

**PERFORMANCE MANAGEMENT PRACTICE AND CHALLENGES  
IN ETHIOPIAN MANAGEMENT INSTITUTE**

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## **DECLARATION**

I declare that the thesis work entitled “PERFORMANCE MANAGEMENT PRACTICE AND CHALLENGES IN ETHIOPIAN MANAGEMENT INSTITUTE” is my original work that all sources of material used for the work have been duly acknowledged.

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**MELAT YILMA MEKONNEN**  
**(The Student Researcher)**

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# **Acronyms**

HRM – Human Resources Management

PMS- Performance Management System

EMI- Ethiopian Management Institute

## ABSTRACT

*It is not known how and to what extent performance management system is practiced and the challenges at EMI and the main purpose of this study is to assess and describe the performance management practice and challenges in Ethiopian Management Institute. The study tries to address the basic questions of how the alignment is made between organizational goal with that of the departmental and individual goal, how the planning, execution, assessment and review process was handled and identifying the purpose of having PMS in EMI and challenges faced while implementing performance management. To answer these questions descriptive survey research design has been deployed by using both quantitative and qualitative research approach. The total number of staff at EMI is 242 and for this study simple random sampling technique was used by taking 75 employees to fill in the self developed questionnaire, which is the main data collection instrument. The data gathered from the questionnaire were compiled by using SPSS software. Descriptive statistics method was used for analyzing data obtained from questionnaire and data gathered from interview and focus group discussion and document analysis were analyzed contextually. The result of the analysis was presented using tables. In general the finding of the study revealed that organizational goals were not fully aligned with departmental and individual goals, participation of employee's in the planning stage of performance management is not across all staff of EMI, lack of regular feedback, lack of uniformity in gathering information about employee's performance and lack of software for automating the PMS are the major problems noted. Having this in mind the researcher concluded that even though EMI has some good qualities in clearly defining the mission, vision and values and developing strategy map but a lot have to be made in making performance management system to be more useful for the organization. In order to fill the identified gap, recommendations were forwarded to align organizational goals with departmental and individual level, to improve the level of employee's participation in the PMS process, to enhance the awareness of employees about the purpose of PMS, goals should be setted in mutual agreement, letting employees to assess their own performance using self-appraisal method, gather information about the performance of an employee from different sources. Finally, it is suggested to make the evaluation criteria to be very objective and conduct the evaluation at the right time.*

# **CHAPTER ONE**

## **INTRODUCTION**

This chapter contains background of the study, statement of the problem, objective and significance of the study, delimitation and organization of the study and finally methodology and design which will be used in conducting the research. While going through this chapter anyone can understand the aim of the research, the basic question which will be addressed in the analysis, the contribution of the study and the method and instruments used to collect data and analyze it accordingly.

### **1.1 Background of the study**

Among different resources found in every organization, human resources is one of the most important assets with the responsibility of managing other resources like financial, material, technological and other monetary or non-monetary resources. The human resource can be said to be a backbone of any organization in coordinating and controlling the whole activities of the organization directly or indirectly to ensure achievements of organizational goal. Unlike other resources, human resource can develop sustained competitive advantage by creating values which cannot be imitated by competitors. Without good human resource, an organization cannot build a good team of working professionals and environment. Successful organizations do not owe their success solely to market realities and sustainable competitive advantages. Actually, there is a lot more. Successful companies are those that consider their human capital as their most important asset.

In the eyes of an organization employees are viewed as assets whose value is enhanced by development. For this reason, companies will engage in practice of Human Resource Management to capitalize on those assets. Human Resources Management (HRM) is all about managing employees strategically who contribute to the achievement of the strategic objective of the organization individually or collectively. Assuming that the employees of an organization are individuals with own mental maps and perceptions, own goals and personalities they cannot be perceived as a whole, HRM holds that the organization should be able to employ both individual and group psychology in order to commit employees to the achievement of organizational goals (Armstrong 2006).

Human Resource Management (HRM) is a process that links the goal of the organization together with the goal of the people by securing the best people and winning their wholehearted cooperation to attain organizational goal in an effective and efficient manner. In other words it is shaping and managing people at work to gain the maximum contribution of them to the organization (Bibhuti Bhusan Mahapatro, 2010). Contributing to the development of employee's is one of the goals of HRM. It supports people to exert their maximum potential and gives them suggestion that will help them to improve their performance by providing the necessary information regarding their performances and by defining their respective roles. By doing this they will be benefited in outlining their anticipated goals and thereby, helps them to execute it with the best possible efforts.

Performance Management as one of the aspects of HRM 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). In an effective performance management system, it is easy for managers to evaluate and measure individual performance and increase productivity by aligning individual and strategic objective, providing visible and clear performance expectation, documenting individual's performance for future decision and focusing on skill development plan. Having the right performance management system is a concern of every organization because it is an important gear of any organization to be a front runner in the market by evaluating and developing employee performance in order to get enhanced organizational success.

Ethiopian Management Institute (EMI), one of the government agencies in Ethiopia is established with the aim of conducting research, training and consultancy service in developing people which are the key resources of an organization. EMI was initially established in 1950's by introducing modern management system in the country. Later on, in 1984 it was organized as a management institution to add up on the management development capabilities of government organizations. Yet again in 1994 it was organized as a full national human resource and management development organization by extending its scope to serve NGO's and other private sectors. At that time the Institute was under the Ministry of Capacity Building but now it is ruled under the Civil Service Minister with a mandate of "enhancing the performance and management

effectiveness of the public sector and other institutions” to render state of the art training, consultancy and research services that enable the civil service and other institutions to undertake institutional transformation and ensure sustained provision of efficient and effective services (EMI Brochure, 2012).

At present, EMI is a self financed public enterprise administered by Board of Directors composed of higher officials from the office of Civil Service Minister and others. EMI undertakes its functions both in Addis Ababa as well as in Debrezeit. Several training programs are offered at the Head Office in Addis Ababa and at Debrezeit Management Training Center, which is mainly used as a residential training center. The Institute has a flat organizational structure with a General Director at the top, one Internal Audit Service, one Core process, five other Support Processes including the one at Debrezeit. (EMI Brochure, 2012)

Currently, EMI is trying to address the National Capacity Building Programs and act as a strong change agent so as to bring a paradigm shift in its service delivery. The institute gives access to a range of expertise whether from own or from experienced practitioners inside and outside the public service or from academic communities (EMI Brochure, 2012).

Having the above stated roles in the country, the successful practice of performance management system in EMI is a vital one since the staffs including the trainers are the one who transform the mission and vision of EMI into practice. Hence, the student researcher chose to assess the practice of performance management at Ethiopian Management Institute as it is a leading management development institute in the country and plays an important role in developing the capacity of organization by providing research based training and consultancy service for the successful transformation of the development goal of the country.

## **1.2 Statement of the problem**

It is not known how and to what extent performance management systems improve employees’ competency and/or be a challenge for strategic goals. In the current competitive market environment among local organizations and the need for national and international competitiveness calls for improved performance of each individual and teams working together to achieve organizational goals. Without having a high performing employee and units it will be

difficult for organizations to compete with national and international market. To ensure market competitiveness performance management system is highly desired to develop the capacity of the employees and inspired them to put maximum effort in the realization of organizational goals.

Performance Management System depends on the performance of an employee in terms of skill, knowledge and attitude. The more people are developed and able to work toward the strategy, the more they are important to the organization.

The reason for the existence of performance management system in an organization is to improve organizational result, deploy a culture that will attract and develop employees, create a good relationship between leaders and employees, enhance meaningful work cooperation among employees, generate an opportunity for growth and development and to make clear on understanding of work objectives. Beside this performance management system will provide information about where employees are in performing day to day activities for the achievement of organizational goal, it gives developmental feedback on the strength and weakness of employees so as to keep the strengths and work on the weakness, it distinguishes good and poor performers and also it uses as a base for HR system improvement in personnel selection as well as design of training programs. In addition to this it will decrease employee turnover, increase productivity and enhance employee well-being in knowing how they are doing by relating their status in the organization in the future.

Even though performance management system has so many advantages both for organizations and employees, it needs a high degree of involvement from senior management and leadership. A key to successful performance management is the ownership and leadership of senior management. When management owns the system instead of HR, and when senior leaders support it, performance management systems are much more effective. It is hard to imagine any organization having an effective performance management system without strong senior leadership.

There might be a quite beautiful policy and procedure which clearly shows the steps, benefits and implementation process of performance management system. But it only can be kept on

paper as a policy unless it is converted into practice. This is the rationale for the student researcher to assess the practical implementation of the performance management system at Ethiopian Management Institute.

Ethiopian Management Institute is one of the biggest training institutes in Ethiopia which strives to design and deliver a number of management development programs with the aim of enhancing the managerial capacity of different sectors. This will have a great impact in the vision of Ethiopia to be one of the middle income countries in two decades which will be realized by different actors in the economy who have the capacity and capability of implementing the development plan of the country. Cognizant to this, the country needs a highly qualified and competent human resource in different sectors. In this regard, EMI has a very huge contribution in developing the capacity of organizations by providing research based training and consultancy service (EMI brochure 2013/14). Through a well developed and motivated staff, achieving its vision and mission means a lot for EMI. As a result EMI needs a well designed and implemented performance management system to enhance the performance of its employees who are responsible in capacitating others.

Considering the importance of performance management system in EMI, the student researcher became interested to assess the practice of performance management system in Ethiopian Management Institute in order to answer the following basic questions

1. Does the strategic mission of EMI align with individuals' performance objectives?
2. What purpose does the performance management system have in EMI and to what extent it is understood by employees?
3. How are the planning and execution phases of performance management system carried out in EMI?
4. How does performance review stage applied at EMI?
5. What are the varieties of challenges that hinder in implementing performance management system at EMI?

## **1.3 Objective of the study**

### **General Objective**

The overall objective of this study is to assess the practice and challenges of Performance Management System in Ethiopian Management Institute (EMI) and to forward possible solution for the actual problems.

### **Specific Objective**

While conducting the study the researcher believe that the study will have the following specific objectives.

1. Assess the alignment of EMI's strategic mission with individual's performance objectives.
2. Investigate the practice of planning and execution phases of performance management.
3. Identify the purpose of performance management system in EMI?
4. Explore whether the performance review system is taking place properly in EMI or not?
5. Point out the challenges faced while implementing performance management system and to assess the solution used to overcome the challenges.

## **1.4 Significance of the study**

The findings of this study would enable:

1. Ethiopian Management Institute to obtain the necessary feedback and take corrective measure to ensure the successful implementation of performance management system.
2. It broadens the knowledge of the researcher about the subject matter with a range of practical application and improves the understanding of research ability of the researcher.
3. It might be an input for other organizations who are interested in designing and implementing a performance management system.
4. It provides sufficient information to those who are interested to perform further research in a similar area.
5. It might add something on the literature regarding the performance management system.

## **1.5 Delimitation of the study**

Even though performance management system is applicable in all types of organization regardless of its size, nature and goal, the scope of this study is delimited to only the practice and challenges of performance management system in Ethiopian Management Institute.

## **1.6 Limitation of the Study**

Among different limitations which were faced while conducting this research the major one is the inability to use stratified sampling technique for analyzing the data obtained in a comparative manner. This means the researcher of this study was forced to consider the total population under study as one group while conducting the analysis. However, it was the researcher believe that the output of this research would be more clear and tangible had the data obtained been analyzed by comparing and contrasting the opinion of respondents working at managerial position in separation from the views of the rest of the members in EMI.

## **1.7 Organization of the study**

The study will be composed of five chapters. The first chapter deals with the introductory part. Chapter two is the related literature where detailed discussion about the topic will be undertaken. The third chapter will present the research design and methodology. In the forth chapter data presentation, analysis and interpretation will be discussed. The fifth and the final chapter will cover the summary of major findings and conclusions drawn from the findings and also the possible recommendations will be forwarded by the researcher.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

In this chapter, reviews of related literature and lessons from international as well as domestic practices are presented. To be more specific concepts of performance, definition, processes, purpose, principles and best practice of performance management, have been discussed briefly.

#### **2.1 Concepts and Definition of Performance and Performance Management**

##### **Performance**

In a simple way performance can be regarded as a record of an outcome or accomplishment achieved by a person or a team (Armstrong 2009). Performance can also be defined as “the act or process of performing a task or an action that involve a lot of effort” (Oxford Advanced Learner’ Dictionary 2006, p 1080). It is the accomplishment or outputs/outcomes of a task undertaken but also states that performance is about doing the work effectively so as to achieve the desired goals. Performance can also be perceived as a non-job specific behavior such as cooperation, dedication, enthusiasm and persistence that develop the effectiveness of the organization to enhance the working culture and climate of the organization.

##### **Performance Management**

In most cases performance management system and performance appraisal are interlinked with each other. However, performance management system is the broader one which identifies measure, manage and develop performance of the human resource in an organization whereas performance appraisal is the sub set of performance management system in which we use it for evaluating the competence of employee’s (Robert N. and John R. 2013).

Performance management is a process of improving the performance of an organization by helping individuals and team to develop their capacity to reach the intended destination (Armstrong 2006). James Smither and London also define performance management as it is a “continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization” (James Smither and London 2009 p.5).

Performance management is an integrated and systematic process of sustaining the success of organization by improving the performance of the people who work in them and also it is developing the capacity of individuals and team who contribute to the organization. It is also a strategic process in a sense that it deals with the broader issue of the organization efficiency to meet the market demands and long term goal. (Armstrong 2000).

When we say performance management is an integrated process, first it is linking of the organization objective with the teams and individual core competences as well as integration of different aspects of human resource management including, organizational development, human resource development, reward and recognition to ensure excellence in the management and development of people.

Performance management is based on the agreement of objectives, knowledge, skill and capability (competence) requirements, performance improvement, and personal development plans. It involves the joint and continuing review of performance against these objectives, requirements and plans and the agreement and implementation of improvement and further development plans. (Armstrong 2000).

Many factors will impact the effectiveness of an organization's performance management system, but three are most important. First, the system needs to be aligned with and support the organization's direction and critical success factors. Second, well-developed, efficiently administered tools and processes are needed to make the system user friendly and well received by organizational members. Third, and most important, is that both managers and employees must use the system in a manner that brings visible, value-added benefits in the areas of performance planning, performance development, feedback and achieving results (Elaine D. Pulakos 2004).

## **2.2 Brief overview of Performance Management System in EMI**

Ethiopian Management Institute has established a performance management system by developing a policy with the aim of:-

- Executing the mission of EMI by having a long term and short term plan

- Cascading organization goal to departmental and individual goal to enhance the performance of work unit, team and individuals
- To appreciate and recognize department, teams and employees who perform well
- To create an awareness on the roles and responsibilities of supervisors and employees in the process of performance management

In order to address the above aim and objective, EMI has included the process to be followed in the performance management cycle. Each process has summarized from the policy as follows:-

### **1. Planning stage**

In the planning stage the first activity to be accomplished is preparing strategic objective of the organization as a whole for the next five years. Then from the big picture of the organization a one year departmental goal will be prepared by cascading from the organizational five years plan. Once setting department goal is accomplished the next task will be to forward it down to the team level and individual level with the participation of team and individual respectively. In preparing individual plan due consideration will given to the job description of an employee with that of the departmental and organizational goal.

### **2. Execution stage**

While executing the day to day activities and to achieve the desired goal, the necessary resource and support will be given to the individual from the organization as well as the department. In this stage there are different mechanisms of giving feedback regarding the observed performance. Among them oral, written and observation are the most useful method of giving feedback which were considered by EMI.

### **3. Assessment of performance stage**

Assessment is being done twice a year one at the mid of the year and the other at the end of the year. As per the policy once assessment is done by the supervisors by considering different factors, employees have a room to discuss the result with their supervisor in order to believe with their rating. After having a signature of both the employee and the supervisor on the rating of an employee's performance the result will be sent to the change management team and they will check it whether it is in line with the policy or not.

#### **4. Review stage**

Once assessment of performance has been done feedback will be given to employees in order to keep their strength and to improve the exhibited weakness in the future. This is a stage where employees and supervisors will set a goal for the next fiscal year based on the last performance of an employee.

Finally based on the performance of work unit, team and individual bonus, salary increment, promotion and provision of trophy and certificate will be given with the aim of motivating employees to perform better in the future for the successful realization of organizational, departmental and individual goals.

### **2.3 Processes of Performance Management System**

As most authors has agreed on the meaning of performance management it is a continuous process that engages both the manager and an employee to set out how they can best work together to achieve the required results. As a result performance management system has its own process in order to execute the system effectively.

Even though there are different processes of performance management system indicated by different authors, the most common and concrete one is a process which encompasses four phases which are performance planning, performance execution, performance assessment and performance review. Each phase will be discussed briefly as follows.

#### **I. Performance Planning**

The performance planning cycle of performance management system is the first stage where employees will be enable to have a clear knowledge about the system. It is the first cycle where supervisor and employee meet to discuss and agree on what is to be done and how it is to be done by combining the result, behavior and development plan. (Smither and London 2009)

By results we mean the outcomes that an employee must perform quality products and services with time in accordance to personal accountabilities. On the other hand, behavior is an important measure of results on how employees do their job by discussing on competencies, which are measurable clusters of knowledge, skills, and attitudes (KSAs) that are critical in determining how results will be achieved. The third component of a planning phase is development plan. It is

identifying areas of improvement and setting goals to be achieved in each area. It usually includes both results and behaviors. Such plans highlight an employee’s strengths and the areas in need of development, and they provide an action plan to improve in areas of weaknesses and further develop areas of strength. And it helps employees to identify how continually learn and grow, to see the possibility of being better in the future and helps them to avoid performance problems faced in the past (Smither and London 2009).

To show the difference between result and behavior Dick Grote (2002) identified that, results include actual job outputs, countable products, measurable outcomes and accomplishment, and objectives achieved. It deals with what the person achieved. Whereas behaviors include competencies, skills, expertise and proficiencies, the individual’s adherence to organizational values, and the person’s style, manner and approach. Behaviors deal with how the person went about doing the job.

**Table 1 the difference between result and behavior**

<b>Elements</b>	<b>Focus</b>
<b><i>Results</i></b>	<ul style="list-style-type: none"> <li>• WHAT the individual achieved</li> <li>• Actual job outputs</li> <li>• Countable results</li> <li>• Measurable outcomes and accomplishment</li> <li>• Objectives achieved</li> <li>• QQCT (Quantity, Quality, Cost and Timeline)</li> </ul>
<b><i>Behaviors</i></b>	<ul style="list-style-type: none"> <li>• HOW the individual performed</li> <li>• Adherence to organizational values</li> <li>• Competencies/performance factors</li> <li>• Traits/attributes/characteristics/proficiencies</li> <li>• Personal style, manner and approach</li> <li>• KASH (Knowledge, Attitudes, Skills and Habits)</li> </ul>

*Source: Dick Grote (2002) The Performance Appraisal Question and Answer Book Pp: 28*

According to Dick, performance planning is a discussion between supervisor and employee with the agenda of coming to agreement on individual’s key job responsibilities, developing a

common understanding of the goal and objective that needs to be achieved, identifying the most important competencies and creating an appropriate individual development plan (Dick Grote 2002).

While conducting the performance planning cycle, there are some responsibilities which will be expected both from the supervisor and the employee before the discussion and during the discussion. The responsibilities of the supervisor before the meeting is first to review the organization's mission, vision and values statement and department's goal, the second one is reading the individuals job description and thinking about the goals and objectives which the employees is expected to achieve in the appraisal period. The third and the fourth responsibilities of the supervisor is identifying the most important competencies and determining what consideration should be taken to the successfulness of performance in each area respectively. In addition to these during the meeting the supervisor will be responsible to discuss and come to an agreement with the individual on the most important competencies, key position responsibilities and goals and also he/she is responsible to come to an agreement on the development plan of an employee.

On the other hand the employee has also the same responsibilities while conducting the performance planning stage in order to make the performance management system effective and successful.

## **II. Performance Execution**

Once the performance-planning phase has been completed, it's time to get the job done to execute the plan. Performance execution is the second phase of an effective performance management process. For the individual, the critical responsibility in phase two is getting the job done achieving the objectives. Even if the line share of this phase will be taken by the employee, but the appraiser have also two major responsibilities: creating the conditions that motivate, and confronting and correcting any performance problems. In an effective performance management system, performance execution also includes a midterm review to ensure that performance is on track (Dick Grote 2002).

Smither and London has also mentioned the following responsibilities of supervisor in the execution stage of performance management system.

1. **Observation and documentation:** - it is an observation and documentation of employee's performance in a daily basis which helps to keep track of both good and poor performance.
2. **Updates:** - when there is a change in organizational goal, supervisors must update and revise the initial planned objectives, standards, key accountabilities and key competencies accordingly.
3. **Feedback:** - in order to improve performance, feedback should be provided regularly before the time of assessment and also supervisors should coach and mentor employees every time.
4. **Resources:** - without sufficient resource it is difficult for employees to achieve the planned objective. Thus supervisors have a responsibility of ensuring the availability of the necessary supplies and funding to perform the job properly.
5. **Reinforcement:** - supervisors must let employees know that their outstanding performance is noticed by reinforcing effective behaviors and progress toward goals. Also, supervisors should provide feedback regarding negative performance and how to remedy the observed problem. Observation and communication are not sufficient. Performance problems must be diagnosed early and appropriate steps must be taken as soon as the problem is discovered.

As the responsibility of supervisors was cited by Smither and London, Dick Grote talks about the responsibilities of employees as follows.

1. **Get the job done:** - performing the agreed objectives, competencies and development plan at the performance planning stage is solely the responsibility of the employee by carrying out them on a daily activity.
2. **Solicit performance feedback and coaching:** - even though giving feedback is the responsibility of supervisors, employees have to also ask for feedback on their performance and plead for coaching and mentoring while they face some problems in executing their day to day job.
3. **Communicate openly with appraisers on progress and problems in achieving objectives:** - at the performance execution stage, employees should feel free to communicate with their supervisors regarding their progress as well as problems while trying to achieve their objectives.

4. ***Update objectives as conditions change:*** - whenever there is a change in organizational objective, employees should update their objectives as well in order to comply with the new change.
5. ***Complete the development plan:*** - once employees put their development plan in the planning process, they have to complete it before the performance assessment stage. This is because without employees' development, performance management system is like a bird with one wing that does not able to fly.
6. ***Keep track of achievements and accomplishments:*** - employees should register their achievements and accomplishments while performing their job. This will help them to point out the major achievements at the time performance assessment with their supervisors.
7. ***Actively participate in the midterm review meeting:*** - this is the chance where employees can reach on an agreement with their supervisors about their performance in the past and the areas of improvement for the future.

### **III. Performance Assessment**

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

When both the employee and the supervisor are active participants in the evaluation process, there is a greater likelihood that the information will be used productively in the future. Specifically, the inclusion of self - ratings helps emphasize possible discrepancies between self views and the views that important others (that is, supervisors) have. It is the discrepancy between these two views that is most likely to trigger development efforts, particularly when feedback from the supervisor is more negative than are employee self - evaluations. The benefit

of self appraisal is to reduce an employee's defensiveness during the assessment meeting and also in increase employee's satisfaction and trust in the performance management system.

According to Dick as the time for the formal performance appraisal nears, the manager reflects on how well the subordinate has performed over the course of the year, assembles the various forms and paperwork that the organization provides to make this assessment, and fills them out. The manager may also recommend a change in the individual's compensation based on the quality of the individual's work (Dick Grote 2009).

Habitually, people think that performance appraisal is an event required by the personnel department in which the manager fills out the form and then uses it to give feedback which is totally wrong. Rather performance assessment is one of the most important processes in performance management system in which supervisors are assessing their subordinates regarding their performance in the past which lays a ground for keeping the strength and improving on the weaknesses and working on the development plan for the future.

Managers often complain that evaluating someone's performance is difficult. The reason that they find it difficult is usually that they have not done a good job of performance planning at the beginning of the year. If a manager has not held a planning discussion at that time, it's difficult to evaluate performance at the end of the year.

In the performance assessment stage supervisors have the following major responsibility which helps them to evaluate their subordinate effectively and fairly.

- 1. Review the original list of competencies, goals, objectives, and key position responsibilities:-** since performance assessment is made based on the goals, objective and competencies listed in the performance planning stage, supervisors should review them so as to cascade the assessment from them.
- 2. Prepare a preliminary assessment of the employee's performance over the entire year: -** it helps to have a clear picture on the performance of the employee while accomplishing their planned objective as well as achieving organizational goal.

3. ***Review the individual's list of accomplishments and the self appraisal:*** - assessing the accomplishment made by the employee and referring to self appraisal will help supervisors to remind every accomplishments and failure so as to make an accurate evaluation accordingly.
4. ***Prepare final assessment of the employee's performance:*** - after reviewing the data gathered through self appraisal, peer appraisal and self evaluation made by supervisors, the final assessment should be prepared with fair judgment.
5. ***Write the official performance appraisal using the appraisal form***
6. ***Review the appraisal with the manager and obtain concurrence:*** - the assessment filled on the appraisal form should be reviewed by the higher supervisors in order to cross check the fairness of the evaluation.
7. ***Determine any revisions needed to the employee's key position responsibilities, goals, objectives, competencies, and development plans for the next appraisal period:*** - based on the past performance point out the areas which needs revision on the responsibilities, objectives, goals, competencies and development plans. This is highly appreciated when performance gap is identified.
8. ***Prepare for the performance review meeting:*** - employees and supervisors should have a meeting to talk about the assessment as well as performance review for the next period.

Likewise supervisors' individuals have also the above stated responsibilities in the performance assessment phase of the process.

### **Rating errors which is encountered during performance evaluation process**

Rating errors are faults or factors that influence supervisors to have a wrong judgment in evaluating employees' result and behavior and making a wrong decision on the quality of someone's job performance.

According to Armstrong the following errors are common while rating employee's performance.

- **Attractiveness effect:** - the well-documented tendencies for people to assume that people who are physically attractive are also superior performers.
- **Attribution bias:** - the tendency to attribute performance failings to factors under the control of the individual and performance successes to external causes.

- **Central tendency:** - the inclination to rate people in the middle of the scale even when their performance clearly warrants a substantially higher or lower rating Out of an erroneous belief that the law required companies to treat all employees the same, and a conscious desire to avoid confrontation.
- **First impression error:** - the tendency of a manager to make an initial positive or negative judgment of an employee and allow that first impression to color or distort later information.
- **Halo/horns effect:** - inappropriate generalizations from one aspect of an individual's performance to all areas of that person's performance.
- **High potential error:** - confusing an individual's future potential with his current performance.
- **Negative and positive skew:** - the opposite of central tendency. The rating of all individuals as higher as or lower than their performance actually warrants.
- **Past performance error:** - permitting an individual's poor (or excellent) performance in a previous rating period to color the manager's judgment about her performance in this rating period.
- **Recency effect:** - the tendency for minor events that have happened recently to have more influence on the rating than major events of many months ago.
- **Similar-to-me effect:** - the tendency of individuals to rate people who resemble themselves higher than they rate others.
- **Stereotyping:** - the tendency to generalize across groups and ignore individual differences

#### **IV. Performance Review**

The performance review stage involves the meeting between the employee and the manager to review their assessments. This meeting is usually called the appraisal meeting or discussion. The appraisal meeting is important because it provides a formal setting in which the employee receives feedback on his or her performance. In spite of its importance in performance management, the appraisal meeting is often regarded as the most difficult of the entire process because many managers are uncomfortable providing performance feedback, particularly when performance is deficient. This high level of discomfort, which often translates into anxiety and the avoidance of the appraisal interview, can be mitigated through training those responsible for providing feedback (Smither and London 2009).

Providing feedback in an effective manner is extremely important because it leads not only to performance improvement but also to employee satisfaction with the system. At this point, however, let's emphasize that people are apprehensive about both receiving and giving performance information, and this apprehension reinforces the importance of a formal performance review as part of any performance management system.

The performance review meeting is the basis for assessing the three key elements of performance (the three Cs), namely contribution, capability and continuous development. Such meetings are also the means through which the five primary performance management elements measurement, feedback, positive reinforcement, exchange of views, and agreement can be put to good use. A performance review should be rooted in the reality of the employee's performance. The latter is concrete, not abstract, and it allows managers and individuals to take a positive look together at how performance can become even better in the future and how any problems in meeting performance standards and achieving objectives can be resolved. Individuals should be encouraged to assess their own performance and become active agents for change in improving their results. Managers should be encouraged to adopt their proper enabling role (Armstrong 2000).

There should be no surprises in a formal review if performance issues have been dealt with as they should have been, namely as they arise during the year. In one sense the review is a stocktaking exercise, but this is no more than an analysis of where those involved are now, and where they have come from. This static and historical process is not what performance management is about. The true role of performance management is to look forward to what needs to be done by people to achieve the overall purpose of the job, to meet new challenges, to make even better use of their knowledge, skills and abilities, and to help them to develop their capabilities and improve their performance. This process also helps managers to improve their ability to lead, guide and develop both individuals and teams for whom they are responsible (Armstrong 2000).

## **Objectives of performance review**

Among different objective of performance review the followings are some of them which can be mentioned as the most important one (Smither and London 2009).

- It gives motivation to provide positive feedback, recognition, praise and opportunities for growth; to clarify expectations; to empower people by encouraging them to take control over their own performance and development.
- It encourages development by providing a basis for developing and broadening capabilities relevant both to the current role and any future role that the employee may have the potential to carry out. Note that development can be focused on the current role, enabling people to enlarge and enrich the range of their responsibilities and the skills they require, and to be rewarded accordingly. This aspect of role development is even more important in flatter organizations, where career ladders have shortened and where lateral progression is likely to be the best route forward.
- It gives a chance for communication to serve as a two-way channel for talking about roles, expectations (objectives and capability requirements), relationships, work, problems and aspirations.

Smither and London (2009) in their book “Performance Management” indicates the following six recommendations for conducting an effective performance reviews.

1. Identify what the employee has done well and poorly by citing specific positive and negative behaviors.
2. Solicit feedback from the employee about these behaviors. Listen for reactions and explanations.
3. Discuss the implications of changing, or not changing, the behaviors. Positive feedback is best, but an employee must be made aware of what will happen if any poor performance continues.
4. Explain to the employee how skills used in past achievements can help him or her overcome any current performance problems.
5. Agree on an action plan. Encourage the employee to invest in improving his or her performance by asking questions such as “What ideas do you have for? ” and “What suggestions do you have for? ”
6. Set up a meeting to follow up and agree on the behaviors, actions, and attitudes to be evaluated.

While carrying out performance review supervisors have seven primary responsibilities (Dick Grote 2002)

1. Review the agenda and time frame for meeting
2. Review and discuss the performance appraisal and the individual's achievements list
3. Listen and respond appropriately to the individual's perceptions and feedback
4. Discuss your assessment of the individual's performance against objectives over the entire cycle, especially strengths/achievements, weaknesses/deficiencies and development needs
5. Ensure full understanding of the core message
6. Conclude the performance review discussion by scheduling the performance-planning meeting to plan next year's performance
7. Handle all administrative requirements

Just as the manager has responsibilities, so too does the individual. There are six primary ones:

1. Discuss the achievements list that an employee wrote
2. Discuss the achieved one against the development plan
3. Compare the assessment of own performance with that of the appraiser.
4. Seek clarification for any assessments or examples that are unclear.
5. Consider how the appraiser's feedback will influence the performance plan for the upcoming appraisal period.
6. Listen and respond appropriately to the appraiser's perceptions and feedback.

### **2.3.1 Principles of Performance Management System**

Performance management is primarily concerned with *performance improvement* in order to achieve organizational, team and individual effectiveness. Secondly, performance management is concerned with *employee development*. Performance improvement is not achievable unless there are effective processes of continuous development. This addresses the core capabilities of the organization and the specific capabilities of individuals and teams. Performance management should really be called performance *and development* management. Thirdly, performance management is concerned with satisfying the needs and expectations of all of an organization's *stakeholder's* owners, management, employees, customers, suppliers and the general public. In particular, employees are treated as partners in the enterprise whose interests are respected, who

have a voice on matters that concern them, and whose opinions are sought and listened to (Armstrong 2006).

Performance management should respect the needs of individuals and teams as well as those of the organization, recognizing that they will not always coincide. Finally, performance management is concerned with *communication* and *involvement*. It creates a climate in which a continuing dialogue between managers and the members of their teams takes place in order to define expectations and share information on the organization's mission, values and objectives. This establishes mutual understanding of what *is* to be achieved and a framework for managing and developing people to ensure that it *will* be achieved. Performance management can contribute to the development of a high-involvement organization by getting teams and individuals to participate in defining their objectives and the means to achieve them (Armstrong 2009).

Just like any other profession performance management have principles which governs the entire system. The following are some of them identified by Armstrong 2000:

- It translates corporate goals into individual, team, department and divisional goals;
- It helps to clarify corporate goals;
- It is a continuous and evolutionary process, in which performance improves over time;
- It relies on consensus and co-operation rather than control or coercion;
- It creates a shared understanding of what is required to improve performance and how this will be achieved;
- It encourages self-management of individual performance;
- It requires a management style that is open and honest and encourages two-way communication between superiors and subordinates;
- It requires continuous feedback;
- feedback loops enable the experiences and knowledge gained on the job by individuals to modify corporate objectives;
- It measures and assesses all performance against jointly agreed goals;
- It should apply to all staff; and it is not primarily concerned with linking performance to financial reward.

- It is owned and driven by line management and not by the HR department; performance management is not a packaged solution but something that has to be developed specifically and individually for each particular organization;

### **2.3.2 Purposes of Performance Management System**

The whole purpose of performance management is to get better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. It is a process for establishing shared understanding about what is to be achieved, and an approach to managing and developing people in a way which increases the probability that it will be achieved in the short and longer term. The fundamental goal of performance management is to establish a culture in which individuals and groups take responsibility for the continuous improvement of business processes and for their own skills and contributions (Smither and London 2009).

There are a number of purposes that formal performance management systems might serve. They can provide employees with information about how they are perceived in the organization and where they stand. They can also provide developmental feedback on the strengths the employee should capitalize on and the weaknesses where improvement may be required (Drake Management Review, Volume 1, Issue 1, October 2011)

Performance management as a system can serve as a pillar for the development of individuals, teams and organization in a way that they intend to get to the desired goal. Performance management system has many purposes but the major ones are discussed below (Smither and London 2009)

**Strategic:** It links the organization's goals with individual goals, thereby reinforcing behaviors consistent with the attainment of organizational goals.

**Administrative:** It is a source of valid and useful information for making decisions about employees, including salary adjustments, promotions, employee retention or termination, recognition of superior performance, identification of poor performers, layoffs, and merit increases.

**Communication:** It allows employees to be informed about how well they are doing, to receive information on specific areas that may need improvement, and to learn about the organization's and the supervisor's expectations and what aspects of work the supervisor believes are most important.

**Developmental:** It includes feedback, which allows managers to coach employees and help them improve performance on an ongoing basis.

**Organizational maintenance:** It yields information about skills, abilities, promotional potential, and assignment histories of current employees to be used in workforce planning as well as assessing future training needs, evaluating performance achievements at the organizational level, and evaluating the effectiveness of human resource interventions (for example, whether employees perform at higher levels after participating in a training program).

**Documentation:** It yields data that can be used to assess the predictive accuracy of newly proposed selection instruments as well as important administrative decisions. This information can be especially useful in the case of litigation.

And also for Dick Grote performance management system has so many purposes like, providing feedback to employees about their performance, determining who gets promoted, facilitating layoff or downsizing decisions, encouraging performance improvement, motivating superior performance, setting and measuring goals, counseling poor performers, determining compensation changes, encouraging coaching and mentoring, supporting manpower planning or succession planning, determining individual training and development needs, determining organizational training and development needs, confirming that good hiring decisions are being made, providing legal defensibility for personnel decisions and improving overall organizational performance (Dick Grote 2002)

### **2.3.3 Best Practices in Performance Management System**

For performance management to be successful there are features that are likely to produce good results in terms of individual, team and organizational performance. However, the practical constraints may not allow for the implementation of these entire features. For example, there may not be sufficient funds to deliver training to all people involved, supervisors may have biases in how they provide performance ratings, or people may be just too busy to pay attention

to a new organizational initiative that requires their time and attention. However, as scientist - practitioners, we should strive to place a check mark next to each of these characteristics: the more features that are checked, the more likely it will be that the system will live up to its promise (Smither and London 2009).

In order to know whether the performance management is working or not, first, before implementing the system organization wide, it is a good idea to pilot test it because we can identify potential problems and glitches and we can take corrective action before the system is put in place. Pilot testing consists of implementing the entire system, including all of its components, but only with a select group of people. Results are not recorded in employees' records. Instead, the goal is that the people participating in the pilot - test provide feedback on any possible problems and on how to improve the system. In addition to this pilot testing will help to check whether the performance management system is good for the specific organization or not by checking the under listed components of best practice in performance management system (Smither and London 2009)

***Strategic congruence:*** - The system should be congruent with the unit and organization's strategy. In other words, individual goals must be aligned with unit and organizational goals.

***Thoroughness:*** - The system should be thorough regarding four dimensions. First, all employees should be evaluated (including managers). Second, all major job responsibilities should be evaluated (including behaviors and results). Third, the evaluation should include performance spanning the entire review period, not just the few weeks or months before the review. Finally, feedback should be given on positive performance aspects as well as those that are in need of improvement.

***Practicality:*** - Systems that are too expensive, time - consuming, and convoluted will obviously not be effective.

***Meaningfulness:*** - The system must be meaningful in several ways. First, the standards and evaluations conducted for each job function must be considered important and relevant. Second, performance assessment must emphasize only those functions that are under the control of the employee. Third, evaluations must take place at regular intervals and at appropriate moments. Fourth, the system should provide for the continuing skill development of evaluators. Finally, the results should be used for important administrative decisions.

**Specificity:** - A good system should be specific: it should provide detailed and concrete guidance to employees about what is expected of them and how they can meet these expectations.

**Identification of effective and ineffective performance:** - The performance management system should provide information that allows for the identification of effective and ineffective performance. That is, the system should allow for distinguishing between effective and ineffective behaviors and results, thereby also allowing for the identification of employees displaying various levels of performance effectiveness.

**Reliability:** - A good system should include measures of performance that are consistent and free of error. For example, if two supervisors provided ratings of the same employee and performance dimensions, ratings should be similar.

**Validity:** - The measures of performance should also be valid. The measures should include all relevant performance facets and do not include irrelevant performance facets. In other words measures include what is important and do not assess what is not important and outside of the control of the employee.

**Acceptability and fairness:** - A good system is acceptable and is perceived as fair by all participants. Perceptions of fairness are subjective, and the only way to know whether a system is seen as fair is to ask the participants. We can ask about distributive justice, which includes perceptions of the performance evaluation received relative to the work performed, and perceptions of the rewards received relative to the evaluation received.

**Inclusiveness:** - Good systems include input from multiple sources on an ongoing basis. First, the evaluation process must represent the concerns of all the people who will be affected by the outcome. Consequently, employees must participate in the process of creating the system by providing input regarding what behaviors or results will be measured and how. Second, input about employee performance should be gathered from the employees themselves before the appraisal meeting. In short, all participants must be given a voice in the process of designing and implementing the system.

**Openness:** - Good systems have no secrets. First, performance is evaluated frequently and performance feedback is provided on an ongoing basis. Therefore, employees are continually informed of the quality of their performance. Second, the appraisal meeting consists of a two - way communication process during which information is exchanged, not delivered from the

supervisor to the employee without his or her input. Third, standards should be clear and communicated on an ongoing basis. Finally, communications are factual, open, and honest.

**Correctability:** - The process of assigning ratings should minimize subjective aspects; however, it is virtually impossible to create a system that is completely objective because human judgment is an important component of the evaluation process. When employees perceive an error has been made, there should be a mechanism through which this error can be corrected. Establishing an appeals process, through which employees can challenge what may be unjust decisions, is an important aspect of a good performance management system.

**Standardization:** - Good systems are standardized. This means that performance is evaluated consistently across people and time. To achieve this goal, the ongoing training of the individuals in charge of appraisals, usually managers, is a must.

**Ethicality:** - Good systems comply with ethical standards. Operationally, this means that the supervisor suppresses his or her personal self - interest in providing evaluations. In addition, the supervisor evaluates only performance dimensions for which she has sufficient information, and the privacy of the employee is respected.

Finally as Smither and London stated that, organizations with motivated and talented employees offering outstanding service to customers are likely to pull ahead of the competition, even if the products offered are similar to those offered by the competitors. Customers want to get the right answer at the right time and they want to receive their products and services promptly and accurately. Only people can make these things happen and produce a sustainable competitive advantage. Performance management systems are key tools that can be used to transform people's talent and motivation into a strategic business advantage. To do so, however, we first need to expand our view of performance management so we go beyond performance appraisal and place performance management within the broader organizational context. Also, we need to integrate performance management with other human resources management functions (for example, staffing, training, compensation, and succession planning) and conduct research on issues of concern to practitioners. Such research has great potential in terms of closing the much discussed science - practice gap (Smither and London 2009).

That is why performance management is so important for Ethiopian Management Institute. It helps EMI to achieve the desired business results and maintain its desired culture. It also helps

employees to understand how they are contributing to the organization's goals, what is expected of them, how they are doing, and how they can continue to grow, develop, and add value to the business and vision and mission of EMI which is "By 2020 we aspire to be a world class management development center that enables client organizations provide efficient and effective services" and "To enable public service and other institutions provide sustainable, efficient and effective services by rendering state of the art training consultancy and research services" respectively.

### **2.3.4 Challenges of Performance Management System**

The performance management challenge in organizations has many dimensions in today's business environment and creating focused initiatives to overcome these challenges is not a silver bullet approach. In many cases remuneration schemes are driving the performance system, which creates a number on long term consequences in organizational behavior and culture. In other cases senior management are so focused on scorecard management to hold people accountable that the creation of the scorecard is not aligned with business focus areas, but rather a number of deliverable projects and tasks.

#### **1. Lack of Alignment**

The first challenge is the lack of alignment due to various organizational processes being created in isolation. The link between Strategy development, budgeting and operational planning is developed by different groups of people with different frameworks being used. The performance management system lacks alignment between individual performance, departmental performance and organizational delivery and so all systems default back to financial measurements.

#### **2. Lack of Measurements**

The second challenge happens at various levels of the organization in that poor measures are developed, in many cases targets are set but no relevant measure is put in place. In other cases no data can be collected or is kept as evidence to track performance.

#### **3. Leadership and Management commitment**

The Leadership and Management challenge has a huge impact on integrating and aligning a management system to deliver a comprehensive performance management system. The commitment and understanding of leadership and management of the requirements for achieving a workable performance system is critical to performance success.

#### **4. Managing of the performance system**

Managing a performance system in an organization requires a disciplined framework; it requires the organization to work off one master plan broken down into relevant parts and areas of responsibility. The management responsibility at various levels needs to understand the contracting, measurement development and appraisal process very well and apply it consistently. Secondly management needs to appreciate that performance management is not an event but something that is managed daily but recorded and reported at certain times through reviews and appraisals.

#### **5. Managing poor performance**

The management of poor performance is normally a reactive action, but in many cases it is delayed and therefore turns into a discussion that is difficult to make relevant. Another reason poor performance is not managed on time is the lack of valid measurements and the collection of required evidence and measurement data.

*(Adapted from a PhD dissertation 'Integrated Performance Management Systems' by Dr Marko Saravanja)*

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

In this chapter the applied research methods, data sources, sampling techniques, data collection instruments and procedures, and data analysis methods while undertaking the study will be discussed briefly as follow.

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

In this study descriptive survey research design was used by using both qualitative and quantitative method. This design was particularly important for the study because it helps to describe and interpret the actual events that exist now and existed in the past and that have influences on the present performance management system of EMI. Moreover, Greene and others in Nagy (2010) argued that while using mixed methods researcher should consider triangulation, complementarily, development, initiation and expansion.

According to Cohen, Anion & Morrison (2005), descriptive research design is used to collect numerical data from large population. In addition to this by using descriptive research method it is easy to use various forms of data as well as incorporating human experience which enabled the researcher to look the study in so many various aspects and can provide bigger overview about the subject matter. It also gives room to use both quantitative and qualitative data in order to find solution to the specific study. This in turn can help to describe and give an answer to certain life experiences.

#### **3.2 Data Source**

Data was collected both by primary and secondary data collection method. Primary data was gathered from Ethiopian Management Institute staff working both at Addis Ababa and Debrezeit through questionnaire, interview and focus group discussion. Employees' of EMI were requested to fill the designed open and close ended questionnaire. Among other stakeholders of EMI, staffs were considered as the best representative of the study because it is believed that they are highly responsible in performing the day to day activities and also they are the active participants of performance management system from its planning to review phases.

In addition to questionnaire interview was held with top level managers and also focus group discussion was conducted with the selected support staff and middle level managers. The reason why the researcher had a discussion with support staff and middle level managers is to create an opportunity for them to discuss about the issue briefly and to have concrete information about performance management system from both. These methods of data collection helped the researcher to triangulate the data gathered from questionnaire with the data collected from the interview and focus group discussion.

On the other hand, various published and unpublished related literatures, performance management system policy and procedure of EMI and organizational booklet were reviewed to get different data about the study and it is used as a secondary data sources.

### **3.3 Sampling & Sampling Technique**

#### **Population of the study**

The population considered for this study consists of all management staff and employees of EMI. There are around 242 employees working at EMI including those who are working at Debrezeit.

EMI is structured with one core process; nine support processes and two team processes with a total of 242 employees. Out of 242 employees 57 of them were working under the core process and the rest 185 are working under support process. The sampling technique used for this study is simple random sampling by taking staff who work in all support and core processes of the organization. This method was used to give equal chance to the population to make sure the representativeness of the data and also to ensure the representative of all characteristics of the population which it was not considered by the researcher. In addition purposive sampling technique was implemented for those who are directly responsible with performance management system. It is the researcher belief that using this method will enable to have in-depth knowledge from those who are in a position to give about the practice of performance management system at EMI.

By considering the above sampling method from the whole population found at EMI both at core and support process, 75 staff which is 30% of the population was taken as a sample to fill the designed questionnaire.

**Table 2 Population and Sample Size of the Study**

<b>Category</b>	<b>Core Process</b>	<b>Support Process</b>	<b>Population Size</b>
General Director	-	-	<b>1</b>
Managerial Staff	<b>4</b>	<b>8</b>	<b>12</b>
Team Leaders	<b>7</b>	<b>30</b>	<b>37</b>
Professionals	<b>46</b>	-	<b>45</b>
Other Support Staffs		<b>147</b>	<b>147</b>
<b>Total</b>	<b>57</b>	<b>185</b>	<b>242</b>

In addition to the questionnaire data was obtained through interview and focus group discussion from the population who are not expected to give their response by the designed questionnaire.

### **3.4 Instrument of Data Collection**

#### **3.4.1 Questionnaire**

For gathering primary data close and open ended questionnaire and also Likert Scale questions was developed and distributed to the selected sample which is 75 employees of EMI who work in different support and core processes. The reason for using questionnaire is responses are gathered in a standardized way, it is more objective, certainly more than interviews. Generally it is relatively quick to collect information using a questionnaire. Potentially information can be collected from a large portion of a group, and it is also cost effective, easy to analyze and reduces bias.

After developing the questionnaire it was given to five members of EMI who work under the change management team for pilot test. This team was selected because they are members of the performance management system and it was believed that since they have adequate knowledge of the subject matter and also they are highly involved in the building and implementation process of PMS in EMI the response gained from them helped the researcher to check the reliability of the questionnaire. In order to test the reliability of data collection instrument, the response obtained were used for calculating the cronbach alpha. As a result the cronbach alpha value of 0.880 was obtained after inputting the data into SPSS application. According to Tavako

(2011) indicated that the acceptable values of alpha is ranging from 0.70 to 0.95. Thus, the result showed the reliability of the questionnaire.

### **3.4.2 Interview**

In addition to the questionnaire structured interview was prepared and were conducted with four supervisors/team leaders working under the General Director, change management team as well as two human resources team that were not made to fill the questionnaire. The researcher uses this method because it is useful to investigate issues in an in depth way, discover how individuals think and feel about a topic and why they hold certain opinions, investigate the use, effectiveness and usefulness of particular issues, inform decision making, strategic planning and resource allocation, sensitive topics which people may feel uncomfortable discussing in a focus group, add a human dimension to impersonal data and deepen understanding and explain statistical data. Therefore, it is the researcher belief that conducting interview will help to understand the practical implementation of performance management system in Ethiopian Management Institute.

### **3.4.3 Focus Group Discussion**

In every organization the mission, vision and strategy is expected to be shared and understood by all members of the organization. In order to assess this focus group discussion was made with six employees of EMI who are engaged in janitorial service, reproduction machine operators and security guards by using the basic questions mentioned in the statement of the problem as a guideline. This will help the researcher to get information from those who are unable to fill the questionnaire as well as who are not entertained by interview. The researcher used this method with the aim of checking whether the vision and mission of EMI is understood by all staff members and also it helps to know their understanding of performance management system which is implemented by EMI.

### **3.4.4 Document Analysis**

In order to understand the subject matter different published and unpublished documents were reviewed by the researcher. Furthermore, annual reports, performance management system procedure of EMI and brochures on the history of EMI was assessed to better understand how EMI practically implemented the performance management system, how they understood the

system, how it is customized to EMI, what challenges they faced with all the process and how they planned to manage the challenges in the future to enhance individual, unit and organization's performance for the successful implementation of organizational vision and mission.

### **3.5 Procedures of Data Collection**

#### **Method of Data Analysis**

The data gathered from questionnaire was summarized and analyzed by using descriptive statistics like frequency, percentage and mean. Then the data was described using tables for more clarification and the data was coded using scientific statistical data analysis software such as SPSS. The data gained from interview, focus group discussion and document review was analyzed contextually as per the research basic questions.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

In this chapter data collected through questionnaire, interview, focus group discussion and document review will be presented, analyzed and interpreted in a brief and organized way.

Among the distributed questionnaire, 68 have been collected and this makes the response rate to be 94.4%. The remaining seven were not returned. However the three questionnaires were distributed as a contingent only four questionnaire were not returned from the desired sample size. In order to increase the validity of the information obtained, interview were made with the performance management team leaders and with the Higher Executives of the General Director Office. In addition focus group discussion was made with 9 support staffs and middle level managers. The basic reason for using interview and focus group discussion is to have clear information and to triangulate the data gathered through questionnaire.

#### **4.1 Demographic Information of Respondents**

In this section, the general background the respondents of the study is summarized by focusing their gender, age group, educational status, years of service and category of position classification.

When we see the category of position classification the larger share of the respondents goes to professionals and other support staff members which is 30 (44.1%) and 24 (35.3%) respectively. The remaining respondents fall under the managerial and supervisor/team leader position with their correspondent percent of 5 (7.4%) and 9 (13.2%). This shows that since EMI has majority of professionals it will be easy to transform the knowledge and skill they have to their customers who needs their consultancy and training service.

**Table 3 Characteristics of Respondents**

<b>Gender</b>			
	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>
Male	47	69.1	69.1
Female	21	30.9	30.9
<b>Total</b>	<b>68</b>	<b>100</b>	<b>100</b>
<b>Age Group</b>			
Less than 20	0	0	0
20 – 29	20	29.4	29.4
30 – 39	25	36.8	36.8
40 – 49	15	22.1	22.1
50 and above	8	11.8	11.8
<b>Total</b>	<b>68</b>	<b>100</b>	<b>100</b>
<b>Educational Status</b>			
Certificate	4	5.9	5.9
College Diploma	9	13.2	13.2
BA/BSC Degree	35	51.5	51.5
MA/MSC Degree	20	29.4	29.4
PHD	0	0	0
<b>Total</b>	<b>68</b>	<b>100</b>	<b>100</b>
<b>Year of Service in EMI</b>			
Less than 1 year	12	17.6	17.6
1 to 3 years	30	44.1	44.1
3 to 6 years	5	7.4	7.4
6 to 9 years	4	5.9	5.9
More than 9 years	17	25	25
<b>Total</b>	<b>68</b>	<b>100</b>	<b>100</b>

Among the total respondents i.e. 68, 47 (69.1%) of them were male and the remaining 21 (30.9%) were female. This shows that the number of female staff is less by half from the number of male staff which means there is gender imbalance in the organization.

Regarding the age group of the respondents, the larger portion of the respondents that is 25 (36.8%) falls within the age group of 30 to 39. Age group from 20 to 29 and 40 to 49 hold 20 (29.4%) and 15 (22.1%) number of respondents respectively. Respondents of age group 50 and above contain the least number of respondents, which are 8 (11.8%). From this we can say that

EMI is filled with more younger, energetic and productive manpower that can be able to transform the mission and vision of the organization into reality.

Concerning educational status of the respondents, staffs who are degree graduates have the largest portion which is around 35 (51.5%), among the total respondents, 20 (29.4%) of them have masters degree and the rest of the respondents which is 9 (13.2%) and 4 (5.9%) are graduated with college diploma and certificate respectively. From the above table we can see that no one from the selected respondents have PHD. The fact that almost all of the respondents being educated in different levels it is believed that they can easily understand the questionnaire as desired by the researcher.

Based on the data collected through questionnaire, the large portion of respondents 30(44.1%) fall within the range of one to three years of service in EMI, the second highest percent 17 (25%) of the respondents have more than 9 years of experience, 12 (17.6%) respondents have joined EMI with less than a year and the rest 5 (7.4%) and 4 (5.9%) respondents from the sample size have an experience of three to six years and six to nine years respectively. It is the researcher believe that these combination of the respondents were good enough in finding the accurate information because the majority of respondents have one to three years and more than nine years of experience in EMI, which is more than two years from which the Performance Management System was fully executed and this gives them an opportunity to reflect their opinion on the achievements obtained by EMI and clearly understand the current performance management system practice of EMI to indentify the weaknesses and strengths of the system by comparing the previous and the current.

In general the above table which is characteristics of the respondents shows that the study is represented by those who are qualified in understanding the questionnaire as well as the subject matter, most of them are at their younger age which helps them to respond their true feeling without fear of losing their job and those who have an experience of more than three years in EMI again which helps them to understand the practice of performance management system which were implemented in EMI. As a result it is the researcher belief that the study is well represented by the respondents which helps to get the opinion of all which assures the accurate data have been secured from the respondents of the sample size.

## 4.2 Analysis and interpretation of implementation of PMS in EMI

### 4.2.1 Clear definition and purpose of PMS

Before implementing performance management system it should be clearly defined and the possible outcomes should also be known. In order to assess whether EMI defined it and listed out its purpose in a way it should be and whether employees are clear about the whole concept of PMS the following questions were forwarded to the selected respondents as well as the attendees of interview and focus group discussion and their response is analyzed and interpreted as follows.

**Table 4 Clear definition of PMS in EMI**

	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>
Yes	41	60.3	60.3
No	27	39.7	39.7
<b>Total</b>	<b>68</b>	<b>100</b>	<b>100</b>

Respondents were asked to give their opinion if EMI clearly defined the concept of performance management system before implementing it. Consequently majority of the respondents 41 (60.3%) replied that PMS is clearly defined in a sense of developing the performance of individuals and team in order to enhance the capacity of the organization whereas 37 (39.7%) of the respondents believe that the rationale behind performance management system is not clearly defined by the organization because they believe that it is only focused on individual's rate which will be done at the end of the fiscal year for the sake of formality. Likewise this question was also forwarded while conducting the interview and the response was more or less the same i.e. even though performance management system is fully implemented recently which is almost two years but different studies have been conducted in order to know more about PMS and customized it as per the desire of EMI.

In different literatures it is clearly stated that performance management is all about setting up a shared understanding of what is to be achieved at an organisation level. It involves the alignment of organizational objectives with the individual's agreed measures, skills, competency requirements, development plans and the delivery of results. The focus is on performance improvement through learning and development in order to achieve the overall business strategy

of the organization. But in contrary the above data shows us even though above average respondents are clear about what PMS means but this is not enough for EMI to make its employees more focused on their performance and have the same understanding on the essence and purpose of having performance management system in the organization.

**Table 5 Awareness on the purpose of PMS**

	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>
Yes	47	69.1	69.1
No	20	29.4	29.4
Missing	1	1.5	1.5
<b>Total</b>	<b>68</b>	<b>100</b>	<b>100</b>

Regarding employees awareness on the purpose of performance management system, respondents confirmed that 47 (69.1%) of the respondents were clearly aware of purpose of PMS goals of enhancing the ability and capacity of individuals, and 20 (29.4%) have no clue about its purpose. 1 (1.5%) did not fill the question at all. While this question was also forwarded for the staff who attended the interview and their response assures that different trainings have been given to employees in order to create awareness for what purpose EMI will use PMS and how it will be done.

In order to check the main purpose on using performance management system at EMI, almost all respondents replied that EMI had introduced PMS to get a better result, to establish a culture where individuals and groups take responsibility for the continuous improvement in the institute, to provide employees with information about how they are perceived in the organization and where they stand and to determine who gets promotion and salary increment. This was also confirmed during the interview session.

In addition almost all of the respondents answered that based on their performance they have been given a salary increment or promotion, bonus and also training have been given to improve their poor performance. While conducting an interview this was also one of the question and the researcher had found that performance management system is highly linked to salary increment and bonus and recognition of good performers is being done by giving them a certificate and posting their name on the notice board. In addition to this after identifying the gap on employee's

performance, training will be given for the poor performers in order to fill their gap and make them a good performer.

On the other hand the data gathered from the focus group discussion revealed that even though respondents are clear about the purpose of the system but there is a big confusion on the starting and ending phases of PMS. They only are doing it because the organization says so. Performance management system is used to get the team members to achieve the team's objectives and targets, improve overall team effectiveness, develop performance capabilities, review and assess team and individual performance, and reward and motivate. However, the above data clearly shows that EMI did not give much emphasis on the support staff to make them understand the main purpose of having performance management system and it can be said that employees are not on the same track of understanding the system.

**Table 6 Awareness on the strategic objective of EMI**

No		SD		D		NAD		A		SA		Mean	STD
		F	%	F	%	F	%	F	%	F	%		
1	Knowledge of strategic objective of the institute			2	2.9	5	7.4	40	58.8	21	30.9	4.18	.690
2	Understanding of work unit strategic objective clearly			1	1.5	9	13.2	36	52.9	22	32.4	4.16	.704
3	Alignment of departmental goal and organizational goal			23	33.8	8	11.8	25	36.8	12	17.6	3.38	1.133
4	Alignment of individual goal and organizational goal			31	45.6	4	5.9	25	36.8	8	11.8	3.15	1.136
5	Attainability and realistic of work unit's objective			8	11.8	25	36.8	26	38.2	9	13.2	3.53	.872
6	Clear understanding of the expected responsibilities			2	2.9	4	5.9	39	57.4	23	33.8	4.22	.688

SD = Strongly Disagree, D = Disagree, NAD = Neither Agree or Disagree, A = Agree, SA = Strongly Agree

Concerning the question on the awareness of the strategic objective of the institute, 40 (58.8%) agree on the issue, 21 (30.9%) strongly agree on their clear knowledge of the mission and vision of EMI. On the other hand 5 (7.4%) and 2 (2.9%) respondents are neutral and they did not have any information about the objective and existence of EMI respectively. Since performance

management is a process that enables employees to perform their roles to the best of their ability which are directly derived from the strategic objective of the organization, they should be well informed about where the organization would like to go. From this we can say that even though majority of the respondents know the mission, vision, values and the desired goal of EMI but it is not still quite enough for the effective realization of its objective because when it comes to knowing where the institute would like to go everybody should talk on the same language. This lack of awareness about the strategic objective might be due to communication gap in the institute as a whole or due to the gap at departmental level.

Regarding respondent's knowledge about their business process/work unit strategic objective, 22 (32.4%) respondents strongly agree on their knowledge of their work unit objective, 36 (52.9%) of them are agree and the remaining 9 (13.2%) and 1 (1.5%) respondents neither agree or disagree and totally disagree respectively. From this it can be witnessed that majority of them are clear on the contribution of their work unit for the whole picture of EMI but still there are about 14.7% of respondents who did not know where their work unit is striving to go. As a result this will affect the performance of their work unit as well as the organization as a whole since they have no clue what is expected from them and their work unit.

Concerning the alignment respondents were asked about their level agreement on the alignment of their department goal with that of organizational goal. Accordingly, a total of 37 employees which 54.4% of the respondents agreed on the fact that their departmental goal is cascaded from the organizational goal whereas 8 (11.8%) of them have no clue about the issue and 23 (33.8%) of the respondents disagree on that the goal of their department and the organization is not aligned together. This shows that even though the majority of the respondent agreed on it but still there are some who do not believe it is aligned. As pointed out in the literature, integration is a major concern of performance management which could be achieved by ensuring that everyone is aware of the organizational and departmental objectives and by helping employees to know the objectives they agree of themselves are consistent with the organizational goals.

The other question which was forwarded to respondents was the opinion regarding the alignment of individual goal to the departmental as well as organizational goal. As a result, 48.6% responded that their individual goals are congruent with their department and organizational

goal, 5.9% were neutral and 45.6% of them replied that there is no clear line of sight between individual goals and organizational goal and it did not support the strategic objective of the organization. From this anyone can understand that there is no equal understanding regarding the alignment of individual goal to that of department or organizational goal and also it can be understood that EMI did not work too much in cascading its goal to the level of departmental and individual.

On the subject of believing the objective of their work unit is realistic and attainable, even though 9 (13.2%) and 26 (38.2%) respondents strongly agree and also agree respectively on the fact that their work unit objective can be attained if they work hard, but quite a large number of respondents i.e. 25 (36.8%) have no idea whether it can be achieved or not and yet 8 (11.8%) are totally disagree and believes that it is not easy to make it realistic as it seems on the paper. Here also the researcher believes that even if 51.4% of the respondents are clear about the goal of their work unit but for those who do not agree on the attainable rate of their work unit objective it will be a disaster for EMI to have an employee who thinks his/her department will not have a significant contribution for the overall development of the organization.

The last question on this category focuses on the level of agreement of respondents regarding their responsibility. As a result 23 (33.8%) respondents are strongly agree on their awareness of their responsibility and the expectation of EMI from them, the majority of the respondents which is 39 (57.4%) also replied that they know what they have to accomplish. On the contrary 4 (5.9%) and 2 (2.9%) respondents are not clear about why they are employed in EMI which reveals there should be much to be done to make them to know the contribution gained from their job and the expected output from their responsibility for the successful realization of EMI's mission and value as well as for their personal development and growth.

This question was also forwarded to the attendees on focus group discussion and the researcher can understand that some of them are clear about the major objective of their work unit as well as their responsibility and for some of them even though they know what they do in the organization but they did not certainly believe on the impact of their work unit on the performance of EMI. In addition they do not think that their contribution to the development of the organization means a lot as well as what they gain from their day to day activity. They think

that they have been neglected and their job is not recognized well by the organization. From this anyone can understand that there is no equal understanding among respondents especially on some of the support staff about the value of each and every job and the expectation of EMI from their work unit and individual performance for the realization of the desired goal and objective.

#### 4.2.2 Performance planning

Performance planning is a stage where the supervisor and the employee meet together to discuss and agree on what will be done for the future and how it should be done. With this in mind the researcher tried to assess employee's opinion on the first phase which is performance planning and the response is analyzed and presented as follows.

**Table 7 Respondent's opinion on performance planning**

No		SD		D		NAD		A		SA		Mean	STD
		F	%	F	%	F	%	F	%	F	%		
1	Discussion between employees and supervisors while setting goal	5	7.4	19	27.9	18	26.5	13	19.1	13	19.1	3.15	1.237
2	Clear understanding of supervisor's expectation from employees performance	6	8.8	17	25	16	23.5	25	36.8	4	5.9	3.06	1.105
3	Agreement between supervisors and employees about the standards for evaluation	6	8.8	33	48.5	9	13.2	14	20.6	6	8.8	2.72	1.157
4	Agreement on individual development plan	6	8.8	22	32.4	21	30.9	16	23.5	3	4.4	2.82	1.036
5	The alignment of the individual goal with the strategic goal of the work unit	0	0	14	20.6	17	25	28	41.2	9	13.2	3.47	.969

SD = Strongly Disagree, D = Disagree, NAD = Neither Agree or Disagree, A = Agree, SA = Strongly Agree

On the first question respondents were asked about the practice of goal setting in EMI and the largest share which is 19 (27.9%) and 18 (26.5%) respondents replied that they are not participants of the goal setting while planning their performance goals and they are neutral about the subject matter respectively. In addition among the respondents 5 (7.4%) of them are strongly disagree on their participation on performance planning. The equal share which is 13 (19.1%)

respondents each goes to agree and strongly agree level of agreement. During the focus group discussion this was also revealed that they did not set goals jointly with their supervisor.

According to the literature performance planning is a process by which the manager and the employee get together for a discussion to set a goal which will be performed by the employee with a specific period of time. It is the first cycles where employees will be able to have a clear knowledge about the system. It is a stage where supervisors and employees meet to discuss and agree on what is to be done and how it is to be done by combining the result, behavior and development plan. If goal setting is not part of a performance management process, the employee will end up on spending time on activities that does not contribute a lot for the organization and also the employee. Hence, making employees to participate in performance planning and setting goal will increase their performance because they will develop a sense of ownership for the work they have agreed on.

The next question which was forwarded to respondents was about their awareness on the expectation from their performance. As a result 29 (42.7%) of respondents agreed that supervisors informed them their expectation from them, 16 (23.5%) remain neutral and 23 (33.8%) replied they did not know about the expectation of their supervisor from their performance. From the responses a large number of respondents have positive agreement. However, performance expectation of the institute from each individual should be communicated well and should be understood equally by all level of employees from the higher to the lower.

Respondents of the study were also asked about their level of agreement whether they reached to an agreement with their supervisor about the standards that will be used to evaluate their work. Accordingly, majority of the respondents which is 39 (57.3%) replied disagree and strongly disagree, 9 (13.2%) remain neutral and a total of 20 (29.4%) respondents agree and strongly agree on their agreement with their supervisor regarding the standards used to evaluate their performance. In this regard most of the literatures argued that standards should be clear to the manager as well as the employee, both of them should agree that the standards are fair, it should be specific and as measurable as possible, it should be clear whether the standards is to be accomplished by the specific date or whether it is ongoing and because it is achievable and agreed on, it should be periodically evaluated and changed if necessary. Criteria should be

consistent with the institutional requirement, communicated well, should be uniformly applied and developed with the active participation of employees. However, from the respondent's response it can be understood that the awareness of the evaluation criteria are not the same in all employees.

The fourth item was about the agreement between supervisor and employees regarding the development plan of employees. As a result 19 (27.9%) agree on their agreement on individual development plan, 21 (30.9%) of the respondents are neither agree or disagree and 22 (32.4%) and 6 (8.8%) of them disagree and strongly disagree on the subject matter respectively. Having an agreed development plan used to enhance the knowledge, skill and attitude of an employee to enhance his/her performance to execute the day to day activities effectively and efficiently as per the desired goal. However, when we see the data above it shows that EMI did not work enough to set individual's development plan and help them accordingly.

The last question in the performance planning category was the attitude of employee's regarding their performance goal in achieving the strategic objective of the work unit as well as the institute. As a result 9 (13.2%) respondents strongly agree, 28 (41.2%) of them agree, 17 (25%) remain neutral and among the total respondents 14 (20.6%) of them disagree on it. This clearly shows that even though more than half of the respondents agree on but still close to half of the respondents think that the performance goal setted for them did not help to achieve the desired goal of the institute as well as it will not help them to develop themselves in a better way. This is a huge mess for the institute because in order to achieve its mission and vision employees must believe their work make a difference in every aspect of the work unit and the organization's move.

### **4.2.3 Performance execution**

Performance execution is getting the job done in order to get the desired objectives in an effective and efficient way. Therefore, in order to gather data regarding the process of performance execution respondents were asked the following questions to see their level of agreement and disagreement.

**Table 8 Respondent’s opinion on performance execution**

No		SD		D		NAD		A		SA		Mean	STD
		F	%	F	%	F	%	F	%	F	%		
1	Provision of sufficient resource to execute the expected job	1	1.5	14	20.6	13	19.1	35	51.5	5	7.4	3.43	.951
2	Regular feedback about the performance of an employee	4	5.9	30	44.1	9	13.2	18	26.5	7	10.3	2.91	1.168
3	Provision of up to date information about a change in organizational goal	3	4.4	24	35.3	18	26.5	20	29.4	3	4.4	2.94	1.006
4	There is support from supervisors whenever there is a challenge	5	7.4	16	23.5	23	33.8	23	33.8	1	1.5	2.99	.970

SD = Strongly Disagree, D = Disagree, NAD = Neither Agree or Disagree, A = Agree, SA = Strongly Agree

Participants of the study were asked about the resources provided to them to execute their job and they provided their answer as 5 (7.4%) strongly agree, 35 (51.5%) agree, 13 (19.1%) neutral, 14 (20.6%) disagree and 1 (1.5%) respondent replied as strongly agree. In this regard almost 57.9% respondents got the necessary resources and the rest did not have enough and EMI did not work on it in a better way because without financial, material or human resource it is impossible for a person to discharge the expected responsibility.

Regarding the regular feedback about employee’s performance the researcher forwarded a question to see the respondent’s level of agreement. In addition to the questionnaire the question was also raised on the interview. The result gained from the interview shows that there is a meeting weekly, monthly, quarterly and annually basis to assess the performance of an employee which include a feedback from supervisor and peers in a team. However, the data gathered from questionnaire and focus group discussion was a bit different. Most of the respondents which is 34 (50%) replied that they did not get any feedback on how they have to improve their weakness and keep up their strength from anyone. Among the respondents 9 (13.2%) of them were neutral which show they have a negative attitude on the issue and the rest 25 (36.8%) express their level

of agreement as strongly agree and agree. From the focus group discussion the researcher also can get similar response gained from the questionnaire.

As most authors agreed providing feedback is the most common justification for an organization because employees will learn how well they did the task over the period and then use the information to improve their performance in the future. Therefore from the above data the researcher believes that there is a significant gap between the management and employees on the way they think giving feedback regarding employee's performance regularly.

Respondents were also asked about their awareness on any changes in organizational goal and 23 (33.8%) of the respondents are agreed that anytime there is a change they will be informed and their unit and individual goal will also be cascade from the new organizational goal whereas 18 (26.5%) respondents seem neutral and 27 (39.7%) of them totally disagree from the previous ones. This analysis shows us that there is no uniform practice all over the institution because some of them are informed and some of them are not and this will affect the performance of the organization because the organization goes in one direction whereas individuals goes in another direction.

For the question raised by the researcher regarding the support from supervisors whenever employees face challenges, 24 (35.3%) believe that they have got the necessary support from their supervisor while they face challenges in their day to day activities and 21 (30.9%) of the respondents did not get the proper support they deserve from their supervisor or peers. The remaining 23 (33.8%) would like to be neutral. The mean result of this question ( $2.99 < 3$ ) also show that in some department or units employees did not get adequate support which help them to perform in a better way and contribute for the development of the organization. The main aim of having a supervisor in an organization is to supervise the work that should be done and to support his/her subordinate in every aspect for the smooth accomplishment of the day to day activities. However, from the data anyone can see that employees are not getting the desired support they should get from their supervisors.

#### 4.2.4 Performance assessment

Performance assessment is a process of evaluation the extent to which the desired behavior and results stated in the performance planning stage have been achieved during the specific period of time. Thus, in the following table the data gathered from the questionnaire will be presented whether EMI is conducting the assessment stage correctly or not.

**Table 9 Respondent’s opinion on performance assessment**

No		SD		D		NAD		A		SA		Mean	STD
		F	%	F	%	F	%	F	%	F	%		
1	There is a chance to assess own performance (self-appraisal method)			11	16.2	22	32.4	24	35.3	11	16.2	3.51	.954
2	Before rating the performance supervisors gather information from peers	5	7.4	18	26.5	26	38.2	13	19.1	6	8.8	2.96	1.057
3	Biasness of supervisors while assessing subordinates performance	3	4.4	14	20.6	11	16.2	31	45.6	9	13.2	3.43	1.097
4	There is a discussion with supervisors to review performance	7	10.3	22	32.4	13	19.1	23	33.8	3	4.4	2.90	1.122

SD = Strongly Disagree, D = Disagree, NAD = Neither Agree or Disagree, A = Agree, SA = Strongly Agree

Item one of table 12 indicates that 51.5% of the respondents replied that they have given a chance to assess their own performance in a self-appraisal method based on the agreed plan, 32.4% were indifferent and the rest 16.2% were not agreed on it. According to the literature if both the employee and supervisor have a chance to make an assessment and had a meaningful dialogue about the expected result it will be easy for a manager to honestly and ethically assess how well an individual had done the task. Employees participation in the assessment stage will result with the provision of relevant information, ensures buy-in from the users of the system, reduces fears and anxieties, reduces resistance to change, and generates commitment to the system. In this regard EMI has done a lot but still it is not enough to make the performance management system process smooth and free from bias.

Item two refers to a question about having peer's information while evaluating an employee. Consequently 33.9% of the respondents replied that their supervisor did not ask their peer's opinion about their performance while making an assessment of employee's performance, 38.2% have no idea whether there is such practice or not and 27.9% of the respondents have witnessed that there is a practice of asking peer's opinion before rating an employee's performance. The data gathered from the interview showed that as a procedure there is a 360° feedback collection policy to use it as an input for rating employee's performance and the management would also believe that this has been done in every department before performance assessment and rating had been done.

Based on literatures 360° feedback broadens the perspective on evaluating an individual by using multiple data sources which helps to find the results more compelling than a traditional evaluation from a single manager's perspective, improve staff performance and ensure business objectives are attained and identify areas of concern which require management's attention. The accuracy of the evaluation is dependent on the quality of the data gathered. Performance data is obtained through observations of behaviors or, less ideally, by inferring behaviors through knowledge of results. With this in mind the above data show us there is lack of uniformity within departments in EMI on using 360° feedback on the practice of evaluating employees for the performance they have shown during the specific period.

Question three of the above table is concerning the rating errors which lead a supervisor to be biased. Thus, a total of 58.8% of the respondents agreed on, 16.2% seems to be indifferent and 24.10% disagree with the idea. Here the majority of the respondents believe that their supervisors are biased by different reasons when they assess employee's performance. In literatures we can find different kinds of rating errors and among them the inclination to rate people in the middle of the scale, an initial positive or negative judgment by supervisors which distort the real performance, generalizing one aspect of an individual performance to all areas of his/her performance and generalizing across the groups and ignore individual differences are the most usual errors that make a supervisor to be biased on individuals performance. Therefore, from this aspect and from the data shown above EMI has done not much in eliminating these errors.

The last question from table 12 focuses on the discussion between supervisors and employees after assessment have been made. As a result, a large portion of respondents which is 42.7% and

19.1% replied as disagree and neutral respectively. The remaining 38.2% of them agreed that after assessment has been made they have a discussion with their supervisors on the exhibited performance to be base for the next performance. From this we can understand that still EMI has done little in creating a culture of giving feedback in a continual basis and also after the completion of the performance appraisal period. Feedback toward goals and coaching to improve performance should be provided on a regular basis, and certainly before the review cycle is over. Most importantly giving feedback allows employees to be informed about how well they are doing, to receive information on specific areas that may need improvement, and to learn about the organization's and the supervisor's expectations and what aspects of work the supervisor believes are most important. Getting feedback will let employee's to know how they are performing and they also can clearly know what they all are trying to attain the strategic objectives that satisfy the vision and mission statements.

#### 4.2.5 Performance review

On the other hand performance review is the meeting between the supervisor and the employee to review their assessment and to be on the same page about the employee's performance. This meeting is usually called the appraisal meeting or discussion. The appraisal meeting is important because it provides a formal setting in which the employee receives feedback on his or her performance. Hence, the researcher tried to forward the following question regarding performance review and found out the result which is presented below.

**Table 10 Respondent's opinion on performance review**

No		SD		D		NAD		A		SA		Mean	STD
		F	%	F	%	F	%	F	%	F	%		
1	The discussion is focused on the contribution and on a continuous development	1	1.5	22	32.4	21	30.9	21	30.9	3	4.4	3.04	.937
2	The objectives of performance review is to motivate employees	0	0	20	29.4	19	27.9	19	27.9	10	14.7	3.28	1.049
3	PMS in EMI brings massive work and consumes much time	0	0	10	14.7	14	20.6	38	55.9	6	8.8	3.59	.851
4	The introduction of PMS creates confusion	8	11.8	20	29.4	19	27.9	16	23.5	5	7.4	2.85	1.136
5	PMS is a tiresome process	3	4.4	16	23.5	22	32.4	24	35.3	3	4.4	3.12	.970
6	PMS is important for the success of individuals and EMI	0	0	8	11.8	14	20.6	20	29.4	26	38.2	3.94	1.035

SD = Strongly Disagree, D = Disagree, NAD = Neither Agree or Disagree, A = Agree, SA = Strongly Agree

Concerning the first question on table 13 among the total respondents 35.3% of them agreed on that the discussion they had with their supervisors is clearly focused on the contribution they made, capability they had and the weaknesses they faced which needs to be adjusted for the continuous development. 30.9% of them would like to be neutral which leads to say they do not have a discussion with their supervisor and the rest 33.9% of the respondents totally disagree on the issue. According to literatures when having a performance review discussion, it is best to keep the discussion focused on the individual's performance which leads him/her to perform better in the future. Here it can be seen that even though some of the respondent's supervisor have done a tremendous job by emphasizing their discussion for the intended purpose but there are still some who makes the discussion irrelevant which cannot be able to pinpoint the possible strengths to keep it up and weakness to propose a solution and yet some of them are not willing to conduct the discussion at all.

The next four questions were focused on employee's attitude towards the existence of performance management system in EMI. The result shows that even if some of the respondents are in favor of having such kind of system for the development of individuals, teams and organization but majorities of the respondents have a negative attitude about the introduction and practice of performance management. They do not believe that first its objective is to motivate employees and to serve as a two way communication rather it is implemented because it is the current notion of management second it brings massive work and consumes much of their time thirdly it creates confusion and lastly it is a tiresome process.

For a system to be effective the attitude of its implementers is the most important input. Without believing and taking the ownership of one system it will be difficult for an organization to get the desired output from the system. If the introduction of performance management system in EMI is meant to be successful as EMI wants, this is not enough in making employees believe in it, to make them active participants, to let them to take the ownership of the system and take the organization where it needs to be. A lot has to be done in changing the attitude and perspective of employees toward the system because it will be very difficult to get the desired objective having let alone majority of the staff but a single employee who thinks the system is a waste of time.

Finally respondents were asked about the major challenges they have faced while implementing performance management system which is introduced by EMI. The majority of the respondents have faced similar challenges which are: - cascading the objective of the organization to department and individual level, planning list of activities which should be performed over the period, performing the planned assignments while executing performance due to unplanned activities, preparing reports which takes much of employee's time about the works that have been done, being confused about the whole system, lack of higher officials and supervisors commitment to support employees to perform better, some of the standard used for measuring performance are unrealistic, bias due to different circumstances, limited participation of employee's in the process, poor development opportunities for employees, lack of accurate data while measuring employee's performance, difficulty on measuring routine works, lack of training and sharing of experience for better result, lack of fair workload assignment, difficulty in observing and documenting employee's daily performance, lack of timely feedback about the strength and weakness of an employee, spending much of time with meetings which leads to failure of doing the planned activities and filling the observed knowledge gap so as to capacitate employees with the desired knowledge, skill and attitude were the major challenges faced by respondents.

# CHAPTER FIVE

## SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter focuses on the summary of the major findings of the research questions, conclusions and recommendations forwarded in light of the relevant literature developed by scholars and responses of research participants.

### 5.1 Summary

The main objective of this study was to assess the practice and challenges of performance management system in Ethiopian Management Institute by having the following basic questions to be addressed.

1. Does the strategic mission of EMI align with individuals' performance objectives?
2. What purpose does the performance management system have in EMI and to what extent it is understood by employees?
3. How are the planning and execution phases of performance management system carried out at EMI?
4. How does performance review system applied at EMI?
5. What are the varieties of challenges that hinder in implementing performance management system at EMI?

In order to address the above basic questions, descriptive survey research design was employed by using mixed research approach which comprises both quantitative and qualitative methods of data gathering. Data was gathered through questionnaire, interviews, focus group discussions and also document review were made to triangulate and increase the validity of the data obtained.

To collect representative data, 75 questionnaire copies were distributed by using simple random sampling technique. Out of which, 68 of the questionnaires were collected. Furthermore, interview and focus group discussion was also made with staff members that were not incorporated in the questionnaire for triangulation.

The data collected from target respondents through questionnaire was compiled and summarized by using SPSS statistical software. The variables were analyzed by using frequency counts, percentages, mean values, and standard deviation. Finally, information obtained through open ended questionnaire, interview, focus group discussions, and document review were thematically analyzed and interpreted.

## **Major Findings**

According to the data analysis presented in previous chapter, there were both positive and negative findings concerning the implementation of the performance management system by Ethiopian Management Institute. The strong points of EMI includes; definition of the system, work units and employee's awareness about the vision and mission of the organization, the reward system for highly performing employees, and employee's awareness on individual responsibility and team and institutional expectations.

On the other hand the adverse findings obtained from respondents that need the attention of EMI's management are discussed as follows.

- Most of the respondents affirmed that the departmental and individual goals were not fully aligned with organizational goal.
- Respondents especially from support staff claimed that they were neglected in informing the purpose and process of performance management system.
- Employees replied that there is limited participation of employees in performance planning which leads to negative attitude for the setted plan.
- From the study it was also identified that most of the respondents did not have a chance to jointly agree on the standards of performance measures with their supervisors which help them to know with what rate they are going to be assessed.
- Most of the respondents asserted that there is no room for them to set an individual development plan in consultation with their supervisors.
- Employees are not equally informed when there is a change in organizational goal which affect their work unit and individual goal and their goal is not adjusted too according to the new organizational goal.

- Majority of the respondents declared that they did not get a chance to assess their own performance and have a discussion with their supervisors to see where they stand in their own eyes.
- There was lack of uniformity in gathering information about employee's performance from different sources such as peer evaluation and 360 degree feedback before making an assessment. This means some departments strictly follow the process of gathering information about an employee through different sources but some of them did not start yet.
- In the performance assessment process due to different reasons there is a high level of bias from supervisors while rating employee's performance which will affect the actual performance of an employee.

## **5.2 Conclusion**

Performance management is a process for setting up a shared understanding of what is to be achieved at an organisation level. It involves the alignment of organisational objectives with the individual's agreed measures, skills, competency requirements, development plans and the delivery of results. The focus is on performance improvement through learning and development in order to achieve the overall business strategy of the organization. Holistically, performance management integrates a multitude of elements that contribute to effective management of the human resource.

Performance management is a systematic process which a manager can use to get the team members to achieve the team's objectives and targets, improve overall team effectiveness, develop performance capabilities, review and assess team and individual performance, and reward and motivate. Effective performance management requires the identification of tasks and accountabilities, definition of competencies necessary to be successful in a position, ensuring that team members have the required competencies, having in place a system to develop competencies, providing timely feedback on how effectively the team members are applying their respective competencies to accomplish their tasks and achieve the goals and rewarding and motivating effective performance. In the event that performance does not meet established

requirements, the manager must understand the corrective processes and methods that can help improve employee performance.

From this study, it has been noted that EMI has neglected the importance of the involvement of employees in the performance planning process of Performance Management System. Based on the evidences obtained from the analysis, employees claimed that they are not participating in performance planning. In addition respondents did not have a chance to jointly agree on the standards of performance measures with their supervisors and lack of setting an individual development plan is one of the problems in the planning process. That is why employees are not aware of the performance evaluation objectives and performance standards as well as the importance of having an agreed individual development plan.

Concerning the practice of performance assessment in EMI problems like rating employees based on the things that they were not informed about, inaccuracy of the rating received, inability of employee's to assess their own performance and have a discussion with their supervisor which helps them to evaluate themselves where they are and where they want to be in the future and high level of bias from supervisors were identified as a major gap.

Furthermore, failure of having software which helps to have information about employee's performance and reporting their status as well as automating the performance management system at this stage is also another problem. EMI, two years after completion of the implementation process and after finalizing the required study with this regard, shows a tendency of reluctance to make the final performance management system software purchasing decision. This hinders the PMS system from providing the expected output on performance information reporting and utilization.

Regardless of the above cited weak points on planning, assessment, performance measure and automation, the accomplishment observed on the remaining areas such as well defined mission, vision and core values, well defined of performance management system, identified customer value propositions, clearly developed strategy map were relatively the strong accomplishments that EMI made from the performance management system and it is according to the building and implementing guide set by different authors on performance management system.

As a result, considering the fact that regardless of the type, size and objective of an organization, performance management system is a globally contemporary practice all over the world which helps the organization, team and individual to be more effective in their day to day activities to bring about the desired objective and for the successful growth and development of each, one can conclude that even though EMI has some good qualities in implementing performance management system but a lot should be made in making the performance management system to be more useful for the organization.

### **5.3 Recommendations**

In considering the major findings of the study and the conclusions drawn, some efforts were made to forward possible recommendations by the researcher for the attainment of a better result out of the performance management system in EMI.

1. In order to have a successful performance management system and also in order to achieve the desired goal of the organization, organization goal should be cascaded to departmental and individual level of goals so as to align it properly by revising the job description of each job thoroughly.
2. Performance planning should not be always a sole activity of supervisors and higher officials but include the active involvement of employees during the design and implementation of the plan as it is a crucial element of performance management system to ensure success. In addition, EMI have to create a situation where employees can prepare their own SMART goals, participate in the discussion and to take ownership of the plan agreement.
3. To change the attitude of employee's about the implementation and process of performance management system, EMI have to organize a training for employees to know about the benefits of performance management system, why evaluation is needed, for what purpose does it serve and the evaluation procedures and components and instruments of the process of performance management.
4. When it comes to managing the performance of employees, all staffs have equal stakes of responsibility and accountability to the development of the organization. As a result, EMI should also give attention to support staff by making them aware of the purpose and process of performance management system to participate efficiently in the system.

5. The institute should create a room for the practice of setting goals and standards of performance measures on the basis of mutual agreement between employees and supervisor and let employees to agree on the goals they are expected to achieve and the standards which they will be evaluated. The act of jointly setting goals and standards will provide a clear direction in the form of increasing effort, persistence towards goal accomplishment and have some motivational benefits.
6. EMI have to create an opportunity for employees to set their individual plan with the agreement of their supervisor as they are directly responsible to execute a realistic and attainable development plan to achieve the desired goal. Establishing individual development plan will also help employees to capacitate their skill and knowledge before or during execution of performance to minimize the information and knowledge gaps which will be exhibited during performance assessment.
7. Whenever there is a change in organizational goal each and every one of the staff starting from the lower level to the higher level have to be informed about the change and accordingly adjustment should be made by cascading the new organizational goal to the goal of departments and individuals.
8. In the performance assessment part, EMI should let employees to know what is to be assessed and how it is to be assessed which must be within the control of an employee and on the agreed points during planning stage. This will help to reduce employees' defensive behavior not to accept the evaluation result because the evaluation is based on what they are accountable for.
9. EMI have to fully implement the practice of self appraisal and peer appraisal across the employees. Literatures suggested that it is good to have multiple of sources to gain accurate information about an employee's performance rather than sticking only with supervisor's feedback while rating. This will help the organization to have more sources of information about an employee performance to build on the strength and compensating for the observed weaknesses.
10. In order to have sufficient information about employee's performance and reporting their status as well as to have the expected output on performance information reporting and utilization, EMI have to have performance management software to make the process more flexible and reliable and also to reduce the possible bias from supervisors.

11. Finally, though some elements of personal biases are inevitable, the institute should work hard to eliminate factors that lead supervisors to be biased while rating employee's performance and as much as possible and EMI should make the evaluation criteria to be very objective and conduct the evaluation at the right time.

In general, it is advisable for EMI to sustain all its current strengths, and improve its limitations mentioned above to challenge future uncertainties.

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# **ADDIS ABABA UNIVERSITY**

## **Department of Educational Planning and Management Questionnaire to be filled by: Employees of EMI**

**Name of student: Melat Yilma**

Dear Respondents,

The purpose of this questionnaire is to collect primary data for conducting a study on the topic, “Performance Management System Practice and Challenges in Ethiopian Management Institute” as partial fulfillment to the completion of the masters program in Human Resource Management and Organizational Development at Addis Ababa University. In this regard I kindly request your time to provide me with reliable information so that the findings of this study would meet the intended outcome. I strongly assure you for the confidential treatment of your answers. I would like to thank your voluntary participation for the success of my research study.

### **Directions**

- No need to write your name,
- If you have any question, please contact me on 0911-885228.

### **Part I – General Information**

1. Gender:

- (A) Male                      (B) Female

2. In which age group do you fall?

- (A) Less than 20              (B) 20-29              (C) 30-39              (D) 40- 49              (E) 50 and above

3. What is your highest educational status:

- (A) Certificate              (B) College Diploma              (C) BA/BSC Degree  
(D) Masters              (E) PHD

4. Years of service in EMI:

- (A) Less than 1 year              (B) 1 to 3 years              (C) 3 to 6 years  
(D) 6 to 9 years              (E) More than 9 years

5. In which business process/work unit are you currently working?

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6. What is your current position in the business process/work unit?

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7. To which category does your position fall?

(A) Managerial                      (B) Supervisory/Team Leaders

(C) Professionals                  (D) Other support staff

## **Part II Purpose of Performance Management System**

8. Are you clearly aware of the purpose of Performance Management System which is implemented by your organization?

(A) Yes                      (B) No

9. If yes, what is the purpose of having Performance Management System in EMI?

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10. Do you think Performance Management System is clearly defined in the organization?

(A) Yes                      (B) No

11. If No, what do you think is the reason?

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12. The purpose of Performance Management System applied in EMI is to:

(More than one answer is possible)

(A) To get the better result

(B) To establish a culture in which individuals and groups take responsibility for the continuous improvement the institute

(C) To provide employees with information about how they are perceived in the organization and where they stand

(D) To determine who gets promoted and salary increment

(E) To facilitate layoff or downsizing

(F) Other \_\_\_\_\_

13. Based on my performance

(A) I have received salary increment or promotion

(B) I have been demoted from the job I used to work

(C) Training have been given to me to improve my poor performance

### Part III Performance Planning and Execution

**Note:** Performance Planning is a stage where the supervisor and the employee meet together to discuss and agree on what will be done for the future and how it should be done and Performance Execution is getting the job done by achieving the objectives. Therefore having this in mind please rate your level of agreement or disagreement for the following questions.

S.No.	1= Strongly Disagree, 2= Disagree, 3= Neither agree or disagree, 4= Agree and 5= Strongly Agree	1	2	3	4	5
14	I know the strategic objective of the institute					
15	I am well clear about my business process/work unit strategic objective					
16	My business process/work unit's goal is aligned with the strategic mission of the organization					
17	My individual goal is aligned with the strategic objective of my business process/work unit as well as the organization					
18	My business process/work unit objective is realistic and attainable					
19	I am clear about what my job responsibilities are and what is expected from me					
20	In EMI goal setting is carried out with the discussion between the employee and the supervisor					
21	While setting a goal my supervisor clearly tell me the expectation he/she has from my performance					
22	I am informed and reach on an agreement with my supervisor about the standards that will be used to evaluate my work					
23	My supervisor and I reached to an agreement about my development plan to enhance my performance					
24	The goals setted for me supports to achieve the strategic objective of the business process/work unit as well as the institute					
25	EMI provides me sufficient resources to execute my job properly					
26	I have received feedback regularly about my performance from my supervisor					
27	I always be informed about a change in organizational goal and the initial goal setted by me and the supervisor is also updated accordingly					

28	I always get support from my supervisor while I face challenges in performing my day to day activities					
29	There is a midterm review between my supervisor and me regarding my performance in the past months					

## Part IV Performance Assessment and Review

**Note:** Performance Assessment is conducted with the interaction of employee and supervisor for evaluating the extent to which the desired behavior and results are met during the specific period of performance review. Based on these purposes please rate your level of agreement or disagreement for the following questions.

S.No.	1= Strongly Disagree, 2= Disagree, 3= Neither agree or disagree, 4= Agree and 5= Strongly Agree	1	2	3	4	5
28	I have given a chance to assess my performance (self-appraisal method) based on the agreed plan					
29	Always my supervisor gather information about my performance from my peers or subordinates while assessing my performance					
30	When my supervisor assesses my performance he/she is biased by different reasons					
31	After assessment have been done I always had a discussion meeting with my supervisor to review my performance					
32	The discussion I had with my supervisor is focused on the contribution I made, the capability I have and on my continuous development					
33	In my opinion the objective of performance review in EMI is to motivate employees, to encourage development and to serve as a two way communication about the roles and expectations					
34	Performance Management System in EMI brings massive work and consumes much time					
35	The introduction of Performance Management System changes the way I do my job hence, it creates confusion					
36	The existing Performance Management System in EMI is a tiresome process so it's better to have other simple tool.					
37	Performance Management System is important for the success of me and EMI, thus it is good to have.					

38. Which of the steps of performance management system do you find challenging and what makes it challenging?

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39. What are the major challenges you faced as a result of Performance Management System?

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***Thank You!!!***

# **ADDIS ABABA UNIVERSITY**

## **Department of Educational Planning and Management**

### **Interview Guideline**

1. Do all employees informed about the mission and vision of the institute?
2. Does the specific job performed by an individual is linked with the strategic objective of the organization?
3. Were employees of EMI properly communicated about Performance Management System; why it is needed by EMI, and the possible changes it could bring to the individual, the team as well as the institute?
4. Does the institute successfully handle the planning, execution, assessment and review processes of Performance Management System? If yes, how and if not why?
5. What were the major objective/expected/ outputs set by EMI from Performance Management System?
6. Does Performance Management System bring the desired outcome to EMI? If yes, discuss how tangible results were observed?
7. Could it be possible to say that EMI has successfully implemented Performance Management System?
8. Which of the four steps of Performance Management System did you find challenging? And why?
9. Do you have any other comments or suggestions regarding Performance Management System at EMI?