serve a variety of management functions such as decision-making about promotions, training needs, salaries, etc.
- To enhance developmental processes of employees or as an evaluation instrument.

Wendy R. Boswelljohn W. Boudreau (2000) examined two typical performance appraisal uses: evaluative and developmental. The evaluative function includes the use of performance appraisal for salary administration, promotion decisions, retention-termination decisions, recognition of individual performance, layoffs, and the identification of poor performance. This is similar to Ostroff (1993) conceptualization of the administrative performance appraisal purpose. Developmental functions include the identification of individual training needs, providing performance feedback, determining transfers and assignments, and the identification of individual strengths and weaknesses.

### **2.5.2 Different Methods of Performance Appraisal**

Most appraisal methods used throughout the world today are based, to some extent at least upon the following techniques: Graphic rating scales; behaviorally anchored rating scales (BARS), behavioral observation scales (BOS); mixed standard rating scales; and management by objectives (MBO). Most commentators agree that goal-based appraisal systems, in which an employee's work performance is measured against specific goals, are the most satisfactory (Dorfman *et al.*, 1986).

### **2.5.3 Performance Appraisal and Performance Improvement**

Performance management focuses on ways to motivate employees to improve their performance. The goal of the performance management process is performance improvement, initially at the level of the individual employee, and ultimately at the level of the organization.

The performance appraisal is a technique that has been credited with improving performance (Bagozzi, 1980). Performance appraisal intends to know not only the employee weak area but also gives information on the developmental needs.

Performance appraisal impact on performance may be attributed to their ability to enhance role clarity, communication effectiveness, merit pay and administration, expectancy and instrumentality estimates, and perceptions of equity. Dubinsky, et al., (1993) discuss the concept that increases in role clarity can affect both the effort/performance expectancy and performance/reward instrumentality estimates. Thus, by reducing ambiguity, performance appraisals may positively influence the levels of motivation exhibited by employees. More frequent appraisals and feedback help employees to see how they are improving, and this should increase their motivation to improve further (Kluger and DeNisi, 2000).

Appraisals are generally considered to have a positive influence on performance, but they also may have a negative impact on motivation, role perceptions, and turnover when they are poorly designed or administered (Churchill, *et al.*, 1985).

The ultimate goal of performance appraisal should be to provide information that will best enable managers to improve employee performance. Thus, ideally, the performance appraisal provides information to help managers manage in such a way that employee performance improves (DeNisi and Pritchard, 2006). Providing the employee with feedback is widely recognized as a crucial activity. Such feedback may encourage and enable self-development, and thus will be instrumental for the organization as a whole Yehuda Baruch (1996). Larson

(1984) supports the importance of evaluations in terms of their effect on organizational effectiveness, stating that feedback is a critical portion of an organization's control system.

#### **2.5.4 Performance Appraisal and Employee Productivity**

When employees are managed with progressive performance appraisal they become more committed to their organization. At least in part, this commitment leads them to exhibit proper role behavior (and thus lower workers' compensation costs, higher quality and higher productivity). These operational performance outcomes result in lower overall operating expenses and higher profitability (Blau, 2009). Another important dimension of performance appraisal on employee productivity is closely related to business results. In the end, performance appraisal as a drive for employees' engagement results into higher and faster revenue growth (Erdogan, 2012).

Appraisal of employee's performance has a direct impact on organizational productivity. A person's skills and knowledge has to be appraised and coached so that his or her job productivity improves, leading to the achievement of organizational objectives (Cunneen, 2006). The performance management and appraisal system must ultimately transform the prevailing culture to one that is committed to providing product/service in a manner that is user friendly, and delivered with professionalism and integrity to the benefit of the wider society.

#### **2.6 Performance Based Reward System**

Macey *et al.*, (2009) points out that the rewards system should be capable of identifying the employees' strength and weaknesses for enhanced performance. If the employees fail to meet the set target a career development plan can be implemented through training and provision of appropriate reward system to enhance their performance (Mone and London, 2010). The reward should reflect the business objectives and the fair contribution of employee individual efforts to achieve high performance. Bannister and Balkin (2010) have reported that those appraised seem to have greater acceptance of the appraisal process, and feel more satisfied with it, when the process is directly linked to rewards. Rewards systems are important for any organization that aspires to meet its goals and objectives. This implies that the top management should outline the role of each employee clearly and appropriately for this to be accomplished. In every established organization it becomes important to have the goal and objectives clearly stated meaning that employer has to give detailed description of each

person's role (Schraeder *et al.*, 2007), communicate that role to them in a concise manner (Mone and London, 2010), and adequately reward or correct their performance (Macey *et al.*, 2009).

The development of reward management can be seen along the lines suggested by Etzioni (2005) in terms of coercive (work harder or lose your job), remunerative (work harder and receive more money) and normative (work harder to achieve organizational goals). Such findings are a serious challenge to those who feel that appraisal results and reward outcomes must be strictly isolated from each other. Randell (2014) reports implicitly that when good performance is observed and then rewarded, the chances of it being repeated are increased, while poor performance is discouraged or even punished to decrease the chance of it happening again. Important issues that help ensure a successful reward process are: rewards can be used effectively to enhance interest and performance; rewards do not undermine performance and interest; verbal rewards lead to greater task interest and performance; tangible rewards enhance motivation when they are offered to people for completing work or for attaining or exceeding specified performance standards.

Mone and London (2010) explains that the rewards given for creativity encourage generalized creativity in other tasks; reward systems should support the new dynamics of team-based organizations and reward the right kind of team behavior and performance; reward systems should recognize both the importance of co-operation and the differences in individual performance; problems can occur when reward systems stress individual results even though people have worked together in teams (Gichuhi *et al.*, 2014). If a company is just developing its appraisal system without a baseline performance to reward accordingly, there is likely to be a problem from the side of the employee which will in turn affect the goal of the organization in general. Appraisals are often developed mostly in the public sectors to reward or recognize employees for a job well done. This kind of motivation for high performers also serves as a challenge for the low performers (Mone and London, 2010).

### **2.6.1 Employee Promotion**

In developing an appraisal system for organizations, management needs to think through pay increases and promotions (Moulder, 2011). A number of studies like Prowse and Prowse (2009); Macey *et al.*, (2009) have pointed that employees get motivated to work when they get frequent promotions after appraisal system in their work place.

While some also argued that factor such as promotion, training and career development, and appreciation and improved work place environment gives employees greater opportunities and this will either directly or indirectly influence their satisfaction on the job (Erdogan,

2012). When high performances are recorded for employees, it must be supported with a basis for pay increases and promotions (Jackson and Schuller, 2012).

### **2.6.2 Pay-for-Performance**

In most situations, properly designed pay-for-performance systems will lead to better performance results. Pay-for-performance systems make major contributions to performance through two main mechanisms. First, they positively influence the motivation to perform. Second, they impact the attraction and retention patterns of organizations, thereby affecting the ability of individuals available to perform. Pay-for-performance systems can deliver monetary rewards at the individual, small group, and/or divisional or organizational level. All of this impact of different levels can positively impact performance.

One widely accepted notion for improving individual performance is tying pay to performance in order to increase productivity (Swiercz, 2009). Performance based pay is a system which specifically seeks to reward employees for their contribution as individuals or as a part of a group, or to reward employees on account of the organizations overall positive performance (De Silva, 2008). There are various types of schemes which fall within the description of performance-based pay. But all of them are designed to share with or distribute to employees the financial results of organizational performance. The schemes fall into the following broad categories: individual-based incentive schemes, profit sharing, gain sharing, bonus, employees share option scheme or skill/competence based pay.

The performance-based pay approach has proven to be effective in improving an organizations success. According to Banker (2011) for example the implementation of a performance based incentive plan proved to lead to the attraction and retention of more productive employees. This selection effect occurs because a performance-based compensation contract can act as a screening device that encourages less productive employees to leave and that motivates more productive employees to join or remain with the organization. Furthermore, the plan motivated remaining employees to continually improve their productivity. This effort effect occurs because a performance based incentive plan motivates employees to learn more productive ways to perform their tasks. De Silva (2008) adds that further benefits of performance-related pay to management and employees are that: (1) where performance or profits increase, higher earnings accrue to employees, (2) employees identification with the success of the business is enhanced, and (3) variations in pay lead to employees becoming more familiar with the fortunes/misfortunes of the business.

Some authors are not that convinced of the effectiveness of performance-based pay. Solmon and Podgursky (2010) argue that performance-based compensation programs encourage competition rather than collaboration. Because everyone is concerned to secure their own success and thus his own pay, helping others to succeed is not advantageous for oneself. A related point concerning the tendency to undermine teamwork is recognized by De Silva (2008). He argues that individual performance is often difficult to measure objectively, and an exclusively individual performance-related system can damage teamwork. Instead, he proposes team-based criteria in cases where individual performance is difficult to measure, or where there is a need for a corporate culture to promote team values and cooperation, or where the roles of individuals are more flexible, or where the expected performance depends more on team, rather than individual efforts. On the other hand, Davis and Landa (2009) state that money will buy only a minimum level of commitment. This is distinguished between external and internal commitment or motivation. The externally committed employee operates at the level necessary to satisfy the demands of their leaders. Thus, they argue that internal commitment is the key factor in an organizations' success because internally committed or motivated employees are most likely to make significant contributions to the success of an organization. Also De Silva (2008) argues that performance related pay, if used in isolation, has little impact on motivation or performance.

### **2.6.3 Performance Based Reward Systems and Employee Productivity**

Macey, *et al* (2009) points out that the rewards system should be capable of identifying the employees' strength and weaknesses for enhanced performance. If the employees fail to meet the set target, a career development plan can be implemented through training and provision of appropriate reward system to enhance their performance (Mone and London, 2010).

### **2.7 Performance Feedback**

Performance appraisals can improve employee productivity and as well communicate performance expectations. Employee productivity can be improved through constructive feedback, (Appelbaum, *et al.* 2003). Performance feedback has significant potential to benefit employees in terms of individual and team performance.

According to Aguinis (2009) effective performance feedback has the potential to enhance employee engagement, motivation, and job satisfaction since performance feedback is a critical component of all performance management systems. It can be defined as information

about an employee's past behaviors with respect to established standards of employee behaviors and results. Effective performance feedback is timely, specific, behavioral in nature, and presented by a credible source. The goals of performance feedback are to improve individual and team performance, as well as employee engagement, motivation, and job satisfaction.

### **2.7.1 Feedback and Effectiveness**

Feedback improves the effectiveness and helps in decision making within the organization. The feedback directs the individual to the organization missions and objectives. In the ideal situation the employee receives information about how they are performing and where they could improve. Schraeder *et al.*, (2007) suggest that performance feedback can serve as way of knowing the employees strength and weaknesses. Performance feedback can also serve as a crucial element that enhances the performance of individual employees in the areas of weakness. For the sustenance of the organization performance, it is important for the top management to frequently provide employees feedback on their efforts and strengthen the progress of their jobs through unbiased feedback. In this regard, performance feedback records needs to be retained for future references (Macey *et al.*, 2009).

### **2.7.2 Performance Feedback and Productivity**

The performance appraisal feedback plays an important role in employee productivity. This gives an opportunity for feedback on the past performance against objectives set earlier as well as to identify any performance gap. For managers and supervisors, this is the process that identifies the current performance level, discuss strengths and weaknesses and future opportunities (Jackson and Schuller, 2012). The performance feedback provides a discussion that helps employees to understand how they are doing, receive coaching and feedback; clarify expectations about career development (Brown and Benson, 2013). Performance feedback does a good job to make people aware of the objectives and outcomes of the performance appraisal process. Prevailing number of employees believe that their appraisal is fair and stimulates their performance. There is also a belief that managers and supervisors are handling relatively well the process of feedback (Mone and London, 2010).

One of the most important conditions for enhancing employee productivity is to provide clear, performance based feedback to employees (Carroll and Schneier, 2002). There should also be a workflow for tracking the feedback sessions. When a mistake is detected,

immediately remedial steps are taken, with minimum loss to the company. This should be measured in terms of the extent to which he meets the performance criteria set by the management in fulfilling the organization objectives. Providing an employee with feedback is widely recognized as a crucial activity that may encourage self-development and employee productivity which are instrumental for the success of the whole organization (Baruch, 2006). Therefore, the frequency of feedback is important and can influence future productivity of the employee (Denisi, 2006).

The success of the feedback depends on the acceptance of the process. Feedback reactions are usually very different. The satisfaction with the performance appraisal is an indication of the degree to which subordinates are satisfied with the process and the feedback they have received. It serves as a report of the accuracy and fair evaluations of the performance (Mone and London, 2010). The outcome is that satisfied individuals after the performance feedback will improve further working relationships with supervisors and colleagues (Jackson and Schuller, 2012). The feedback can also bring negative reactions from employees. If perceived unfair, the feedback can cause behavioral changes such as absenteeism, lack of cooperation, lack of focus on priorities, unhealthy competition and even can cause staff turnover (Dechev, 2010).

## **2.8 Employee Productivity**

Productivity is defined by Sutermeister (1976) as output per employee hour, quality considered. Dorgan (1994) defines productivity as the increased functional and organizational performance, including quality. Productivity is a ratio to measure how well an organization (or individual, industry, country) converts input resources (labor, materials, machines etc.) into goods and services. In this case, we are considering performance increase as when there is less absenteeism, fewer employee leaving early and less breaks; whereas in a factory setting, increase in performance can be measured by the number of units produced per employee per hour. In this study, subjective productivity measurement method was be used. The measures of this method are not based on quantitative operational information. Instead, they were based on personnel's subjective assessments. Wang and Gianakis (1999) have defined subjective performance measure as an indicator used to assess individuals' aggregated perceptions, attitudes or assessments toward an organizations product or service. Subjective productivity data is usually collected using survey questionnaires (Clements-Croome and Kaluarachchi 2000).

## 2.9 Empirical Review

According to Yohannes S. (2016) the research on the effect of performance management system on the employees' performance of Commercial Bank of Ethiopia, he concluded that performance management practice has a positive and significant relationship with employee performance.

In another study, Amber & Mubashir (2013) conducted on the impact of performance management on the organizational performance: An analytical investigation of the business model of Mc Donalds. The researcher concluded that performance appraisal have positive relationship with employee performance because it is very important to recommend appropriate training and development session for the below average workers. This help the below average workers to improve their productivity in the long run.

According to Mgbemena et al., (2015) it was concluded that effective employee performance management is desirable in any organization to facilitate efficient and effective performance of the employees towards the realization of organizational goals.

According to Munzhedzi, 2011 the research on performance management system and improved productivity: A case of the department of local government and housing in the Limpopo province stressed that PMS has not contributed to the improvement of productivity of the DLGH in the Limpopo province concluded that PMS plays significant role in the improvement of productivity but in this study PMS has not contributed to the improvement of productivity of the DLGH in the Limpopo province because of poor understanding of the PMS in the Department and setting of unrealistic performance targets which are unrealistic.

Ayandele and Isichei (2013) carried out a study on performance management system and employee's job commitment: an empirical study of selected listed companies in Nigeria and found out that there is a positive relationship between employee's participation in the designing of an organization's performance management system and employee's commitment to the organizational set goals.

## 2.10 Conceptual Framework

The aspects of performance management which were the focus of this research are taken from the process of performance management stated by Raymond *et al.*, (2004). These are defining performance, measuring performance, and feeding back performance information. First, the organization specifies which aspects of performance are relevant to the organization. Next, the organization measures the relevant aspects of performance by conducting performance appraisals. Finally, through performance feedback sessions, managers give employees information about their performance so they can adjust their behaviour to meet the organization's goals. When there are performance problems, the feedback session should include efforts to identify and resolve the underlying problems. In addition, performance feedback can come through the organization's rewards. Using this performance management process helps managers and employees focus on the organization's goals.

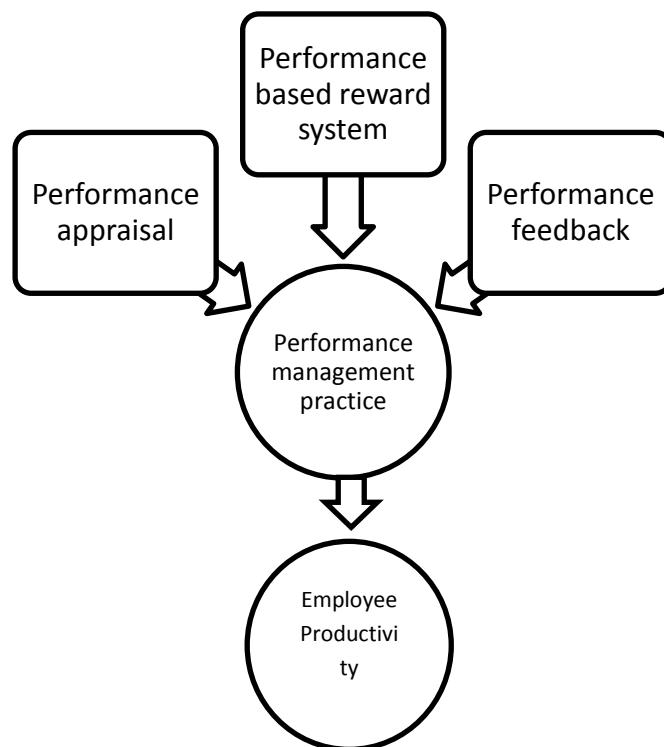


Figure 2.2: Model Developed from the process of Performance Management indicated by Raymond *et al.*, (2004)

## **2.11 Hypotheses**

The following research hypotheses were developed from the conceptual framework depicted in Figure 2.2.

H 1: There is a cause and effect relationship between performance management practice and employee productivity.

H 2: Performance appraisal has a positive effect on employee productivity.

H 3: Performance based reward system has a positive effect on employee productivity.

H 4: Performance feedback has a positive effect on employee productivity.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

This study was conducted to measure the role of performance management practice on employee productivity in EABSC. To realize the objectives and answer the basic research questions, the following research design and methodology were used.

#### **3.1 Research Design and Approach**

In this study, the researcher applied explanatory research design and quantitative approach to measure the role of performance management practice on employee productivity.

Explanatory research approach was used with the objective of establishing the cause and effect relationship between variables i.e. between performance management practice and employee productivity. Explanatory research looks for causes and reasons. It aims to understand phenomena by discovering and measuring causal relations among them (Mitchell and Jolley, 2004).

Further, quantitative data was collected via questionnaire. Accordingly, the responses were analysed using SPSS to acquire objective causal relationship among the variables.

#### **3.2 Population and Sampling Design**

##### **3.2.1 Population**

Kumekpor (2002) define a population as the total number of all units of the issue or phenomenon to be investigated into which is “all possible observations of the same kind”. Population can be defined as the total group of people or entities from which research information is intended to be obtained.

As of November 10, 2016, EABSC has a total of 1,538 permanent employees who are working in Addis Ababa (1,152), Dire Dawa (317) and Bahir Dar (69) manufacturing plants. The study didn't include Dire Dawa and Bahir Dar Plant employees because of the reasons stated in the scope section of the proposal.

In addition, all employees in Addis Ababa plant were not part of the study. The researcher used his preliminary observation to identify the right respondents who had pertinent knowledge, experience, and ability to provide response for the research questions. Accordingly, the employees of EABSC were grouped in to professional, semi-professional

and non- professional employees. Per the people plan (name of the performance management practice the company uses) policy of the company, the implementation of the performance management practice focuses on professional and semi-professional workforce category, i.e. employees with educational qualification of Diploma and above. Thus, as per the company’s qualification manual, those employees who are on positions which require the aforementioned educational level at minimum were included in this study. On the contrary, those employees who are categorized under non-professional employee category are engaged in low level routine and labour tasks. These groups of employees are carpenters, checkers, cleaners, drivers, file clerks, fuel attendants, manufacturing crews, office attendants, production deliverers, security guards, truck helpers, and warehouse crews (sorters). Incumbents of these positions were not part of the study as majority of them are 12<sup>th</sup> grade complete or lower and are not considered under critical workforce. Professional and semi-professional employees comprise of managers, engineers, supervisors, accountants, electricians, technicians, data encoders, machine operators, cashiers, store keepers and officers all of which make up the target population of the study. Response from such diverse employees on the relationship between the dependent (employee productivity) and independent variables (performance management practice) enabled to avoid common respondent bias and also to have more reliable data.

Non-professional employees were excluded for the reasons mentioned above. Hence, the total number of target population for the study was professional and semi-professional employees who are 411 in number out of 1,152 employees working in Addis Ababa plant. The number of professional and semi-professional employees under each competency is presented on Table 3.1.

Table 3.1: Total Population Distribution

<b>Target Population</b>	
<b>Competency</b>	<b>Count</b>
Finance	37
HR	14
Logistics	49
Manufacturing	112
Sales & Marketing	199
Grand Total	411

### 3.2.2 Sampling Techniques

The sample size is a smaller set of the larger population (Cooper and Schindler, 2003). They argue that the sample must be carefully selected to be representative of the population and the need for the researcher to ensure that the subdivisions entailed in the analysis are accurately catered for.

Stratified sampling techniques was used for the purpose of segmenting the total target population in to sub-group or strata or in our case competency and simple random sample technique was used from each stratum in proportion to the population from each of the strata created as shown in Table 3.1.

The total population of the study is 411 which are segmented in to five competencies as shown in table 3.1. The sample was determined using Taro Yemani's (1964) statistical formula as follows:

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

Where:

n = sample size to be determined

N = population of interest

e = error margin (0.05)

1 = constant value

$$n = \frac{411}{1 + 411(0.05)^2}$$

$$n = 202.71$$

Thus, 203 is the sample size.

Table 3.2: Population and Sample Proportion

No	Population description	Population	Sample Proportion	(%) total
1	Finance	37	18	9
2	HR	14	7	3
3	Logistics	49	24	12
4	Manufacturing	112	56	28
5	Sales & Marketing	199	98	48
Total		411	203	100

Table 3.2 shows the population and sample proportion each competency. Accordingly, 18 respondents from finance, 7 from HR, 24 from logistics, 56 from manufacturing, 98 from sales and marketing were chosen. Then respondents from each group were selected using simple random sampling technique and equal chance was given to the members in the category.

### 3.3 Data Sources and Types

To fulfill the purpose of the study, the researcher used both primary and secondary data sources. The primary data were collected through standard and tested questionnaire. The questionnaire method as instrument of data collection was used because it provides wider coverage to the sample and also facilitates collection of a large amount of data. It was a closed (fixed response options) questions since the research approach was quantitative. Employees of EABSC were taken to serve as the main source of primary data. Secondary data were gathered from reference books, journals, internet and company document analysis.

The questionnaire as a data collection instrument consists of six sections. Part One contained information regarding the respondent's demographic features which included gender, age, marital status, educational qualification, years of experience in the organization, competency and position status.

Part Two of the questionnaire consisted of structured five point Likert scale questions with predetermined responses related to company's performance management practice; Part Three-performance appraisal; Part four-performance based reward system; Part five-the performance feedback and Part six-questions related with employee productivity.

Relevant standard question items were adapted for Part Two up to Part Five from the studies of Elisha O. (2015), the Effect of Performance Management on Employee Productivity. The

researcher had proved that the questionnaires are reliable, accurate and consistent to measure what were intended to be measured. In addition, it was confirmed from the literature review that all really measures the independent variables. The rest were developed from literature reviews which were found to be appropriate for the study.

Relevant standard question items for part six were adapted from the study of Beatrice W. (2014), Influence of Performance Management on Employee Productivity. The rest were developed from literature reviews which were found to be appropriate for the study.

As data were collected using different instruments such as reviews of company's documents, review of literature and questionnaires, the precision of research outcomes will increase as a result of the offsetting effect of the weakness of one tool by the strength of the other.

### **3.4 Data Collection Procedures**

The data collection procedure began with document and literature review. The documents related to performance management were reviewed. After document review had been made, related literatures were reviewed. Standardized and tested questionnaire were adopted. Then, finally questionnaires were distributed to respondents and all distributed questionnaires were collected, coded and entered in SPSS for analysis.

Finally, secondary data analysis was made to assess the performance management practice of the company and the research result was enriched and developed.

### **3.5 Validity and Reliability of the study**

#### **3.5.1 Validity**

According to Vlachos (2009), answering a research question or testing the research hypotheses in a specific sector adds to the validity of the research design because managerial skills are to a large extent industry-specific. Since this study is based on a single manufacturing firm in the bottling industry, the population is homogenous and helps to have a robust validity of data analysis to indicate the available link between performance management practice and employee productivity.

The researcher examines the perception of employees, who are involved in the performance management process as a normal employee or a manager or both, regarding the role of performance management practice on employee productivity. In doing so, in-depth review of related studies on performance management practice and employee productivity plus close

review of the existing performance management practice in the company were done prior to designing the survey questionnaire.

The questionnaire was developed with due care containing 55 items, 7 of which are demographic items. As stated earlier in the data sources and types section, relevant standard questions were adopted for Part Two up to Part Five from the studies of Elisha O. (2015), the Effect of Performance Management on Employee Productivity. Further, relevant standard question items in part six were adapted from the study of Beatrice W. (2014), Influence of Performance Management on Employee Productivity. The researcher had proved that the questionnaires are statistically reliable, accurate and consistent to measure what were intended to be measured. The rest were developed from literature reviews which were found to be appropriate for the study.

Before distributing the questionnaire, the researcher has made a pilot test on 35 respondents and all questionnaires have been returned. From the pilot test, the researcher confirmed that the questionnaire was fit to answer the research questions.

When conducting the regression analysis, the data was checked for multi-collinearity of variables using tolerance and variance inflation factor results which proofed that there is no such treat as presented in the data analysis section.

Moreover, in order to ensure content validity and ethicality of the items incorporated in the instrument two individuals (HR professional and experienced researcher) have examined the instrument. The researcher reviewed mainly the ethicality of the items and the HR professional appraised the content of the questionnaire in each variable. Moreover, the instrument was given to my research advisor for final comment. Accordingly, based on their comments, subsequent corrections were made to the survey questionnaire and finally distributed to the sample population. In addition, all reference materials are acknowledged with proper citation and confidentiality of data is maintained throughout the process.

### **3.5.2 Reliability**

The next step was to determine the reliability of the constructs to make sure that they are free from error and therefore yield consistent results. Internal consistency of items, which is the level of homogeneity of a scale measures incorporated in the instrument was checked by using Cronbach's coefficient alpha and the SPSS results for the measures of general questions on performance management, performance appraisal, performance based reward

system and performance feedback along with employee productivity measures are shown in the following Table.

Table 3.3: Cronbach’s Alpha statistics of the survey questionnaire

<b>Reliability statistics of the Survey Questionnaire</b>			
	<b>Measures</b>	<b>Cronbach’s Alpha Value</b>	<b>No. of Items</b>
	Performance management	0.917	7
	Performance appraisal	0.913	13
	Performance based reward system	0.917	13
	Performance feedback	0.891	8
	Employee Productivity	0.803	7
	<b>All measurement items</b>	<b>0.968</b>	<b>48</b>

As indicated in Table 3.3, the Cronbach’s Alpha test reveals that the instrument’s internal consistency as 96.8% which is well above the acceptable value (i.e. 70%). Therefore, the research instrument is reliable and the forthcoming findings and conclusions are acceptable and concrete.

### **3.6 Data Analysis**

Survey questionnaire was used in the study and the data analysis for each variable was done separately. The data analysis for the questionnaire was done using SPSS (Statistical Package for Social Science) version 22 after giving numerical code for each response paper. SPSS was selected for the reason that it is readily available and user-friendly analysis tool with which the researcher is acquainted with.

Descriptive statistics such as percentage, frequency and measures of central tendency (mean, standard deviation, and skewness) were used to summarize the responses. Tables were used to increase understanding and facilitate easy comparison of the analysed data. Pearson’s product moment correlation and multiple regression models were used to assess the relationship between each independent variable on the dependent variable and the aggregate effect too using SPSS.

### **3.7 Ethical Consideration**

The researcher used proper citation, follow truthful collection & analysis of data, maintained data confidentiality, obtained the consent of the case organization and staffs and keep the identity of respondents unanimous based on their consent to meet the ethical obligations of the research.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

#### 4.1 Response Rate

Out of the 203 questionnaires distributed, 199 filled questionnaires were returned. Accordingly, the response rate is 98.02% which is an acceptable rate.

Since the researcher himself administered the data collection and the sample size was manageable, the usability of the questionnaires was checked upon collection and respondents were asked to refill any missing values.

#### 4.2 Demographic Characteristics of Respondents

This section discusses the profile of 199 respondents as follows.

Table 4.1: Demographic characteristics of respondents

<b>Gender</b>		
	Frequency	Percent
Male	137	68.8
Female	62	31.2
Total	199	100
<b>Age Category</b>		
18-29	114	57.3
30-39	66	33.2
40-49	12	6
50 and above	7	3.5
Total	199	100
<b>Marital Status</b>		
Single	135	67.8
Married	64	32.2
Total	199	100
<b>Educational Qualification</b>		
Diploma	50	25.1
First Degree	138	69.3
Master's Degree	11	5.5
Total	199	100
<b>Work Experience</b>		
0-1 year	22	11.1
1-3 years	80	40.2

3-5 years	55	27.6
5- 7 years	23	11.6
7 years and above	19	9.5
Total	199	100
<b>Competency</b>		
HR	7	3.5
Finance	18	9
Sales & Marketing	96	48.2
Logistics	24	12.1
Manufacturing	54	27.1
Total	199	100
<b>Position Status</b>		
Management	50	25.1
Non-Management	149	74.9
Total	199	100

As can be seen from Table 4.1, males and females constituted 69% and 31% of the sample population respectively. This shows that there is a noticeable disparity in representation between the two sexes in the sample population. This visible gap in gender representation was not due to sampling and or non-sampling errors; rather, it was due to the un-proportional representation of males and females in the organization, which is 69% males and 31% females. Generally, it is the reflection of the total population structure.

To maintain representativeness of the study's sample population, sample elements were taken from diverse age structures of the company's employees, which is for the purpose of this research, they were classified in to four age groups as depicted in Table 3.4. Thus, 57.3% of the respondents are within the age group of 18-29 years, 33.2% represents the age group 30-39, 6 % are within the age group of 40-49 and remaining 3.5% respondents represents the age group 50 and above. Of the four age classes, the first class is termed as the youth group and all the others are groups of the adult population. From the adult population, the first age group 30-39 years of age is considered early adulthood, the 40-50 years represent middle adulthood and above 50 years of age represents late adulthood. Demographically, 29 years of age is considered to be the upper bound for the youth age group and 30 years of age is the beginning for early adulthood. This implies that the company has a youth dominated population structure. This is again a reflection of the total population.

Regarding respondents marital status, Table 4.1 depicts that 67.8% respondents are single whereas 32.2% are married. This implies that most of the respondents are single.

In terms of educational qualification, the sample population was classified into three categories, ranging from Diploma to highest academic qualification. Table 4.1 displays the different levels of educational qualification for the sample population along with their corresponding percentage. The highest share of the sample was taken by those holding first degree (69.3%) followed by diploma holders (25.1%) and staff with master's degree (5.5%). This implies that the majority of the sample respondents are first degree holders. This has happened due to the selection of professional and semi-professional employees.

Concerning the work experience of respondents, 11.1% of the sample population has worked for less than 1 year, 40.2% worked for 1-3 years, 27.6% worked for 3-5 years, 11.6% worked for 5-7 years, and the remaining 9.5% worked for more than 7 years. This implies that the majority (67.8%) of the respondents has short tenure i.e. 1-5 years.

As it can be seen from Table 4.1, 3.5% of the respondents belong to HR competency, 9% belong to Finance, 48.2% belong to Sales and Marketing, 12.1% belong to Logistics, and the remaining 27.1% belong to Manufacturing. Accordingly, the majority (48.2%) of the respondents belong to sales and marketing competency. This happened because most of the employees who are considered as critical and professionals are found in Sales and Marketing.

Regarding the position status of respondents, Table 4.1 indicates that 25.1% of the sample is managerial staff and 74.9% is non-managerial staff.

### 4.3. Performance Management

Table 4.2: Performance management

Item	Measures	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	Total	
		Freq	%	Freq	%	Freq	%	Freq	%	Freq	%		Freq	%
1	The company's performance management practice is considered in the company as a strategic tool in enhancing individual & organizational performance	15	7.5	16	8.0	34	17.1	100	50.3	34	17.1	3.61	199	100.0
2	The company's performance management practice strongly creates an alignment between employee performance & organizational goals	8	4.0	30	15.1	30	15.1	91	45.7	40	20.1	3.63	199	100.0
3	The company's performance management practice allows high employee participation	17	8.5	35	17.6	27	13.6	88	44.2	32	16.1	3.42	199	100.0
4	The company's performance management practice creates a cordial and a harmonious relationship between an individual employee and the line manager based on trust and empowerment.	17	8.5	29	14.6	51	25.6	80	40.2	22	11.1	3.31	199	100.0
5	The company's performance management practice drives employee productivity	15	7.5	25	12.6	52	26.1	73	36.7	34	17.1	3.43	199	100.0
6	Performance appraisal, performance based reward system & performance feedback are the major aspects of the company's performance management practice in the company	7	3.5	22	11.1	52	26.1	77	38.7	41	20.6	3.62	199	100.0
7	The cycle of performance management (plan, act, Monitor & review) is clearly observed in the company's performance management practice	7	3.5	23	11.6	64	32.2	73	36.7	32	16.1	3.5	199	100.0

Source: Survey Questionnaire 2017

As portrayed on table 4.2, respondents' perception regarding the existing performance management practice was gathered using the listed measures. One of the measures was found in item 1 that is "performance management practice is considered in the company as a strategic tool in enhancing individual & organizational performance ". The responses regarding this statement were 16 (8%) disagree and 100 (50.3%) agree that the performance management practice is considered as a strategic tool.

Respondents' level of agreement for item 2 was 91 (45.7%) employees agreed and 30 (15.1%) employees disagreed. It indicates that the performance management practice strongly creates an alignment between employee performance and organizational goals.

In investigating whether the company's performance management practice allows high employee participation in item 3, most of the respondents 88 (44.2%) agreed while only 35 (17.6%) disagreed. This indicates that there is high employee participation on the performance management practice of the company.

80 (40.2%) agreement and 29 (14.6%) disagreement were the response collected with regard to the statement "The company's performance management practice creates a cordial and a harmonious relationship between an individual employee and the line manager based on trust and empowerment" in item 4. Since most of the respondents show their agreement it can be said that the performance management practice creates a relationship between an individual employee and the line manager.

In item 5, most of the respondents i.e. 73 (36.7%) agreed that the performance management practice drives employee productivity. But 25 (12.6%) respondents disagreed. This infers that the performance management practice drives employee productivity.

As reflected in item 6, 77 (38.7%) respondents agreed that performance appraisal, performance based reward system and performance feedback are the major aspects of the company's performance management practice in the company. On the other hand, 22 (11.1%) respondents didn't agree. Hence, it can be said that performance appraisal, performance based reward system and performance feedback are the major aspects of the company's performance management practice.

Finally, item 7 reveals that 73 (36.7%) respondents as compared against 23 (11.6%) agreed that the cycle of performance management (plan, act, Monitor and review) is clearly observed in the company's performance management practice.

#### 4.4. Performance Appraisal

Table 4.3: Performance appraisal

Item	Measures	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	Total	
		Freq	%	Freq	%	Freq	%	Freq	%	Freq	%		Freq	%
1	My individual performance target is aligned with the strategic objective of competency/department and the organization	4	2.0	11	5.5	40	20.1	110	55.3	34	17.1	3.8	199	100.0
2	I am clear about what my job responsibilities are and what is expected from me	4	2.0	13	6.5	14	7.0	111	55.8	57	28.6	4.03	199	100.0
3	I am clear about my performance targets & parameters	3	1.5	17	8.5	15	7.5	100	50.3	64	32.2	4.03	199	100.0
4	I am informed and reach on an agreement with my supervisor about the standards that will be used to evaluate my work	10	5.0	18	9.0	42	21.1	95	47.7	34	17.1	3.63	199	100.0
5	My Performance target is realistic & attainable (achievable)	5	2.5	14	7.0	25	12.6	122	61.3	33	16.6	3.82	199	100.0
6	My supervisor assesses my performance objectively against the performance parameters set	4	2.0	18	9.0	52	26.1	100	50.3	25	12.6	3.62	199	100.0
7	Performance appraisal makes me work harder than expected	5	2.5	18	9.0	29	14.6	103	51.8	44	22.1	3.82	199	100.0
8	I'm satisfied with the current performance appraisal system in the organization	15	7.5	27	13.6	52	26.1	71	35.7	34	17.1	3.41	199	100.0
9	Performance appraisal helps me in identifying my improvement area & what corrective action to take	3	1.5	23	11.6	33	16.6	104	52.3	36	18.1	3.74	199	100.0
10	Performance appraisal result is used to give training & development program	15	7.5	13	6.5	47	23.6	86	43.2	38	19.1	3.6	199	100.0
11	Performance Appraisal is fair to all employees appraised.	15	7.5	29	14.6	44	22.1	71	35.7	40	20.1	3.46	199	100.0
12	Performance appraisal makes me better understand what should be doing	7	3.5	16	8.0	35	17.6	109	54.8	32	16.1	3.72	199	100.0
13	Performance appraisal influences positively individual and team performance	15	7.5	8	4.0	54	27.1	97	48.7	25	12.6	3.55	199	100.0

Source: Survey Questionnaire 2017

In order to measure performance appraisal system, respondents were presented with items listed in Table 4.3.

On item 1, most of the respondents i.e. 110 (55.3%) agreed that their individual performance target is aligned 11 (5.5%) respondents didn't agree. This data indicate individual performance target is aligned with the strategic objective of competency/department and the organization.

Item 2 shows 111 (55.8%) respondents believed that they are clear about what their job responsibilities are and what is expected from them while 13 (6.5%) respondents didn't accept it. This implies that there is role clarity.

As reflected in item 3, 100 (50.3%) respondents agreed that they are clear about their performance targets & parameters. On the other hand, 17 (8.5%) respondents didn't agree. This response points out majority of them are clear about their performance targets and parameters.

Responses regarding item 4 shows 95 (47.7%) respondents agreed that they are informed and reach on an agreement with their respective supervisors about the standards that will be used to evaluate their work. whereas 18 (9%) respondents didn't agree. This response points out that even employees confirmation is secured for standards that will be used to evaluate their work.

Item 5 shows 122 (61.3%) respondents believed that their performance target is realistic and attainable (achievable) while 14 (7%) respondents didn't accept it. This implies that employees feel that the set performance target is realistic and achievable.

As reflected in Item 6, 100 (50.3%) respondents agreed that their supervisors assess their performance objectively against the performance parameters set. On the other hand, 18 (9%) respondents didn't agree. This response points out that objective performance assessment is made in the organization.

Item 7 reveals that 103 (51.8%) respondents agreed that performance appraisal makes them work harder than expected. On the other hand, 18 (9%) respondents didn't agree. This infers that employees work harder than expected because of the performance appraisal.

Responses on item 8 reveal that 71 (35.7%) respondents agreed that they are satisfied with the current performance appraisal system in the organization whereas 27 (13.6%) respondents didn't agree. Since most of the respondents agreed, employees are satisfied with the current performance appraisal system.

In item 9, 104 (52.3%) respondents believed that performance appraisal helps them in identifying their improvement area and what corrective action to take. On the contrary, 23 (11.6%) respondents didn't agree. This implies that performance appraisal helps them in identifying their improvement area and what corrective action to take.

When we look at item 10, 86 (43.2%) respondents agreed that performance appraisal result is used to give training and development program. However, 13 (6.5%) respondents didn't

agree. This data indicate that performance appraisal result is used to give training and development program.

Responses regarding item 11, 71 (35.7%) respondents agreed that performance appraisal is fair to all employees appraised whereas 29 (14.6%) respondents didn't agree. This data indicate that performance appraisal is fair to all employees appraised.

Further analysis in item 12 shows that most of the respondents 109 (54.8%) believed that performance appraisal makes them better understand what should be doing while 16 (8%) respondents didn't accept it. This indicates that performance appraisal serves as an instrument to better understand what should be doing.

Finally, as reflected in item 13, 97 (48.7%) respondents agreed that performance appraisal influences positively individual and team performance. On the other hand, 8 (4%) respondents didn't agree. Therefore, this data infers that performance appraisal influences positively individual and team performance

#### 4.5. Performance Based Reward System measures

Table 4.4: Performance based reward system

Item	Measures	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	Total	
		Freq	%	Freq	%	Freq	%	Freq	%	Freq	%		Freq	%
1	Performance management is directly linked to reward systems	16	8.0	22	11.1	46	23.1	70	35.2	45	22.6	3.53	199	100.0
2	The performance based rewards provided by the company very frequently motivate me to give my best	14	7.0	34	17.1	47	23.6	70	35.2	34	17.1	3.38	199	100.0
3	The performance based rewards motivate me to be timely in completing my duties	13	6.5	22	11.1	45	22.6	84	42.2	35	17.6	3.53	199	100.0
4	My level of wage is fair and satisfactory to the degree of my performance	22	11.1	38	19.1	56	28.1	65	32.7	18	9.0	3.1	199	100.0
5	Performance based rewards are varied	20	10.1	36	18.1	52	26.1	72	36.2	19	9.5	3.17	199	100.0
6	High performer employees are entitled for job promotion than low performers	22	11.1	32	16.1	35	17.6	85	42.7	25	12.6	3.3	199	100.0
7	The company uses performance appraisal result as one input for promotion decision	22	11.1	25	12.6	42	21.1	83	41.7	27	13.6	3.34	199	100.0
8	The company well recognize & reward high & extra ordinary performance	19	9.5	38	19.1	31	15.6	90	45.2	21	10.6	3.28	199	100.0
9	The recognition for good work encourages me to work beyond the requirements of my job	11	5.5	40	20.1	24	12.1	107	53.8	17	8.5	3.4	199	100.0
10	The company grants bonuses to employees based on employees'	19	9.5	67	33.7	44	22.1	55	27.6	14	7.0	2.89	199	100.0

	performance contribution													
11	The bonus that I receive is satisfactory & makes me work harder	19	9.5	26	13.1	55	27.6	78	39.2	21	10.6	3.28	199	100.0
12	The company gives adequate incentives for high performing employees	34	17.1	64	32.2	48	24.1	43	21.6	10	5.0	2.65	199	100.0
13	Incentives given for high performers encourages me to perform more	28	14.1	69	34.7	45	22.6	49	24.6	8	4.0	2.7	199	100.0

Source: Survey Questionnaire 2017

In order to measure performance based reward system, respondents were presented with items listed in Table 4.4.

On item 1, most of the respondents 70 (35.2%) agreed that performance management is directly linked to reward systems whereas 22 (11.1%) respondents didn't agree. This data indicate that performance management is directly linked to reward system.

Item 2 shows that 70 (35.2%) respondents believed that performance based rewards provided by the company very frequently motivate them to give their best. On the contrary, 34 (17.1%) respondents didn't agree. This implies that performance based rewards provided by the company very frequently motivate employees to give their best.

When we look at item 3, 84 (42.2%) respondents agreed that the performance based rewards motivate them to be timely in completing their duties. However, 22 (11.1%) respondents didn't agree. This response points out majority of them feel that the performance based rewards motivate them to be timely in completing their duties.

Responses regarding item 4 shows 65 (32.7%) respondents agreed that their level of wage is fair and satisfactory to the degree of their performance whereas 38 (19.1%) respondents didn't agree. This response points out that employees level of wage is fair and satisfactory to the degree of their performance.

Item 5 shows 72 (36.2%) respondents believed that performance based rewards are varied while 36 (18.1%) respondents said that it is not. This implies that majority of the employees feel that performance based rewards are varied.

As reflected in Item 6, 85 (42.7%) respondents agreed that high performer employees are entitled for job promotion than low performers. On the other hand, 32 (16.1%) respondents

objected it. This response points out that high performer employees are entitled for job promotion than low performers.

Item 7 reveals that 83 (41.7%) respondents agreed that the company uses performance appraisal result as one input for promotion decision. On the other hand, 25 (12.6%) respondents didn't agree. This infers that company uses performance appraisal result as one input for promotion decision.

Responses on item 8 reveal that 90 (45.2%) respondents agreed the company well recognizes and rewards high and extra ordinary performances whereas 38 (19.1%) respondents stood on the opposite side to this response. Since most of the respondents agreed, it indicates that company well recognizes and rewards high and extra ordinary performances.

In item 9, 107 (53.8%) respondents believed that the recognition for good work encourages them to work beyond the requirements of their job. On the contrary, 40 (20.1%) respondents didn't agree. This implies that the recognition for good work encourages employees to work beyond the requirements of their job

When we look at item 10, 67 (33.7%) respondents said that the company doesn't grant bonuses to employees based on employees' performance contribution. However, 55 (27.6%) respondents believed it grants based on employees' performance contribution. This data indicate that the company doesn't grant bonuses to employees based on employees' performance contribution.

Responses regarding item 11, 78 (39.2%) respondents agreed that the bonus that they receive is satisfactory and makes them work harder whereas 26 (13.1%) respondents didn't agree. This data indicate that employees are satisfied with the bonus they receive and makes them work harder.

Further analysis in item 12 shows that 64 (32.2%) respondents believed that the company doesn't give adequate incentive for high performing employees while 43 (21.6%) respondents stood on the opposite side to this response. This indicates that the company doesn't give adequate incentive for high performing employees.

Finally, as reflected in item 13 shows 69 (34.7%) respondents said the incentives given for high performers do not encourage them to perform more. On the other hand, 49 (24.6%)

respondents replied that it encourages them for high performance. Therefore, this data infers that the incentives given for high performers do not encourage them to perform more.

#### 4.6. Performance Feedback

Table 4.5: Performance feedback

Item	Measures	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	Total	
		Freq	%	Freq	%	Freq	%	Freq	%	Freq	%		Freq	%
1	I receive feedback regularly about my performance from my supervisor	10	5.0	26	13.1	35	17.6	96	48.2	32	16.1	3.57	199	100.0
2	I receive performance feedback timely	8	4.0	39	19.6	23	11.6	102	51.3	27	13.6	3.51	199	100.0
3	I'm always informed about any change made in my initial performance target by my supervisor	7	3.5	29	14.6	46	23.1	83	41.7	34	17.1	3.54	199	100.0
4	I clearly understand my supervisors comments and opinion during the feedback session	6	3.0	24	12.1	23	11.6	104	52.3	42	21.1	3.76	199	100.0
5	The feedback I receive is helpful in increasing my productivity	7	3.5	21	10.6	32	16.1	94	47.2	45	22.6	3.75	199	100.0
6	The feedback I receive helps me in identifying improvement areas and what corrective action to take	5	2.5	27	13.6	37	18.6	104	52.3	26	13.1	3.6	199	100.0
7	My supervisor regularly records critical incidents with the intention of giving objective feedback	8	4.0	77	38.7	32	16.1	58	29.1	24	12.1	3.28	199	100.0
8	Performance feedback in my organization is fair and unbiased	20	10.1	45	22.6	24	12.1	79	39.7	31	15.6	3.28	199	100.0

Source: Survey Questionnaire 2017

For performance feedback, 8 measures were set and whose responses are summarized as follows.

On item 1, most of the respondents 96 (48.2%) agreed that they receive feedback regularly about their performance from their supervisor whereas 26 (13.1%) respondents responded that they didn't receive regular feedback. This data indicate that employees receive performance feedback regularly.

Item 2 shows that 102 (51.3%) respondents agreed that they receive performance feedback timely. On the contrary, 39 (19.6%) respondents didn't agree. This implies that performance feedback is given timely.

When we look at item 3, 83 (41.7%) respondents agreed that they are always informed about any change made in their initial performance target by their supervisor. However, 29 (14.6%)

respondents didn't agree. This response points out majority of them feel they are always informed about any change made in their initial performance target by their supervisor.

Responses regarding item 4 shows 104 (52.3%) respondents agreed that they clearly understand their supervisors' comments and opinion during the feedback session whereas 24 (12.1%) respondents didn't clearly understand. This response points out that employees clearly understand their supervisors' comments and opinion during the feedback session.

Item 5 shows 94 (47.2%) respondents believed that the feedback they receive is helpful in increasing their productivity while 21 (10.6%) respondents stood on the opposite side of the response. This implies that employees feel that the feedback they receive is helpful in increasing their productivity.

As reflected in Item 6, 104 (52.3%) respondents agreed that the feedback they receive helps them in identifying improvement areas and what corrective action to take. On the other hand, 27 (13.6%) respondents objected it. This response points out that the feedback employees receive helps them in identifying improvement areas and what corrective action to take.

Item 7 reveals that 77 (38.7%) respondents said their supervisors do not regularly record critical incidents with the intention of giving objective feedback while 58 (29.1%) respondents believed their supervisors regularly records critical incidents. This infers that supervisors do not regularly record critical incidents with the intention of giving objective feedback

Finally, in item 8, we can see that 79 (39.7%) respondents agreed that performance feedback is fair and unbiased whereas 45 (22.6%) respondents stood on the opposite side to this response. Since most of the respondents agreed, it indicates that performance feedback is fair and unbiased.

## 4.7. Employee productivity

Table 4.6: Employee productivity

Item	Measures	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Mean	Total	
		Freq	%	Freq	%	Freq	%	Freq	%	Freq	%		Freq	%
1	I work to the best of my abilities	1	0.5	15	7.5	20	10.1	90	45.2	73	36.7	4.1	199	100.0
2	I use working materials and equipment in a better and economical way	14	7.0	34	17.1	47	23.6	70	35.2	34	17.1	3.38	199	100.0
3	I exert maximum effort in doing my job	16	8.0	22	11.1	46	23.1	70	35.2	45	22.6	3.53	199	100.0
4	I use my working time properly	22	11.1	25	12.6	42	21.1	83	41.7	27	13.6	3.34	199	100.0
5	I regularly deliver high quality products/services	2	1.0	20	10.1	11	5.5	101	50.8	65	32.7	4.04	199	100.0
6	I achieve my work target	0	0.0	16	8.0	13	6.5	107	53.8	63	31.7	4.09	199	100.0
7	I meet work deadlines promptly	2	1.0	11	5.5	20	10.1	121	60.8	45	22.6	3.98	199	100.0

Source: Survey Questionnaire 2017

In order to measure employee productivity, respondents were presented with items listed in Table 4.6.

On item 1, most of the respondents 90 (45.2%) respondents agreed that they work to the best of their abilities whereas 15 (7.5%) respondents felt that they didn't work to the best of their abilities. This data indicate that employees work to the best of their abilities.

Item 2 shows that 70 (35.2%) respondents agreed that they use working materials and equipment in a better and economical way. On the contrary, 34 (17.1%) respondents didn't agree. This implies that employees use working materials and equipment in a better and economical way.

When we look at item 3, 70 (35.2%) respondents agreed that they exert maximum effort in doing their job. However, 22 (11.1%) respondents didn't agree. This response points out majority of them feel they exert maximum effort in doing their job.

Responses regarding item 4 shows 83 (41.7%) respondents agreed that they use working time properly whereas 25 (12.6%) respondents do not use working time properly. This response points out that employees use working time properly.

Item 5 shows 101 (50.8%) respondents believed that they regularly deliver high quality products/services while 20 (10.1%) respondents stood on the opposite side of the response. This implies that employees regularly deliver high quality products/services.

As reflected in Item 6, 107 (53.8%) respondents agreed that they achieve their work target. On the other hand, 16 (8.0%) respondents said they didn't achieve their work targets. This response points out that employees achieve their work target.

Finally, item 7 reveals that 121 (60.8%) respondents replied they meet work deadlines promptly while 11 (5.5%) respondents didn't agree. This infers that employees meet work deadlines promptly.

#### **4.8. Group mean value of Performance Management, Performance Appraisal, Performance Based Reward System, Performance Feedback and Employee Productivity**

Table 4.7: Group mean value of PM, PA, PBRS, PF & EP

Group Mean Value of Variables				
Variables	N	Mean	Std. Deviation	Skewness
Performance Management	199	3.5025	0.89857	-0.591
Performance appraisal	199	3.7097	0.69112	-0.828
Performance based reward system	199	3.1964	0.81123	-0.569
Performance feedback	199	3.5101	0.81324	-0.604
Employee Productivity	199	3.7818	0.68704	-0.464

As shown on Table 4.7, total mean value of general questions on the existing performance management practice measures is 3.50 and has a negative skewness value of -0.591 which indicates that the responses are skewed to the right side i.e. towards agreement. Hence, majority of the respondents agreed with the items provided.

Generally, the total mean value of the respondents' perception on the performance appraisal practice of the company measures is 3.71 which shows that majority of the respondents incline to agree with the items. This is also further supported by negative Skewness value of -0.828 which indicates that the data is skewed to the right side (i.e. towards agree and strongly agree).

Concerning performance based reward system, the total mean value of 3.2 and negative skewness value of -0.569 are acquired which indicates that majority of respondents have slight agreement on the measures. The mean value is near to neutral which indicates that the responses are

saturated around the middle point and respondents didn't agree on majority of the measures. This is not a positive implication as performance based reward is a critical aspect in determining employee productivity.

All in all, the mean value for all measures of performance feedback is 3.51 (SD: 0.813, Skewness: 0.604) implying that responses are slightly inclined to the right side where scales of agree exist. This imply that majority of the respondents have positive reply for the measures of performance feedback.

Regarding employee productivity, the total mean for all measures is 3.78 with a standard deviation of 0.687 and Skewness value of -0.464 which indicates that the responses are saturated towards agreement on the measures. This infers that is well developed and effectively implemented.

#### **4.9. The relationship of Performance Appraisal, Performance Based Reward System, Performance Feedback with Employee Productivity**

Correlation analysis studies the joint variation of two or more variables for determining the strength and direction of the relationship among the variables (Kothari 2004). Accordingly, in order to identify whether the dependent variable and independent variables have a joint variation, Pearson's product moment correlation coefficient was computed.

Table 4.8: Correlation result interpretation guide

<b>Correlation value in range</b>	<b>Interpretation</b>
0.00 to 0.19	Weak/ very low correlation
0.20 to 0.39	Low correlation
0.40 to 0.59	Moderate correlation
0.60 to 0.79	High correlation
0.8 to 1.0	Very high correlation

Source: Marczyk, DeMatteo, Festinger (2005)

Pearson correlation results range between 1 (perfectly linear positive correlation) to -1 (perfectly linear negative correlation). When the correlation value is 0, no relationship exists between the variables understudy and when the correlation value lies in the middle between 1 and -1 (excluding 0) the above interpretation guide (Table 4.8) developed by Marczyk, Dematteo, & Festinger (2005) becomes handy. Accordingly, this guide has been used to interpret the results which are summarized in the coming sections.

Table 4.9: The relationship between PA, PBRS, PF, PM and employee productivity

		Performance Appraisal	Performance Based Reward System	Performance Feedback	Performance Management Practice
Employee Productivity	Pearson Correlation	.761**	.759**	.678**	.829**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	199	199	199	199

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

As can be witnessed on Table 4.9, which depicts the relationship between performance appraisal, performance based reward system, performance feedback and employee productivity, and all the components of performance management practice under emphasis are found to have a significant correlation with employee productivity since two-tailed significance test values are less than 0.05. Further, the Pearson correlation value illustrates that performance appraisal ( $r= 0.761$ ,  $p<0.05$ ), performance based reward system ( $r= 0.759$ ,  $p<0.05$ ) and performance feedback ( $r= 0.678$ ,  $p<0.05$ ) have positive significantly high correlation with employee productivity.

The researcher creates a new variable named performance management practice that includes all variables to assess the association between performance management practice and employee productivity. Hence, Pearson correlation value illustrates (Table 4.9) that performance management practice ( $r= 0.829$ ,  $p<0.00$ ) has positive and significantly very high correlation with employee productivity.

#### **4.10. The effect of Performance Appraisal, Performance Based Reward System, Performance Feedback on Employee Productivity**

Regression is a measure of association between two sets of variables. Thus, in order to determine the statistically significance effect of the independent variables on the dependent variable, multiple regression analysis was used. Multiple regression is applicable in the analysis of the causal relationship between a dependent variable and more than one independent variables. As an extension of simple regression, the goal of multiple regression is to enable a researcher to assess the relationship between a dependent (predicted) variable and several independent (predictor) variables. The end result of multiple regression is the development of a regression equation (line of best fit) between the dependent and independent variables (Pallant, 2005).

On this study the researcher aimed to identify the role of performance management practice on employee productivity and which of the performance management practice component (performance appraisal, performance based reward system and performance feedback) better enhances employee productivity. In the correlation analysis section, it is identified that all the independent variables have significant positive correlation with employee productivity. Based on this, multiple regression has been conducted to know their impact on employee productivity. Accordingly, adjusted R<sup>2</sup> value is referred to indicate the percentage variance in the dependent variable (employee productivity) explained by the independent variables (performance appraisal, performance based reward system and performance feedback) and the statistical significance of this relationship is also tested. Thus, the following paragraphs discuss the effect of each independent variable on employee productivity basing on the regression result.

Table 4.10: Regression Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.832 <sup>a</sup>	.692	.687	.38447

a. Predictors: (Constant), PF, PBRS, PA

From the correlation analysis (Table 4.10), it is found out that performance management practice is positively related to employee productivity because of its high correlation value which is 0.829 (82.9%). The result reveals a high degree of dependence of employee productivity on the performance management practice of the company. Inferring from Table 4.11, the data obtained is a major contribution to existing body of knowledge on this subject matter. The adjusted R<sup>2</sup> value of 0.687 indicates that 68.7% of variation in employee productivity is explained by performance appraisal, performance based reward system and performance feedback. The remaining 31.3% variation is explained by stochastic error term (e) meaning that 31.3% of changes in employee productivity changes are explained by factors that are not explained in the model.

Table 4.11: ANOVA F test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	64.636	3	21.545	145.755	.000 <sup>b</sup>
	Residual	28.825	195	.148		
	Total	93.461	198			

a. Dependent Variable: Productivity

b. Predictors: (Constant), PF, PBRS, PA

Table 4.11; The ANOVA Table shows that the overall multiple linear regression model is significant  $p=0.00$ , this implies that the model describe the effect of performance management practice on employee productivity in EABSC. Further, the model is statistically significant and indicates that the variation explained by the variables is not due to chance.

Table 4.12: Coefficients and Collinearity Statistics

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.853	.151		5.644	.000		
	PA	.391	.060	.393	6.519	.000	.434	2.302
	PBRS	.328	.051	.387	6.449	.000	.439	2.277
	PF	.123	.050	.145	2.449	.015	.450	2.223

a. Dependent Variable: Productivity

From Table 4.12, the unstandardized coefficients beta values indicate the contribution of the variables in the model for the prediction of the dependent variables which enables to rank the variables based on their contribution (Pallant, 2005). Therefore, in this case, performance appraisal takes the higher share in contributing for employee productivity since it has highest beta value of 0.391 followed by performance based reward system ( $B=0.328$ ), and performance feedback ( $B=0.123$ ) by descending order. Besides, the individual t-test significance values for all variables are below 0.05, imply that they have positive significant effect on employee productivity.

In order to check if there is multicollinearity among the variables, tolerance and variance inflation factor (VIF) values were examined. According to Pallant (2005), tolerance is an indicator of how

much of the variability of the specified independent variable is not explained by another independent variable in the model and if its value is less than 0.1, it indicates that the multiple correlation with other variables is high, implying possibility of multicollinearity. Whereas, VIF is the inverse of tolerance value (1 divided by tolerance). If VIF value is above 10, it signals chance of multicollinearity. Accordingly, the above Table shows that there is no possibility of multicollinearity among the variables in the model since all the tolerance values are above 0.1 and the corresponding VIF values are below 10.

Therefore, though 31.3% of variation in employee productivity is explained by other variables not included in this study. In the order to show the regression function of the variables, the unstandardized coefficients are used to multiply the independent variables to identify the impact of their unit change on the dependent variable. Hence, the fitted regression model drawn from the output is:

$$\text{Employee Productivity} = 0.853 + 0.391PA + 0.328PBRs + 0.123PF$$

Table 4.13: The Effect of performance management practice on employee productivity

Model		Coefficients <sup>a</sup>						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.890	.142		6.290	.000		
	PM_PRACTICE	.834	.040	.829	20.817	.000	1.000	1.000

a. Dependent Variable: Productivity

Inferring Table 4.13, the existing performance management practice (PM\_Practice) that includes all variables has (B= 0.834, p-value=0.000) which is a positive effect and absolutely below  $\alpha=0.05$ . This means performance management practice has positive and significant influence on employee productivity.

#### **4.11. Summary of Hypotheses Test Result**

H 1: There is a cause and effect relationship between performance management practice and employee productivity.

Referring Table 4.13, the existing performance management practice that includes all variables has ( $B= 0.834$ ,  $p\text{-value}=0.000$ ) which is a positive effect and absolutely below 0.05 of p-value. This means performance management practice has a positive and significant influence on employee productivity. Hence, the null hypothesis is rejected and the alternative hypothesis H-1 above is accepted.

H 2: Performance appraisal has a positive effect on employee productivity.

Table 4.12 shows that performance appraisal has a positive and significant influence on employee productivity ( $B =0.391$ ,  $P=0.000$ ). As a result, the null hypothesis is rejected and the alternative hypothesis H-1 above is accepted.

H 3: Performance based reward system has a positive effect on employee productivity.

Regarding the influence of performance based reward system, Table 4.12 confirms that it has a positive and significant influence on employee productivity ( $B =0.328$ ,  $P=0.000$ ). Hence, the null hypothesis is rejected and the alternative hypothesis H-1 above is accepted.

H 4: Performance feedback has a positive effect on employee productivity.

Table 4.12 shows that performance feedback has a positive and significant influence on employee productivity ( $B =0.123$ ,  $P=0.015$ ). As a result, the null hypothesis is rejected and the alternative hypothesis H-1 above is accepted.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

#### 5.1 Summary Of Major Findings

##### 5.1.1. Summary of Major Findings from Descriptive Statistics

Based on the assessment of the company's performance management practice and data analysis made in chapter four of the study, the following are summarized and presented here under:

- Demographically the sampled population are 31% female and 69% male; 57.3% are youth (between age 18 and 29); 67.8% are not married; 69.3% have got first degree in education qualification, 40.2% are with short tenure ( 1 to 3 years); and 74.9% are on non-management position.
- Majority of the respondents (38.7%) indicated that performance appraisal, performance based reward system and performance feedback are the major components of the company's performance management practice in the company (Table 4.2).
- Regarding performance appraisal practice, majority of the respondents (55.3%) agreed their performance target is aligned with the strategic objective of competency/department and the organization. In addition, majority of them (55.8%) confirmed that they are clear about what their job responsibilities are and what is expected from them. In line with this, they (50.3%) confirmed they know and agreed on their performance targets and parameters (Table 4.3).
- Majority of them agreed that performance appraisal result is used as one input for promotion decision but majority of them responded that bonus is not granted based on individual employee performance contribution. Further, majority of the respondents declared that the company doesn't give adequate incentives for high performing employees and this doesn't encourage them for higher performance (Table 4.4).
- It is also found that majority of the employees agreed that they receive performance feedback timely and in a regular manner however it is indicated that their supervisors didn't regularly record critical incidents (Table 4.5).
- Concerning the dependent variable, i.e. employee productivity, major findings were employees felt that they work to the best of their abilities, use working time properly, regularly deliver high quality products/services, achieve work targets and meet work

deadlines properly. Hence, it can be summarized that majority of them believed they are productive and it can be said that their productivity level is good (Table 4.6).

### **5.1.2. Summary of Major Findings from Correlation analysis**

Based on the Pearson product-moment correlation result (Table 4.9), the following major findings are identified:

- Performance appraisal has positive and significantly high correlation with employee productivity.
- Performance based reward system has positive and significantly high correlation with employee productivity.
- Performance feedback has positive and significantly high correlation with employee productivity.
- Lastly, performance management practice of the company has positive and significantly very high correlation with employee productivity.

### **5.1.3. Summary of Major findings from Regression analysis**

To find out the level of impact that the independent variables have on employee productivity, multiple regression has been conducted in the data analysis and the major findings are presented below.

- All independent variables under emphasis are positive significant predictors of employee productivity and they explain 68.7% of variation in employee productivity (Table 4.10). However, their level of contribution for the variance differs. Basing on the beta values, performance appraisal (B=0.391) has the highest contribution for the variance followed by performance based reward system (B=0.328) and performance feedback (B=0.123) (Table 4.12).
- Performance appraisal (B=0.391, p-value=0.000), performance based reward system (B=0.328, p-value=0.000) and performance feedback (B=0.123, p-value=0.015) has positive and significantly high effect on employee productivity (Table 4.12).
- Performance management practice (B= 0.834, p-value=0.000) has positive and significant influence on employee productivity (Table 4.13).

## 5.2 Conclusions

Performance management is an integrated and strategic approach towards enhancing the employee and organizational productivity by bettering the performance of employees through developing the individuals and teams capabilities. Especially, when its components like performance appraisal, performance based reward system and performance feedback are well designed and implemented, employees and organizational performance will be enhanced. This study was conducted with the objective of investigating the role of performance management practice on employee productivity. The performance management practice of EABSC was assessed by emphasizing on its aspects i.e. performance appraisal, performance based reward system and performance feedback.

Based on the findings it is concluded that the company's performance management practice is considered as a strategic tool in enhancing individual and organizational performance as a result employees are productive in their area of assignment. Further, performance appraisal, performance based reward system, and performance feedback are the major components of the company's performance management practice. Regarding the performance appraisal aspect it is found to be well practiced in the organization and is perceived as effective in enhancing the employee productivity. This practice is found to have a positive significantly high correlation with employee productivity which is also proved to be significant positive predictor of employee productivity from the regression analysis. This is a positive finding and a proof that the organization has an effective performance appraisal practice which enables employees to be productive. Hence, it is concluded that it has a positive and significant effect on employee productivity.

Coming to performance based reward system, it is concluded that bonus is not granted to employees based on individual performance contribution and also incentives granted to high performing employees are not adequate. As a result, the incentive given for high performers doesn't encourage others to be more productive. However, job promotion is linked to performance contribution of employees. Regarding its relationship with employee productivity, it has a positive and significantly high correlation and is the second significant positive predictor of the dependent variable. Hence, it is concluded that performance based reward system affects employee productivity positively.

Performance feedback is the other performance management practice component of the organization. Employees receive performance feedback timely and in a regular manner however

their supervisors didn't regularly record critical incidents with the intention of giving objective feedback. Regarding its relationship with employee productivity, it has positive and significantly high correlation and is the last significant positive predictor of the dependent variable as compared to the above two independent variables. Therefore, it can be concluded that it plays significant role on employee productivity but its role is minimal as compared to the first two predictor i.e. performance appraisal and performance based reward system .

In a nutshell, the performance management practice of the company has a significant role on employee productivity. Regarding its relationship with employee productivity, it has positive and significantly high correlation. And, it has also positive and significant effect on employee productivity.

### 5.3 Recommendation

To better enhance the existing performance management practice of the case organization the following recommendations are forwarded:

- Performance based rewards are critical to enhance employee productivity. Among the performance based rewards, bonus is the most influential one. Though the company grants bonus which goes to three months salary to its employees annually, employees are entitled by being just an employee without considering individual performance contribution. Hence, the company should link bonus with individual performance and create a difference between high and low performers. By doing so, the company can motivate employees for higher productivity.
- Even if the company should give incentives for employees as a tool for increased productivity, majority of the respondents showed their discontent since they felt that it is not adequate. As a result, the company should provide incentive which is adequate to reward higher performance and increased productivity. To do so, the company should revise its incentive scheme to make the necessary amendments in line with enhancing the productivity of employees.
- Performance feedback plays an important role in enhancing employee productivity since it gives employees a direction towards the desired productivity level. This can be achieved if the feedback is given based on the actual incidents observed in the work environment. Therefore, the company should train management employees including supervisors and team leaders and make necessary follow up to ensure that all critical performance incidents are regularly recorded to make the feedback objective and bring the desired change.
- From the study finding, it is learned that the performance management aspect of performance appraisal, performance based reward system, and performance feedback have positive and strong influence on employee productivity. Hence, the company should give them more attention to improve employee productivity.
- Finally, future studies in this area could be done in a broader scope to include other firms in the manufacturing sector and increase conclusiveness of the findings.

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## ANNEX



### ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE Department of Human Resource Management

This questionnaire is intended to collect primary data to be used for a thesis entitled “**The Role of Performance Management Practice on Employee Productivity in East Africa Bottling S.C**” in partial fulfillment of requirement for Masters of Arts Degree in Human Resource Management.

So, I respectfully request your kind cooperation in answering the questions as clearly as possible. I would like to assure you that the information you provide will be used for academic purpose only and all responses will be treated in strict confidentiality.

Please put “√” mark in the box to the point which highly reflects your idea and no need of writing your name. Your honest and unbiased response will greatly contribute for the research to achieve its objective.

Thank you very much, in advance, for your sincere cooperation.

#### Part One: Demographic and Other Information

**Please put tick mark (✓) in the circle which most closely represents your personal situation. Please mark one item only per question.**

1. Gender      Male      Female
2. Age          18 - 29    30 - 39    40 - 49    50 and above
3. Marital Status      Single      Married
4. Educational Qualification              Diploma    First Degree    Master's Degree    Other
5. Work Experience in EABSC              0-1 year      1-3 years      3-5 years      5- 7 years    7 years and above
6. Competency              HR    Finance    Sales & Marketing    Logistics    Manufacturing
7. Position Status              Management              Non-Management

**The following questions are presented on a five point Likert scale.**

If you completely disagree with the item choose **1 (Strongly disagree)**

If you moderately disagree with the item choose **2 (Disagree)**

If you do not have any information about the item choose **3 (Neutral)**

If you moderately agree with item choose **4 (Agree) and**

If the item strongly matches with your response choose **5 (Strongly agree)**

**Part Two: General Questions on the Company's Performance Management Practice**

No.	Performance management practice (People Plan)	1	2	3	4	5
1	The company's performance management practice is considered in the company as a strategic tool in enhancing individual & organizational performance					
2	The company's performance management practice strongly creates an alignment between employee performance & organizational goals					
3	The company's performance management practice allows high employee participation					
4	The company's performance management practice creates a cordial and a harmonious relationship between an individual employee and the line manager based on trust and empowerment.					
5	The company's performance management practice drives employee productivity					
6	Performance appraisal, performance based reward system & performance feedback are the major aspects of the company's performance management practice in the company					
7	The cycle of performance management (plan, act, monitor & review) is clearly observed in the company's performance management practice					

**Part Three: Performance appraisal**

No.	Performance Appraisal	1	2	3	4	5
8	My individual performance target is aligned with the strategic objective of competency/department and the organization					
9	I am clear about what my job responsibilities are and what is expected from me					
10	I am clear about my performance targets & parameters					
11	I am informed and reach on an agreement with my supervisor about the standards that will be used to evaluate my work					
12	My Performance target is realistic & attainable (achievable)					
13	My supervisor assesses my performance objectively against the performance parameters set					
14	Performance appraisal makes me work harder than expected					
15	I'm satisfied with the current performance appraisal system in the organization					
16	Performance appraisal helps me in identifying my improvement area & what corrective action to take					
17	Performance appraisal result is used to give training & development program					
18	Performance Appraisal is fair to all employees appraised.					
19	Performance appraisal makes me better understand what should be doing					
20	Performance appraisal positively influences individual and team performance					

**Part Four: Performance based reward system**

No.	Performance based reward System	1	2	3	4	5
21	Performance management is directly linked to reward systems					
22	The performance based rewards provided by the company very frequently motivate me to give my best					
23	The performance based rewards motivate me to be timely in completing my duties					
24	My level of wage is fair and satisfactory to the degree of my performance					
25	Performance based rewards are varied					
26	High performer employees are entitled for job promotion than low performers					
27	The company uses performance appraisal result as one input for promotion decision					
28	The company well recognize & reward high & extraordinary performances					

29	The recognition for good work encourages me to work beyond the requirements of my job					
30	The company grants bonuses to employees based on employees' performance contribution					
31	The bonus I receive is satisfactory & makes me work harder					
32	The company gives adequate incentives for high performing employees					
33	Incentives given for high performers encourages me to perform more					

**Part Five: Performance feedback**

No	Performance Feedback	1	2	3	4	5
34	I receive feedback regularly about my performance from my supervisor					
35	I receive performance feedback timely					
36	I'm always informed about any change made in my initial performance target by my supervisor					
37	I clearly understand my supervisors comments and opinion during the feedback session					
38	The feedback I receive is helpful in increasing my productivity					
39	The feedback I receive helps me in identifying improvement areas and what corrective action to take					
40	My supervisor regularly records my performance and critical incidents with the intention of giving objective feedback					
41	Performance feedback in my organization is fair and unbiased					

**Part Six: Employee productivity**

No.	Employee productivity	1	2	3	4	5
42	I work to the best of my abilities					
43	I use working materials and equipment in a better and economical way					
44	I exert maximum effort in doing my job					
45	I use my working time properly					
46	I regularly deliver high quality products/services					
47	I achieve my work target					
48	I meet work deadlines promptly					

**Thank you for your participation!**