



Effectiveness of Performance Management System in Nib Insurance Company (NIC)

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Declaration

I Thitina Teklewold, declare that this research work entitled “Effectiveness of Performance Management System in Nib Insurance Company (NIC)” is outcome my Owen effort and that all source of material used for the study have been duly acknowledged. I have produced it independently except for guidance, consulting and suggestion of the research Advisor. This study has not been submitted for any degree in this University or any other university and It is offered for the partial fulfillment of the degree of MA in Human Resource Management.

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STATEMENT of CERTIFICATION

This is to certify that Thitina Teklewold has carried out his research work in the topic entitled “**Effectiveness of Performance Management System in Nib Insurance Company (NIC)**” for the partial fulfillment of Masters of Arts in Human Resource Management at Addis Ababa University School of Commerce. Thus study is original work and not submitted for any degree in this University or any other Universities and is suitable for submission of Masters of Arts in Human Resource Management.

Advisor: Worku Mekonnen (PhD)

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List of Abbreviations

Abbreviation	Terminology
HR	Human Resource
NIC	Nib Insurance Company
PMS	Performance Management System
PMP	Performance Management Practice
SMART	Specific Measurable Attainable Realistic Time bounded

Abstract

Performance management encompasses the entire process of improving and sustaining human performance throughout an organization. Collectively, the performance of individuals determines that of teams, departments and ultimately the entire enterprise. Thus, the objective of the study was to assess the Effectiveness of Performance Management System of NIC with the major themes of the study being the performance management process and use/purpose of the system. The study employed descriptive methodology and used both qualitative and quantitative research methods. Percentages and frequencies were used to analyze the data and interpretations were made on them. Out of the target population (285), the sample size was determined by using a standard size determination table. On that basis, 80 questionnaires were distributed to the head office and all branches located in Addis Ababa. Accordingly, the findings indicated that the performance management practice is implemented with some gaps like: lack of adequate knowledge of employees on PMS, weak feedback and coaching practice, lack of adequate training and development and lack of ownership of the system by line managers. In addition, challenges like absence of training and development caused by lack of budget, subjective decision of evaluators, inappropriate employee perception towards the system and inadequate commitment from the Human Resource department and the management was pointed out. Raising staff awareness on Performance Management System(PMS) and its practices, monitoring of the Performance Management activities and focusing on employee development are the recommended actions to the organization.

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

To sustain growth and remain as a going concern in today's competitive environment, organizations must deal with several major challenges. First they must provide 'value.' How Human resources are managed is crucial to the long-term value of a company and ultimately to its survival. It is no wonder then that the importance of the human resource function is increasingly being recognized. Considering, of course, that these functions are applied in such a way that they are compatible with one another and with the overall strategy of the company, managers can affect a number of factors such as employees' competence, performance, work motivation and commitment.

Given challenging economic conditions (such as global competition, slow economic growth, and economic downturns), organizations are starting to look internally for performance and productivity gains rather than wait for external improvements (e.g market growth or technological advances) (Boxall & Purcell, 2003; Buchner, 2007). Organizations have been focusing their attention on performance management (PM) as a way to improve organizational performance and productivity (Boxall & Purcell, 2003; Buchner, 2007). Performance management is defined as a systematic process aimed at enhancing human performance within the organization (Warren, 1982).

Performance Management is the term used to describe the process set by an organization to ensure all employees are aware of the level of performance expected of them in that role, as well as any individual objectives they will need to achieve to achieve overall organizational objectives. More recent definition of performance management includes a "systematic process for improving organizational performance by developing the performance of individuals and teams" (Armstrong, 2006, p. 1).

Performance management should focus more on encouraging and developing employees' strengths and providing opportunities for growth rather than annual appraisals that are directly linked to raises and bonus payments. If Performance management is implemented correctly with

specific objectives tied to the Strategic and Operational plan, organizational performance outcomes should increase.

Performance management system is system that facilitates the attainment of individual and corporate goals. Performance Management systems enable you to track and monitor the performance of individual employees, departments, and the organization overall. Performance Management Systems use objective and measurable criteria for assessing employee performance. Criteria that is specific to the individual being assessed. Components such as lists of accomplishments, goals and objectives, results from 360-degree feedback processes, supervisor ratings and individual development plans are included in Performance Management systems.

A good performance management system works towards the improvement of the overall organizational performance by managing the performances of teams and individuals for ensuring the achievement of the overall organizational ambitions and goals. An effective performance management system can play a very crucial role in managing the performance in an organization by :

- Ensuring that the employees understand the importance of their contributions to the organizational goals and objectives.
- Ensuring each employee understands what is expected from them and equally ascertaining whether the employees possess the required skills and support for fulfilling such expectations.
- Ensuring proper aligning or linking of objectives and facilitating effective communication throughout the organization.
- Facilitating a cordial and a harmonious relationship between an individual employee and the line manager based on trust and empowerment. .(Jawaria Andleeb Qureshi, Asad Shahjehan, Zia-ur-Rehmand and Bilal Afsar,2010)

Nib Insurance Company S.Co. is one among the leading insurances. It stands second in its market share from the private companies operating in the Ethiopian insurance market. Currently The insurance company through it fourteen years journey is expanding its business operation to the extent of over 30 branches through the country. It plays a crucial role in the economic development and progress of the country. The company is expanding its branches network and

their services via opening additional services. The success of the company highly depends on the performance of its human resources.

In this research work the researcher tries to attempt to address research questions/problems summarized in the statement of the problem and objectives of the study. Effectiveness of the existing performance management system of NIC and its alignment to the firm performance will be investigated with some standard principles and give recommendations based on scientific guidelines.

1.1.2 Background of the company

Nib Insurance Company S.Co. (NIC) is a private insurance company which was established in May 2, 2002 as a sister company to Nib International Bank. Registering its Memorandum and Article of Association with the document Authentication and Registration Office and getting its legal personality on the 15th of March, 2002.

NIC commenced its operation in May 2, 2002 as a General Insurance Company after getting its license No. 010/10 from the National Bank of Ethiopia, the controlling authority for insurance operation in Ethiopia having its head office at Dembel City Center. The company expanded its service to include Life Assurance Business and become a composite insurer since September, 2007.

The company which started its general insurance business operation by 658 Shareholders, a paid up capital of birr 14 million and with only 4 branches has managed to increase its efficiency and expand its services over the past fourteen years. As the company was able to increase its paid up capital to 195 million, has 947 shareholders and its branches number has reached 30.

The company which from the outset emerged as a strong competitive private insurance company is developing a sound portfolio which is demonstrated by a prudent underwriting. Besides, NIC is known for its efficient claim services. Furthermore, it is also a market pioneer in introducing "Travel Health Insurance" as a new product for travelers going to Schengen and European states.

(Source: NIC HR manual & Website: www.nibinsuranceethiopia.com)

1.2. Statement of the problem

The financial services industry is changing rapidly (Firdaus Abdullah, Rosita Suhaimi, Gluma Saban and Jamil Hamali, 2011). Technology, government regulation, and increasing customer sophistication are forcing financial service institutions to re-evaluate their current business practices.

Performance management system which typically includes performance appraisal and employee development is the "Achilles' heel" of HRM. (Elaine, 2004) However, as a recent survey by Watson Wyatt showed that only 3 out of 10 workers agreed that their company's PMS helps improve performance. Done correctly PM can result in numerous important outcomes for an organization, its managers and employees. Effective PMS have a well-articulated process for accomplishment evaluation activities, with defined roles and time lines for both managers. It can serve for decision making purpose, development purpose or for both although it is difficult to have a PMS which can serve both.

Many studies revealed that PM can assist organizations to discover gaps in their system and thereby to take corrective actions. As performance of organization as a whole depends on performance of individual employees, it is critical to ensure effective implementation of PMS.

Performance Management System should be owned and derived by line managers not an HR – directed annual procedure. As many scholars confirmed sense of ownership to the Performance Management system by line managers is very critical in its application, but in the case organization the researcher observed that line manager's ownership responsibility to the application of the program is lower than expected.

Basically, Performance Management is concerned with the encouragement of productive discretionary behavior. (Armstrong 2007). Then again, in NIC, it is observed that the parties in the process are mainly on administrative outcomes.

In general as per the observation made by the researcher, the NIC's Performance Management System, its tools, manual, process and procedures are up-to-date and well-organized with simplified instructions. Yet, beyond having a good system, organization should confirm the proper implementation with the best quality practice and effective use of available tools to

succeed. However, as per the observation made, there is a gap in the implementation of the system in the case organization. As a practitioner of Human Resource Management (HRM), the researcher considers that standard benefits of the PMS like continues employee training and development, proper career management, performance base payment and ongoing performance information flow are not attained as expected.

1.3 Basic Research Questions

The study focuses on the following research questions.

- ❖ Is the practice of performance management system of NIC effective?

Specific questions

- ✓ Does employee participate in performance planning and assessment process?
- ✓ Is there a mutual understanding on performance expectation and measuring criteria between employees and their supervisors?
- ✓ Do supervisors give timely feedback and update changes to employees?
- ✓ Does the organization properly carry out the performance assessment process and use the result for the intended purpose?
- ✓ What are the main purposes of performance management and the challenges that hinder employees in the practice?

1.4 Objective of the Study

1.4.1. General Objective of the Study

The general objective this study is to assess the Effectiveness of performance management system in the case of Nib Insurance Company.

1.4.2. Specific objective of the Study

The specific objectives of the study are:

- ❖ Investigating the level of employee's participation on performance management process.
- ❖ Determining the level of mutual understanding among the staff on the performance expectation and measuring criteria.
- ❖ Assessing supervisors and staff level of communication regarding the work performed.

- ❖ Determining whether the staff assessment result are used for some purposes or assessment is simply used to fulfill formalities.
- ❖ Identifying the major objective/purpose and challenges of the organization's performance management process

1.5 Scope of the study

The study will cover all the branches of the company located in Addis Ababa. The study encompasses both the management and the other employees in different departments of the company. Descriptive statistic like mean, frequency and percentage will be used as statistical tools to undertake data analysis.

As the study is meant for assessing in detail the application and practice of performance management system in NIC, the researcher has limited the target group of this study to be only staffs of the case organization who has passed through the practice at least for one full performance period.

Geographically, all branch offices in Addis Ababa including the head office are covered by the study.

1.6 Significance of the Study

The study investigates the effectiveness of performance management system of NIC. PMS established with clear performance goal will only achieve its goals when it is properly executed with honest feedback in alignment with the general organizational goal which makes this study important because it assesses the PMP and PMS execution and show its level through the outcomes. It also provides an insight on the effectiveness of the performance management execution as the effectiveness depends more on the practice of it than the design. The result of the present research is also important to create awareness on the part of the management of Nib Insurance Company about the performance management system they have and its practice in relation with achieving the outcomes of effective performance management system. It is expected that the management of the company will take the necessary measures to overcome problems regarding execution of performance management system after going through the findings and recommendations given by the researcher to improved level of firm performance.

Furthermore, the study will add to the existing literatures and may serve, as additional source for reference and it will also serve as a spring board for other researchers who want to conduct detailed research on the issue.

1.7 Limitation of the study

Research work requires availability of sufficient time, money and other resources. However, during this study the researcher faces shortage of time, financial problems and somewhat reference materials. In addition to these, there was lack of sufficient information and data due to some lack of willing to give information. The study is also limited only to Addis Ababa city branches.

1.8 Organization of the study

This research work is categorized into five chapters. The first chapter is the introduction which covers the background of the study, statement of the problem, objectives, and research questions, purpose of the study, scope and limitation and the organization of the study. Chapter two is the literature review and it covers reviews of existing literature on the subject matter. Chapter three takes the research design and methods used for the study taking into account the need to achieve a representative sample of the population and accuracy of information provided by respondents. It also covers the area of study, the sampling methods and the data collection methods that were employed. Chapter four applies data analysis methods to the data gathered and presents the findings that bothers on the objectives of the study in the form of tables with explanations. The last chapter, which is chapter five, presents summary of major findings, conclusions, recommendations and summary of the study. This chapter will be followed by the reference which acknowledges all persons and institutions cited in the study and the appendices.

CHAPTER TWO

2. REVIEW LITERATURE

2.1 Introduction

To survive in a complex, competitive global economy, all organizations, private and public institutions, must be able to focus on the effective and efficient delivery of the product they are designed to offer. A key factor in promoting effective delivery of essential goods and services is the implementation of effective performance management system.

2.1.1 What is performance?

Performance can be regarded as simply the record of outcomes achieved. On an individual basis, it can be a record of the person's accomplishments.(Armstrong, 2009)

The Oxford English Dictionary defines performance as: 'The accomplishment, execution, carrying out, working out of anything ordered or undertaken.' This refers to outputs/outcomes (accomplishments) but also states performance is about doing the work as well as being about the results achieved. Performance could therefore be regarded as behavior - the way in which organizations, teams and individuals get work done. Similarly Campbell et al (1993) defined performance as behavior or action relevant to the attainment of the organization's goals that can be scaled or measured (Ibid).

Job performance is a function of two different things: what the person accomplishes and how the person goes about doing the job. Probably all of us have encountered people who were excellent at one and fail at the other. Thus, for an organization to be successful, both behavior and results are important (Dick Grote2002)

Performance is essentially what an employee does or does not do. Performance of employees that affect how much they contribute to the organization could include:

- ❖ Quantity of output
- ❖ Quality of output
- ❖ Timelines of output
- ❖ Presence at work

❖ Cooperativeness

Obviously other dimensions of performance might be appropriate in certain jobs. But those listed are common to most. However, they are general; each job has specific job criteria or job performance dimension that identify the elements most important in that job. (David A. DeCenzo & Stephen P. Robbins, 2005)

Almost all definitions given above in one way or another concerned about same thing behavior and result. That is why Michael Armstrong, (2009) said a more comprehensive view of performance is achieved if it is define as embracing both behavior and outcomes. Thus performance means both behaviors and results. Behavior emanates from the performer and transforms performance from abstraction to action. This definition of performance leads to conclusion that when managing the performance of teams and individuals both inputs (behavior) and outputs (result) need to be considered.

2.2 Performance Management

2.2.1 History of Performance Management

The success of every institution depends on the quality and commitment of its human resource. In order to insure continued efficiency and effectiveness of staff members each organization has to carry out employee performance appraisal from time to time so as to keep them in check and replace, motivate, retain or take any other appropriate action. Organizations using a performance appraisal system to evaluate their employees, struggle with issues of implementation, adoption and linkage with other human resource system. Performance Management (PM) process has become prominent in recent years as means of more integrated and continuous approach to management of performance than performance appraisal. (Devries D.L. 1983)

The market economy and entrepreneurial culture of the 1980's focused attention on gaining competitive advantage and getting added value from the better use of resource. Performance orientation became important, essentially in the face of global competition and recession. The rise of Human Resource Management (HRM) also contributed to the emergency of performance management. Advocates of PM believe that it is a practical approach to achieve of aims of HRM. (Michael Armstrong and Angela Baron, 1998)

According to Armstrong and Baron (1998), the use of PM in the best practice companies is not because it is a better technique than performance appraisal, but because it can form one of a number of integrated approaches to the management of performance.

2.2.2 Definition of Performance Management

Armstrong and Baron (1998) defined performance management as strategic and integrated approaches to delivering sustained success to organizations by improving the performance of the people who work in team and by developing the capabilities of teams and individual contributors. Organization is responsible to enhance team and individual capacity so that it can achieve its objective. Performance management is natural process of management which contributes to effective management of individual and teams to achieve high level of organization performance. As such it establishes shared understanding about what is to be achieved and an approach to leading and developing people which will ensure that it is achieved. Armstrong (2005)

Robins (2007) defined performance management as an approach to creating a shared vision of the purpose and aims of the organization, helping each individual understand and recognize their part in contributing, to them, and in so doing manage and enhance the performance of both individuals and the organization. This view emphasizes that there has to be organization, team and individual agreement on goals. Performance management is the process of directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organization. It refers to aligning human resource with that of the organizational objectives. (Walters M.,1995)

According to Lockett (2002), Performance management is the involvements of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organization which supports and encourages their achievement. Also it helps to promote a sense of shared expectations among all employees and contribute to achieve higher organizational performance.

Performance management is based on an established measurement system consisting of tools, indicators and procedures that have been chosen and are best suited to concrete situations and specific characteristics of concrete organization. Furthermore, performance management, at the focus of modern management and organization research theory and practice, mainly is oriented at

employee as pillars in creating new value in the form of goods and /or services in the organization. (Peters, Waterman, 1982)

Performance management is the set of interconnected practices which ensure that a person's overall capabilities and potential are appraised, so that relevant goals can be set for work and development and, through assessment, data on work behavior and performance can be collected and reviewed. (Bratton and Gold, 2007)

2.2.3 Performance Management Process

Performance management can at best be seen as a process that supports the achievement of business strategy through the integration of corporate, functional, departmental team and individual objectives. Within this process, the organization establishes an environment that allows for clear communication of its mission and goals to employees and in which they are also encouraged to contribute to the formulation of these objectives. (Armstrong and Murlis, 1994)

Performance management processes have become prominent in recent years as a means of providing a more integrated and continuous approach to the management of performance than was provided by previous isolated and often inadequate merit rating or performance appraisal schemes. Performance management is based on the principle of management by agreement or contract rather than management by command. It emphasizes development and the initiation of self-managed learning plans as well as the integration of individual and corporate objectives. It can, in fact, play a major role in providing for an integrated and coherent range of human resource management processes which are mutually supportive and contribute as a whole to improving organizational effectiveness. (Armstrong 2009)

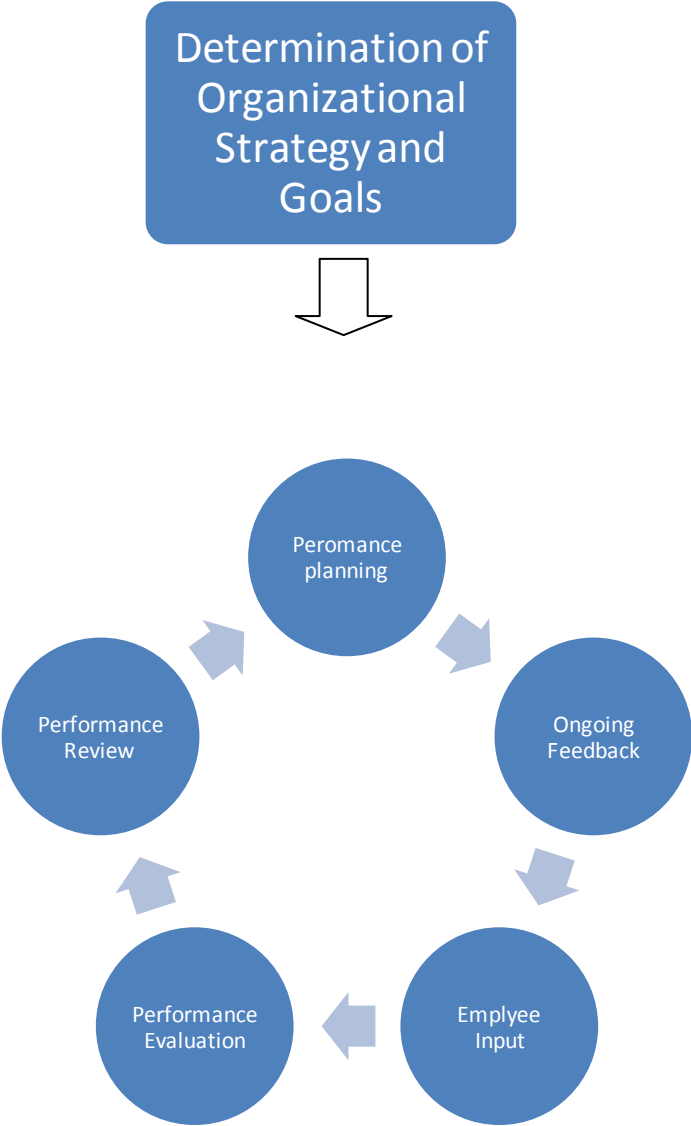
While research and experienced practitioners have identified several characteristics that are prerequisites for effective performance management system, there are also many decisions that need to be made to design a system ideally suited for a given organization's needs. One such decision is what purpose(s) the system will serve. For instance, performance management system can support pay decisions, promotion decisions, employee development and reductions in force.

A performance management system that attempts to achieve too many objectives is likely to die of its own lack of focus and weight. There is no one type of system or set of objectives that is best suited for all organizations. The purpose for a given performance management system should be determined by considering business needs, organizational culture and the system's integration with other human resource management systems (Armstrong, 2009)

One important caveat to consider is that while performance management for purpose of decision-making and employee development are certainly related, these two objectives are rarely supported equally well by a single system. When a performance management system is used for decision-making, the appraisal information is used as a basis for pay increases, promotions, transfers, assignments, reductions in force or other administrative HR actions. When a performance management system is used for development, the appraisal information is used to guide the training, job experiences, mentoring and other developmental activities that employees will engage in to develop their capabilities. Although it is theoretically possible to have a performance management system that serves both decision-making and development purposes well, this can be difficult to achieve in practice. In addition, research has shown that the purpose of the rating (decision-making versus development) affects the ratings that are observed. Ratings used for decision-making tend to be lenient, with most employees receiving ratings on the high end of the scale. Rating for development purposes tend to be more variable, reflecting both employee strengths and development needs. An example will illustrate why it can be difficult to emphasize equally on decision-making and development within the same system. Managers in this organization evaluate their employees and then meet to calibrate their ratings and make reward decisions. Managers then conduct review sessions with every employee to discuss the employee's performance, pay increase and stock option grant. Developmental feedback is supposed to be included in the meeting. However, the range of percentage increases and stock options is larger, thereby allowing managers to link performance with reward effectively. With so much at stake, the majority of the meeting typically focuses on justification by both parties, rather than on how the employee can develop. The climate of the meeting is not conducive to giving and receiving feedback, and employees are reticent to discuss their development needs for fear this will negatively impact their rewards. Even in the strong performance-base culture of this organization, the decision-making aspect of performance is , by default, given more emphasis. (Elaine D. Pulakos, 2004)

Elaine D. Pulakos (2004), states that effective performance management systems have a well-articulated process for accomplishing evaluating activities with defined roles and timelines for both managers and employees. Especially in organizations that performance management as a basis for pay and other HR decisions, it is important to ensure that all employees are treated in a fair and equitable manner. Based on examination of performance management processes in several organizations, most contain some variation of the process shown below:

Figure 1.1 Performance Management System (Elaine D. Pulakos, 2004)



➤ **Performance Planning**

At the beginning of the performance management cycle, it is important to review with employees their performance expectations, including both the behaviors employees are expected to exhibit and the results they are expected to achieve during the upcoming rating cycle. Behaviors are important because they reflect how an employee goes about getting the job done, how the individual supports the team, communicate, mentor others and so forth. We are all familiar with employees who may achieve exceptional results but are extremely difficult to work with, unhelpful or exhibit maladaptive behaviors at work. Because these behaviors can be extremely disruptive, behavior is important to consider in most work situations. On the other hand, an employee can be extremely helpful, considerate and interpersonally effective, yet never achieves any important results. Behavioral and results expectations should be tied to the organization's strategic directions and corporate objectives. (Elaine D. Pulakos, 2004)

➤ **Ongoing Feedback**

During the performance planning process, both behavioral and results expectations should have been set. Performance in both of these areas should be discussed and feedback provided on an ongoing basis throughout the rating period. In addition to providing feedback whenever exceptional or ineffective performance is observed, providing periodic feedback about day-to-day accomplishments and contributions is also very valuable. Unfortunately, this does not happen to the extent that it should in organizations because many managers are not skilled in providing feedback. In fact, managers frequently avoid providing feedback because they do not know how to deliver it productively in ways that will minimize employees defensiveness. For the feedback process to work well, experienced practitioners have advocated that it must be a two-way communication process and joint responsibility of managers and employees, not just the managers. (Elaine D. Pulakos, 2004)

➤ **Employee Input**

Employee input has been used effectively in many organizations. It sometimes takes the form of asking employees to provide self - rating on performance standards, which are then compared with the manager's ratings and discussed. However, experienced practitioners have found that this type of process and discussion can lead to increased defensiveness, disagreements and bad

feelings between employees and managers, if managers ultimately rate employees less effectively than they have rated themselves. An alternative way of collecting employee input is to ask employees to prepare statements of their key results or most meritorious accomplishments at the end of the rating period. (Elaine D. Pulakos, 2004)

➤ **Performance Evaluation**

As any human resource activity performance evaluation is very essential because it serves as a base to develop employees and recognize the accomplishment of employees. Due to the inherent difficulties in collecting good objective performance measures, many organizations have moved the evaluation of results to collecting information on employees' most commendable accomplishments and the impact of these contributions. It allows for results to be considered that may have objective performance measures associated with them, such as team leadership skills. (Elaine D. Pulakos, 2004)

➤ **Performance Review**

Assuming that feedback has been provided on an ongoing basis, the formal performance review session should simply be a recap of what has occurred throughout the rating period. In other words, there should be no surprises in the performance review. During this meeting, managers should discuss with employees their ratings, narratives and rationale for the evaluation given. The performance review session is also a good time to plan developmental activities with employees. Experienced practitioners have found that competency models and performance standards like those described above help managers and employees identify and address development needs. Obviously, any performance standards that are not currently being met should be identified as development areas. If all current job standards are being met, employees and managers can look to the next level's performance standards to identify requirements and developmental areas to pursue in preparation for advancement. (Elaine D. Pulakos, 2004)

According to D. Torrington, L. Hall, and S. Taylor (2008), a typical performance management system, includes both development and reward aspects.

Performance Management System is a set of interrelated activities and process that are treated holistically as an integrated and key component of an organization's approach to managing performance through people and developing the skills and capabilities of its human capital thus enhancing organizational capability and the achievement of sustained competitive advantage. However, when a system is first implemented, the process follows the following stages: (Aguinis,2009)

Stage 1. Pre-requisites

Prior to implement performance management system every employee of the organization is expected to know the organization's vision, mission and strategic goals. If there is a lack of clarity regarding where the organization wants to go, or the relationship between the organization's mission and strategies and each of its unit's mission and strategies is not clear, there will be a lack of clarity regarding what each employee needs to do and achieve to help the organization get there.

Stage 2. Performance Planning

In performance planning stage employees should have clear knowledge of the performance management system. The supervisor and the employee should reach on consensus on what needs to be done and how it should be done.

Stage 3. Performance Execution

It is the process of implementing performance management. Employees endeavor to produce the result and display the behaviors agreed on as well as to work on development needs. The employee has primary responsibility to participate in performance execution stage and provide input in the development of the job descriptions, performance standards, and the creation of the rating form.

Stage 4. Performance Assessment

At this stage actual performance is compared with the desired performance of performance standards. Comparison reveals deviations in the performance of the employees from set standards. This comparison can show actual performance being more than the desired performance or actual performance being less than the desired performance. Information can be gathered from peers,

supervisor, observation, document analysis, interview and the like. It includes recalling, evaluating and analysis of data related to the employees' performance. When both the employee and the supervisor are active participants in the evaluation process, there is a greater likelihood that information will be used productively in the future.

Stage 5. Performance Review

This stage involves the discussion between the employee and the management to evaluate their assessments. The appraisal meeting is important because it provides a formal setting in which the employee receives feedback on his or her performance. The purpose of the meeting should be to solve the problems faced and motivate the employees to perform better.

Stage 6. Performance Renewal and Re-contracting

It is the process of revising performance management based on insights and information gained from the other phases.

2.2.4 Characteristics of Performance Management

Performance management is planned process whose five primary elements are agreement, measurement, feedback, positive reinforcement and dialogue. It deals with measuring outcomes in the form of performance against expectations. It is characterized by setting for ongoing dialogues about performance. It continuous as flexible process that involves managers and those whom they manage acting as partners within a framework. It relies on cooperation rather than control or coercion. Performance management focuses on future performance planning and improvement and personal development. It enhances teams and individual capacities. (Armstrong, 2009)

Performance management is a planned process of which the primary elements are agreement, measurement, feedback, positive reinforcement and dialogue. It is concerned with measuring outputs in the shape of delivered performance compared with expectations expressed as objectives. In this respect, it focuses on targets, standard and performance measures or indicators. It is based on the agreement of role requirements, objectives, and performance improvement and personal development plans, it provides the setting for ongoing dialogues about performance and continuing review of achievements against objectives, requirements, and plants. But it is also concerned with inputs and values. The inputs are the knowledge, skills and behaviors required to produce the expected results. Developmental needs are identified by defining these requirements

and assessing the extent to which the expected level of performance have been achieved through the effective use of knowledge and skills and through appropriate behavior that upholds core values. Performance management is a continuous and flexible process, which involves managers and those whom they manage acting as partners within a framework that sets out how they can best work together to achieve the required results. It is based on the principle of management by contract and agreement rather than management by command. It relies on consensus and co-operation rather than control or coercion. Performance management focuses on further performance planning and improvement rather than on retrospective performance appraisal. It functions as a continuous and evolutionary process, in which performance improves over time. It is mainly concerned with individual performance but it can also be applied to teams. The emphasis is on development, although performance management is an important part of the reward system through the provision of feedback and recognition and the identification of opportunities for growth. It may be associated with performance or contribution-related pay, but its developmental aspects are much more important. (Armstrong, 2009)

2.2.5 Aim of Performance Management

The overall aim of performance management is to establish a high performance culture in which individuals and teams take responsibility for the continuous improvement of business process and for their own skills and contributions within a framework provided by effective leadership. Specially, performance management is about aligning individual objectives to organizational objectives and insuring that individuals uphold corporate core values. It provides for expectations to be define and agree in terms of roe responsibilities and accountabilities (expected to do), skills (expected to have), and behavior (expected to be). The aim is to develop the capacity of people to meet and exceed expectations and to exert their full potential to the benefit of themselves and the organization. Importantly, performance management is concerned with ensuring that the support and guidance people need to develop and improve are readily available (Armstrong 2009)

Performance is about upholding the values of the organization 'living the values' (an approach to which much importance is attached at Standard Chartered Bank). This is an aspect of behavior but it focuses on what people do to realize core values such as concern for quality, concern for people, concern for equal opportunity and operating ethically. It means converting espoused values into values in use: ensuring that the rhetoric becomes reality. (Armstrong, 2009).

The performance management process must convey to employees how well they have performed on established goals. It is also desirable to have these goals and performance measures mutually set between the employee and the supervisor. Without two-way feedback about an employee's effort and its effect on performance, we run the risk of decreasing his or her motivation. However, equally important to feedback is the issue of development. By development, we are referring to these areas in which an employee has a deficiency or weakness, or an area that simply could be better through effort to enhance performance. Finally comes the issue of documentation. A performance evaluation system would be remiss if it did not concern with the legal aspects of employee performance. (David A. DeCenzo and Stephen P. Robins)

The purpose of PM differs from organization to organization depending on the objective to be achieved. However, here the following six purposes of performance management are explained:

Strategic Purpose

One of the most fundamental purposes of performance management is to align individual and organizational objectives. This means that everything people do at work leads to the outcomes that further the achievement of the organizational goals. The real concept of performance management is associated with an approach to creating a shared vision of the purpose and aims of the organization, helping each employee understand and recognize their part in contributing to them and in so doing, manage and enhance the performance of both individuals and the organization. Alignment can be attained by a cascading process so that the objective flow down from the top and at each level team or individual objectives are defined in the light of higher-level goals. But it should also be bottom-up process. Individuals and teams being given the opportunity to formulate their own goals within the framework provided by the defined overall purpose, strategy and values of the organization. Objectives should be agreed not set, and this agreement should be reached through the open dialogues that take place between managers and individuals throughout the year. In other words, the need to be seen as a partner in which responsibilities shared and mutual expectations are defined. (Armstrong, 2009)

One of the primary ways strategies are implemented is through defining the results, behaviors and to some extent employee characteristics that are necessary for carrying out those strategies and then developing measurement and feedback systems that will maximize the extent to which employees exhibit the characteristics, engage in the behaviors and produce the results, (Noe. Hollenbeck. Gerhart. Wright, 2008)

It is the process of aligning organization's goals with individual goals so that it can successfully attain its goals. Performance management is most useful when it aligns individual objectives with business goals and helps individuals to understand the contribution they are making and how their role fits into overall strategic business objectives. (Aguinis H., 2009)

Administrative Purpose

It helps managers as a source of information for making sound decisions about employees, including salary adjustments, promotions, employee retention or termination, recognition of superior performance, identification of poor performance, layoffs, and merit increases. (Aguinis H., 2009)

A performance appraisal system is often the link between the rewards employees hope to receive and their productivity. The linkage can be thought of as follows:

Productivity **→** **Performance appraisal** **→** **Reward**

Compensation based on performance appraisal is at the heart of the idea that raises should be given for performance accomplishment rather than for seniority. Under performance oriented systems, employees receive raises based on how well they perform their job. The manager's role historically has been as an evaluator of a subordinate's performance, which then leads to managers making compensation recommendations or decisions for employee. If any part of the process fails, the most productive employees do not receive the larger rewards, resulting in perceived inequality in compensation. (Davide A. DeCenzo and Stephen P. Robbins)

Developmental Purpose

It provides feedback that help managers to train employees and help them to improve their performance in continuous basis. Therefore, performance management helps to increase higher productivity, improve work quality, increase motivation and commitment and higher moral by providing different training for employees. (Aguinis H., 2009)

When employees are not performing as well as they should, performance management seeks to improve their performance. The feedbacks given during a performance evaluation process often pinpoint the employee's weakness. Ideally however, the performance management system identifies not only any deficient aspects of the employee's performance but also the causes of these deficiencies.

Communication Purposes

It provides full information for employees 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. Performance management promotes openness, transparent and smooth flow of information among employees. Communication also plays an important role in the review or feedback meeting. (Aguinis H., 2009)

Organizational maintenance

Performance management plays a great role in providing information 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. (Aguinis H., 2009)

Documentation

Performance management helps to maintain documents mainly for legal issues. It provides data that can be used to review the critical accuracy of newly projected selection instruments. Generally the above mentioned purposes of performance management help both employees and managers to perform their activities in line with organizations mission, strategic objectives and goals. Therefore, it makes both employees and organization fruitful. (Aguinis H., 2009)

2.2.6 Performance Management in Practice

Performance management is an excellent method of assisting the organization in delivering on its strategic objectives. It does this by ensuring that individuals, teams and ultimately the organization know what they should be doing, how they should be doing it and take responsibility for what they need to achieve. It is also, however, about placing the emphasis on managing, supporting and developing staff at all levels within the organization. An integral part of the performance management program is the need to monitor performance, reward staff that perform well, and challenge those who do not.

2.2.7 Basic Factors for Successful Implementation of the Performance Management

2.2.7.1 Change Management

According to Armstrong (2009) Change management is defined as the process of achieving the smooth implementation of change by planning and introducing it systematically, taking into account the likelihood of it being resisted

2.2.7.2 Alignment of Strategic Plan with all other Management Systems

According to Armstrong (2006) One of the most fundamental purposes of performance management is to align individual and organizational objectives. This means that everything people do at work leads to outcomes that further the achievement of organizational goals.

Alignment can be attained by a cascading process so that objectives flow down from the top and at each level team or individual objectives are defined in the light of higher-level goals. But it should also be a bottom-up process, individuals and teams being given the opportunity to formulate their own goals within the framework provided by the defined overall purpose, strategy and values of the organization.

The strategic plan is a statement of overall aims and objectives and the business plan is the map of how to get there, how to achieve those aims and objectives and a performance management system links the organization and individual by developing a purposeful result oriented direction, which sets organizational objectives and individual objectives (Johnson and Scholes, 1997)

Performance management is a "continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goal of the organization"(Armstrong 2009)

Dessler (1998)pointed out that implementation of strategic plan requires several things among them strategic 'fit' between the strategy and the organizational functional activities (horizontal integration), leveraging the firms core competencies and the top management commitment are required to implement the plan are the basic factors. He says the quality of leadership will ultimately determine whether the strategy succeeds or fail.

2.2.7.3 Organizational Culture and Leadership

The role of organizational culture and leadership is significant to solve problems systematically in any conditions (Owens, 1987) Organizational culture refers to patterns of shared values and beliefs over time which produces behavioral norms that are adopted in solving problems.

Fundamentally, performance management systems are manifestations of and powerful mechanisms for supporting the organization's work culture. Therefore, any discussion of performance management system would be incomplete before exploring the meaning/context of culture and its impacts on performance management system enabling one to suggest the type of culture that supports identification and development will involve influencing behavior, attitudes and beliefs through process. (Blunt and Jones, 1992). And changing attitude is up to individuals as long as they accept that their attitude needs to be changed. The challenge for managers is that people will not change their attitudes simply because they are told to do so. They can only be helped through counseling approach to understand that certain changes to their behavior could be beneficial not only to the organization but also to themselves (Armstrong 1996)

Armstrong and Baron (2002) stated that when culture matches as there is no one best way would contribute much for high performance, quality, involvement, openness, ease of communication and mutual trust that will serve as leverage for change if management is ready to subscribe and act.

2.2.7.4 Training and Creating Learning Organization

Implementation of training is vital to introduce the new PMS. Moreover, to keep the system dynamic PMS needs learning and growth. Performance management aims to enhance learning from experience learning by doing. This means learning from the problems, challenges and successes inherent in people's day to day activities. Day to day contacts provides training as well as learning opportunities, and performance management emphasizes that these should be deliberate acts. In other words, the requirement is that managers, with their teams and the individual members of their team, should consciously agree on the lessons learnt from experience and how this experience could be put to good use in the future. (Armstrong 1996)

2.2.7.5 Rewarding Good Performance

Reward helps to attract and retain the high quality people the organization needs, It provides motivation for people and obtains their engagement and commitment, besides it develops a high performance culture. Reward provides the right things to convey the right message about what is important in terms of behavior and outcomes. (Greer, 2001)

Since work groups are part of the large organizational system, employee's behavior will be influenced by how the organization evaluates performance and what behaviors are rewarded. (Robbins, 1996)

2.2.7.6 Flexibility and Simplicity

Performance management system should operate flexibly to meet different circumstances of the organization, and have to be accepted by all staff as a natural component of good management and work practice, transparent and operate fairly and equitably (Armstrong and Baron, 2002) Moreover, for a system to be easily implemented and to produce the intended result it has to be clear, simple, and requires the necessary skills for effective and efficient implementation of the system.

2.2.7.7 Communication and Resource

Organizations should communicate continuously until all employees are aware of and become part of the PMS implementation process, to alleviate misconceptions and to ensure that the benefits and implementation of PMS are well understood.

A sound performance management program must be availed with adequate resources like procedures, information, management and all other tools required performing the task up to standard.

2.2.7.8 Involvement of All Staff

To ensure ownership of the system and to enhance commitment of individuals to facilitate the implementation process, the PMS should involve all staffs. Moreover, commitment of staff will enhance organizational capacity by minimizing inefficient and ineffective processes. (Armstrong and Baron, 2002)

2.2.7.9 Shared Understanding of Vision, Mission Objectives and Staff Commitment

Managers are required to ensure that there is a shared understanding of vision, mission, values, and strategic objectives of the organization. In addition the PMS should obtain the necessary commitment from all staff, which will determine the degree of its success.

2.2.8 Common Challenges of Performance Management System

In the application of Performance Management Systems, several challenges that could face the employees and organization are discussed by different scholars. Those challenges are regarded as major reasons for the failure of many system applications. In this section, some of challenges are discussed by Ogulu Miruka(2014) as presented below:

- **Senior and Line management commitment:** The most critical performance management implementation challenge is related to poor executive engagement and execution. It is utterly useless to have a wee-developed PMS without commitment from the management team.
- **Lack of Knowledge and Skill:** This obstacle in a performance management system is a primary issue. It happens when PMS is poorly designed or training on the PMS has not transferred into the organization and employees to support its implementation . Moreover,

it is stressed that regular rather than a once off communication and training should be driven from the highest offices and supported by the communications department using every possible vehicle within the organization's communication infrastructure. Trainings of PMS are regarded as very essential and employees' adequate awareness should be checked before applying the system.

- **Resistance to Change:** Implementing a PMS, which makes evaluation of everyone in the organization not transparent, can cause resistance amongst organizational members various authors acknowledged that resistance in any change initiative as a normal human behavior that must be overcome by awareness creation and applying greater transparency. The most critical and frequently experienced challenge in the development, implementation and maintenance of PMS within organizations is probably organizational culture.
- **Evaluating Performance:** Traditionally, performance evaluations are an annual or semi-annual event that at times can be seen by employees as routine and insignificant. Evaluating performance competencies is usually the most difficult part of performance management. Line managers are generally less comfortable discussing and giving feedback on behaviors, and because they are more subjective and less quantifiable than objectives, as a result managers tend to avoid this activity.
- **Linking Job Descriptions to Performance Management:** The tasks and key result indicators (KRI) included in individual job descriptions must be congruent with the organization and unit's strategic plans. In other words, job descriptions should include activities that, if executed well, will help fulfill the mission and vision of the organization. Job descriptions detached from strategic priorities will lead to performance evaluation focused on behaviors and results that are not central to an organization's success. Hence, having direct link between job descriptions and individual performance plans and appraisals is very critical. However, the most common challenge is keeping job description up to date.

2.2.9 Effective Performance Management

Research and experienced practitioners have identified several characteristics that are prerequisites for effective performance management system, there are also many decisions that need to be made to design a system ideally suited for a given organization's needs and execute the system in a way it enables to achieve the intended goal of the performance management system and the organization as a all. The outcomes resulted from the implementation will show whether the system is effective or not. Some of the Outcomes from Effective Performance Management are:

- Clarifies performance expectation and standards
- Improves productivity at all organizational level
- Motivates employees to do their best
- Ensures employees have the skill and capabilities to contribute maximumally.
- Aligns performance between units and level with the organization's value, goals and strategies
- Provides a basis for making operational human capital decision (Eg. pay)
- Improves relationships, understanding and insight between employee and managers.

2.3 Foundation Theories of Performance Management

According to Armstrong (2009), three theories underpinning performance management have been identified by Buchner (2007)

I. Goal Theory

This theory highlights mechanisms that connect goals to performance outcomes: goals direct attention to priorities and stimulate effort. The more challenging the goal the more people will draw on their full range of skills. Moreover, goal theory supports the prerequisite and planning phases in the process of performance management. Then again, by providing direction and benchmark against which progress is supervised, challenging goals can enable people monitor and refine their performance. In addition, it is indicated that specific goals can boost motivation and performance by leading people to focus their attention on well-defined objectives, increase their effort to achieve these objectives, persist in the face of obstacles, and finally develop new strategies to better deal with complex challenges to goal attainment. (James W. Smither, 2009)

II. Control Theory

The theory focuses on feedback as a means of shaping behavior. As people receive feedback on their behavior, they appreciate the discrepancy between what they are doing and what they are expected to do and take corrective action to overcome it. Feedback is recognized as crucial part of performance management process by keeping employees and supervisors under one communication loop and support the managers to influence the subordinates by reinforcement and other methods.

As feedbacks are in a manner of reciprocity, there must be a continuous discussion on how an employee is performing in relation to what is expected of him/her, it could also be given individually or in teams. Feedbacks can praise good performance or correct poor performance and should always be tied to established performance standards. Consequently, managers can control their employees by providing a timely and regular feedback so as to keep their staffs on the right performance track that the organization desires.

II. Social Cognitive Theory

Social cognitive theory suggests that, what people believe that they can or can not do powerfully impacts on their performance. Developing and strengthening positive self-belief in employees is therefore an important performance management practice. Essentially, social cognitive theory suggests that self-efficacy or one's belief in his or her own ability to do a job, anticipated outcomes, goal setting and reinforcements operate together to help individuals reach performance goals.

Self-efficacy works by influencing an individual's choices in the process of performance management concerning what behaviors to undertake.

2.4 Studies in relation to Performance Management System

The most selected and related empirical finding of related literatures were presented.

The study conducted by Hassan Damial Aslam (2010) on improving performance management practices in IT firms of Pakistan indicated that the organization needs to remind itself the crucial role of HR in employee's performance evaluation and development. The result of the research findings shown that there is high level of discomfort, job dissatisfaction or motivation is creating rigid gap between employees and management which is speedily leading the company towards performance decline.

Mark J. Hooper and David Newlands (2009) carried out study on performance management: survey evidence of appraisal and evaluation from Libyan corporations revealed that the system did not identify their work strength and weaknesses besides it considered that their system is not a proper tool for promotion and training. The current performance appraisal of the organization characterized by bias, which negatively influenced employee's performance and it did not clarify how they can improve their performance. Again the study indicated that no effective feedback on their performance and lack of common implementation i.e. It showed that there were no smooth relationship between employees and management. It working environment is a significant factor inducing low performance and assures that stressful responsibilities, conflicts, working overtime without allowances, limited resources and company rules and regulations negatively affected their performance. Similarly the study stated that they had never received any kind of formal training.

M. Khasro Miah and Chowdhury Golam Hossan (2012) have conducted an empirical study on performance management system in UK retail industry found that implementation of performance management system is different what it is supposed to be. The top level management acknowledges that they are not good in implementing their employee performance management system and most of their line managers are not trained enough to conduct the employee performance review. There is no performance management committee and no formal procedures for performance appraisal.

The study conducted by Andrè O' Callaghan (2005) in South Africa revealed that Performance Management is a key process in any organization and should assist the management and staff to focus on the key issues and business objectives to ensure sustainability. Despite the importance of performance management, most organizations find it difficult to implement, manage and sustain

performance management systems and processes effectively. It is therefore crucial to ensure adequate planning, evaluation and training is done that will support a sustainable process. This is possibly one of the reasons why performance management systems have evolved and changed significantly over the years – each new approach an attempt to make it better, more effective and more acceptable to end-users.

The survey of this study showed that Performance management will remain on the agenda in many corporate meetings, and will be a key concern for South African HR practitioners and managers for many years to come. Once Performance Management has been implemented and is in place for a period of time, it needs to be evaluated in terms of effectiveness and efficiency. An audit in this case is defined as an investigative, narrative, comparative and analytical process.

According to the interpretation of the study Performance Management is therefore much more than merely telling a person what to do and “policing” them until it is done. Rather, it is an integral part of the manager and the employee’s job – it is a joint process. A key aspect of any good performance management system is training and development. Training activities should ideally be based on performance gaps that are identified during the Maintaining of Performance phase. By linking training to identified performance gaps, training will be focused, specific and relevant. As such, performance data should be a major input source of the annual training needs analysis.

The study concluded that the bottom-line reality is that we all need to know what is expected in a specific role – if that is lacking, uncertainty and frustration, resulting in demotivation and ineffectiveness, is created. This in turn impacts negatively on company performance and long-term sustainability of the organization. To avoid this, clear goals and objectives need to be defined and that is the crux of an effective Performance Management system

2.4 Conceptual Model

For the purpose of this study a four-phase model identified by Dick Grote (2002) is used. According to the author the model is developed based on real experiences of performance appraisal he had over many years. Hence the model presents a comprehensive and practical guide to effective performance management system. He stated that in organizations that take performance management seriously and use the system well, the process involves four phases namely performance planning, performance execution, performance assessment, use of performance result(purpose).

To enable the researcher in assessing the effectiveness of the current performance management system in NIC each of the phases are discussed at some length with the central theme of the paper being the performance management process and use/purpose of the system, as both are related with employee performance and in general organizational effectiveness.

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

The current chapter presents the methodologies that are used to conduct this research. This section provides an overview of the research approaching detail to address the research objectives. It discusses issues such as research design, sample and sampling techniques, source and tools of data collection and method of data analysis. Additionally, this section also deals with a discussion on the ethical issues as well as validity and reliability of the study.

3.2. Research design

Research design is the blueprint for fulfilling research objectives and answering research questions. In another words, it is a master plan specifying the methods and procedures for collecting and analyzing the needed information (John et.al, 2007). In order to capture the logical structure of the study, the researcher has used a descriptive research design. This design will best describe the performance management system of the company accurately and economically as well show its effectiveness. According to C.r. Kotari(2004) Descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present. Descriptive researches are more concerned with facts and can answer questions like “what was” and “what is”. Therefore a descriptive study was used in this study in order to obtain information on the characteristics of the problem. The researcher employs both qualitative and quantitative data analysis methods taking into account the objective of the study.

3.3. Sampling Techniques and Sample Size

The target population of the study comprises all employees of Nib Insurance Company (managers as well as non-managers) working at the head office and other branches located in Addis Ababa with total of 285 employees(142 in the head office and 143 in branches). Since the number of workers in the branches located in Addis Ababa is small all are taken to get a large population of respondents in a limited time.

Table 3.1 Location Dispersion of Respondents

Location Dispersion of Respondents		
	Frequency	Percent
Head office	142	49.82%
Total Addis Ababa Branches		
Main branch	17	5.96%
Ras branch	10	3.51%
Tana branch	10	3.51%
Lideta branch	10	3.51%
Bole branch	9	3.15%
Tiret branch	9	3.15%
Genet branch	8	2.81%
Piassa branch	8	2.81%
N/Silik branch	6	2.11%
Urael branch	9	3.15%
Megenagna branch	10	3.51%
A/Ketema branch	5	1.75%
Gotera branch	6	2.11%
Lebu branch	6	2.11%
G/Shola branch	4	1.41%
Meshualekea branch	5	1.75%
Gerji branch	5	1.75%
Kera branch	6	2.11%

Simple random sampling techniques are used to select the respondents from each branch. Simple random sampling technique involves the selection of samples at random from the sample frame (Saunders et al, 2007).

Sampling means choosing a smaller, more manageable number of people to take part in the research from the population (Catherine, 2002). The study uses the sample determination method table developed by J Carvalho (1984). The sample size determination table is given below.

Table 3.2: Sample size determining table

Population size	Sample Size		
	Low	Medium	High
51 - 90	5	13	20
91 - 150	8	20	32
151 - 280	13	32	50
281 - 500	2	50	80
501 - 1200	32	80	125
1201 - 3200	50	125	200
3201 - 10000	80	200	315
10001 - 35000	125	315	500
35001 - 150000	200	500	800

Source: J Carvalho, "Archival application of mathematical sample techniques", records management quarterly 18:63(1984)

Based on the above table the study has taken a sample of 80 respondents out of the 285, which is the highest possible sample size. Since the performance management system is similar across the bank, the data collected from the samples represent the overall population.

3.4. Sources of Data and Research Instruments

The researcher focuses on both primary data and secondary data .To carry out the study both primary and secondary data are collected. In order to get adequate and relevant information the study used well-designed questionnaire and interview as best instruments.

3.4.1. Primary Data Sources

Questionnaires that have closed ended questions are distributed to employees which are adopted mainly from John Jurgle (2005) and other researchers, John Jurgle’ s research was made on a fire department found in Florida and since NIC is a service sector company like that of the fire department most of the questions on the questionnaire were mainly adopted from it and the other questions were developed based on the dimensions of Performance management . A five point Likert scale questionnaire ranging from strongly disagree, disagree, neutral, agree and strongly disagree was distributed to 80 employees working in the Head Office, and Branches in Addis.

3.4.2. Secondary Data Sources

Secondary data sources are used in this study together with primary data. Secondary data is collected by using different books, journals and articles that are written on the topics related to Performance management system and internal company source such as different yearly annual reports, manuals, flyers and other relevant written sources that are useful to conduct the research.

3.5. Methods of Data Analysis and Presentation

To analyze the data collected from the primary and secondary sources, the study used both qualitative and quantitative data analyzing methods. And was summarized by using tables, frequency distributions and percentages to give a condensed picture of the data gathered. Accordingly, the summarized data was analyzed to arrive at a meaningful conclusion and to come up with valuable recommendations. The research has used SPSS (Statistically Package for Social Science) software, version 20 to analyze the quantitative data collected from the questionnaire.

3.6. Validity and Reliability

Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure.(kotari,2004). The interview guide and the questionnaire are constructed to obtain a complete coverage of the topic, with a strong attention on the general and specific objectives in order to ensure content validity. Content validity involves the degree to which the study is measuring what it is supposed to measure. More simply, it focuses on the accuracy of the measurement (John et.al, 2007). To increase validity, the interview questions and questionnaire were compared with other papers and were framed in a very clear and concise manner to make sure each question measures each variable at a time.

Reliability estimates the consistency of the measurement or more simply, the degree to which an instrument measures the same way each time it is used under the same conditions with the same subject (John et.al, 2007). The aim when discussing reliability is to lessen the errors and biases in the study. The researcher attempted to avoid any partiality in the research by maintaining a high level of consistency during the interview.

In order to increase the validity and reliability of the study pilot test was conducted on 14 employees. Based on the outcome of the pilot test the questionnaires were modified and

redesigned. After that the polished questionnaire was distributed to employees that didn't participate in the pilot test.

To insure the reliability of the instrument, the most commonly used Cronbach's alpha reliability coefficient technique was utilized to check internal consistency of surveys. As per (Walsh,1995) recommendation a minimum level of Cronbach's alpha should be 70%.

3.7. Ethics of the study

Objectives and expected advantage of the study are informed to the respondents prior to the collection of the data. Secret or confidentiality of each respondent and concerned body will not be exposed to other parties. Full data are collected formally from respondent and concerned bodies. Formal letter will be provide for legality of the study. The researcher will be copping up with different behavior of respondents like culture, religious, belief, and norms. No payment for respondents for the purpose of collection of data.

For respondents who require special assistance on translation, understanding, reading and writing, were given further explanation by the researcher to complete the questionnaire.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This section deals with the analysis and interpretation of data collected from the survey questionnaire. Responses for the measures on the questionnaire are summarized and presented using tables, graphs and charts to facilitate easy understanding.

Out of the 80 distributed questionnaires, 73 was filled by respondents and collected. Among them 3 overrated (5 on all measures) and 4 underrated questionnaires (1 for all measure) were identified. Therefore the researcher has excluded these responses lowering the number of filled questionnaire to 66 which gives a response rate of 82.5%. Since the researcher herself administered the data collection and follow-up, and as the sample size was manageable, the usability of the questionnaires was checked upon collection and respondents were asked to refill any missing values as much as possible.

Furthermore, interview was made with three HR/Admin Department coordinator, the assistant HR/Admin coordinator at the head office and main branch also with six Branch Managers of purposively selected branches in Addis Ababa on the basis of their large number of employees relative to the other branches. This is done as performance management is highly related with the HR department as well as the line managers. Their responses are analyzed and summarized in this chapter

4.2 Demographic Characteristics Of Respondents

Below is a presentation of gender, age, educational level and work experience distribution of the survey questionnaire respondents.

4.2.1 Gender and Age Distribution Of Respondents

As can be seen below from table 4.1, the majority of the respondents are male with the figure (n=46, % =69.70) and the rest (n=20, %=30.3%) are female. This shows that there is low number of females in the organization particularly as a respondent in this research.

Table 4.1 Age Distribution of Respondents

		Age Group									
		20 – 30 years		31 – 40 years		41 – 50 years		Above51 years		Total	
		Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Gender	Male	13	54.9	26	76.39	6	87.5	1	1.14	46	69.70
	Female	11	45.1%	8	23.61	1	12.5	0	0	20	30.30
Total		24	36.17	34	51.06	7	11.35	1	1.42	66	100.00

Source: Survey Questionnaire 2016

The majority of the respondents (n=58) fall in the age group of 20 -40, out of which from the total number of females, almost half of the respondents (n=11) fall on the age group of 20 – 30 and on the other hand out of the total male participants, majority of them (n=26) fall in the age group of 30 – 40 , which in summation indicates that the majority of the respondents (more than 87%) are below the age of 40. This figure again indicates that the work force in these specific positions is composed of mainly young employees.

4.2.2 Educational Qualification of Respondents

Table 4.2 Educational qualification of Respondents

Educational Qualification			
	Frequency	Percent	Valid Percent
High School Certificate	4	6.06	6.06
Diploma	7	10.61	10.61
Bachelor Degree	42	63.63	63.63
Master’s Degree	13	19.70	19.70
Total	66	100	100

Source: Survey Questionnaire 2016

The above table (Table 4.2) shows that 4 respondents (6.06%) are High school certificate holders, 7 respondents (10.61%) are Diploma holders, 42 respondent (63.63%) have a Bachelor degree and the rest of the respondents (19.70%) have Master's degree. This shows that majority of the respondents are educated to a level of Bachelor degree and, 1 out of 5 respondents is a holder of Master's degree. This outcome could be due to the fact that the target population of the study are employees who have strategic or administrative exposure in the organization i.e. officers, Managers and Coordinators. In this regard, the researcher believed that as most of the respondents have Bachelors degree and above educational level, it will be easier for them to understand and answer the questions forwarded.

4.2.3 Work Experience of Respondents

When we look at the tenure of respondents in the organization in the organization, 20.6% respondents have less than two years but above a year of service in NIC, 52.5% of the respondents have 2-4 years of service in NIC, 14.9% of the respondents have been working NIC for over 4 years and below 6 years, 5.7% of respondents have been in NIC for 6 – 8 years and the rests of the participants (6.4%) are staffs who have stayed longest in NIC i.e for more than 8 years. This shows that majority of middle and higher level positions are occupied by employees having 1 – 4 years of service in the organization (n = 34, 51.52%). However, this doesn't imply that don't have experience in the companies other than the case organization. It is believed that their tenure in the case organization is long enough to participate and provide valuable input in the assessment.

4.2.4 Location Of Respondents

Location dispersion of participants shows the incidence of respondents from different branches of the case organization.

Head office heads by contributing higher participants and constituting greatest share (n=18and 27%) and the main branch office comes second with (n=16 and 24%). On the other hand, other branches set up total of 32 participants (48%), from each branch 3-5 participants were involved. As the locations' share is decided basing their proportion to the target population, the respondent's dispersion can be inferred equivalent and balanced which certainly increases the representativeness of the sample.

4.3 Descriptive Analysis of Respondents For Major Processes of PMS

In order to see the general perception of the respondents regarding the processes of performance management system in the subject organization, the researcher has included the measures stated in the coming tables followed by analysis and interpretation supplemented using frequency table, percentage, bar charts and histograms. In order to simplify interpretation of the results, ratings of agree and strongly agree are grouped as agreement and ratings of disagree and strongly disagree are grouped as disagreement.

4.3.1 Prerequisites of Performance Management

In order to measure the initial part of the process of performance management, respondents were provided with 8 queries on the prerequisites of performance management process. The summary data is presented below with the responses in table 4.4 and the analysis subsequently.

Accordingly, the primary section in the category is intended to assess the strategic alignment of objectives at different levels in the structure of the case organization. Hence the first operation was asked to measure the awareness of employees on the organization's mission, vision and goal in this regard, as indicated in the below in the table 61 respondents (92.42%) consider that they are well aware of the mission, vision and goals of the organization, 3(4.5%) respondents disagreed on the statement and 2(3.03%) individuals remained neutral. Here it is observed that the majority of employees in the case organization are well aware of the subject, which indicates the organization has worked well in this regard.

Table 4.3 Respondents view on pre requisites of performance management process measures

Description	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	Fre q.	%	Fre q.	%	Fre q.	%	Fre q.	%	Fre q.	%
I have clear understanding of the Organization's mission, strategy and objectives	—	0	1	1.4	1	.7	34	51.1	30	46.8
Management regularly communicates in concise manner the university's mission, and	—	0	4	6.4	2	2.8	28	41.8	32	48.9

objectives throughout the organization										
I have a clear understanding of how many jobs related to the overall Bank's mission	1	.7	8	13.	2	2.8	31	46.	24	36.
				5				8		2
My duties and responsibilities are clearly defined to my understanding		0	3	5	2	2.8	28	42.	33	49.
								6		6
I have a clear understanding of performance management process	1	.7	1	2.1	9	13.	23	35.	32	48.
						5		5		2
My supervisor makes it easy to understand the performance management and always offering assistance to me when needed	14	21.	21	31.	12	17.	18	29.	1	.7
		3		2		7		1		
I have been given a clear and useful induction/ training on performance management practices	11	16.	22	34	8	12.	23	34.	1	2.1
		3				8		8		
I have the knowledge, skill and abilities necessary to manage performance effectively	1	.7	34	51.	1	2.1	24	36.	6	9.9
				1				2		

Group Mean: 3.72

Std. Deviation: 0.46

Source: Survey Questionnaire 2016

Concerning individual departmental goal alignment, 59 (90.78%) of the total respondents believe that they have full understanding on how their job supports their department goal, while 3 respondents chosen neutral and the remaining 4(6%) respondents disagreed on the subject. Similarly, regarding department-organization goal alignment, the majority of the respondents (n= 54, 82.98%) expressed that they know how departmental objectives support the overall mission and strategic goals of the organization, where 2 individuals voted neutral and 9(14%) respondent disagreed on the issue.

As suggested by Armstrong (2009), the aim of integration is to focus people on doing things with the organizational standard in order to achieve a shared understanding of performance requirements throughout the organization. This integration is achieved by ensuring that everyone is aware of corporate, functional and team goals and that the objective they agree for themselves are consistent with those goals and will contribute in specified ways to their achievement. Coming back to the above figure, it is comprehensible that the target organization is doing fine in cascading organizational mission, goals and objectives. However, though the aggregate shows

reasonable outcome, the organization should still work on improving and sustaining this performance. Particularly, it should progress the awareness of employees on how departments contribute in the achievement of organizational goals.

Additionally, respondents were asked whether their job duties and responsibilities are clearly defined up to their level of understanding and the majority (n = 60 and 92.19%) of them confirmed by agreement that they have clearly defined jobs, 4(5%) of them disagreed and 2(2.8%) of the respondents replied neutrally. This indicates that the target organization is performing well in orientating and mentoring of new job responsibilities to employees.

As presented in Table 4.4, respondents were asked if they are knowledgeable concerning the job that they are expected to do and 2 of them (2.8%) disagreed, 8 (13.5%) responded neutrally and the majority 55(83.69%) of them agreed that they have sufficient knowledge on their duty.

On the other hand, concerning the provision of preliminary job-related trainings and coaching to new employees or newly assigned tasks, respondents, replied as: 34 of them (52.48%) disagreed, 11 (17.7%) of them stood neutral and 19 (29.79%) of them agreed that they were given job related training and coaching at the time of joining the organization and/or at the start of new assignments. These figures indicate that only one out of three employees is satisfied by preliminary trainings provided. Assigning tasks for employees who are less capacitated and expecting goal attainment doesn't seem meaningful. Hence, the organization needs to do much in enabling employees be acquainted with their expected assignments and make them skilled enough to accomplish the assigned tasks.

Furthermore, on the subject of having updated job description, respondents reacted 33 (50.35%) of them disagreed, 8(12.8%) selected neutral and the rest 24 (36.89%) has agreed that their job description is updated. Michael Armstrong (2009) suggests that updated job description and role profiles are essential and will help employees during objective setting. He also added that maintaining updated job description is the key technique to stay competitive as an organization. However, the above figure shows that only 1 out of 3 employees maintained updated job description; which indicates that the target organization performed poor in the regard.

On the last measure of prerequisite i.e. possessing the knowledge, skills and abilities that are necessary to manage performance effectively, 34 respondents (51.77%) disagreed, 1 (2.1%) remained neutral and the remaining 31 respondents (46.09%) agreed that they have the required

skill and ability to manage performance and play in the performance management system actively. Herman Aguinis (2009) states that it is mandatory to clarify to employees about the performance management system, how to operate and actively participate in the process. And again, to develop standardization and make the practice consistent across people and time, the ongoing training of the individuals in charge of appraisals, usually managers, is a must. Based on the above figures, it is seen that only 46% of the employees have the knowledge, skill and ability of managing performance.

During the interview, it was also reflected that the HR department provides trainings on PMP twice or once in a year inconsistently. The interviewees believe that the training given is not adequate and this occurred because of many reasons like: lack of trainers/staff, budget problem and others. Therefore, this indicates that the case organization have to do more on training of employees and their supervisors to make them active participant in the process.

4.3.2 Performance Planning

As the second component of performance management process i.e. performance planning, respondents in the research reacted on the below listed 4 questions. Their proportionate summary and description is shown here under in Table 4.5 and the subsequent paragraphs.

Table 4.4 Respondents View on Performance Planning Measures

Description	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	Fre q.	%	Fre q.	%	Fre q.	%	Fre q.	%	Fre q.	%
Objective setting is done jointly by me and my supervisor	1	.7	4	5.7	–	0	35	53.2	26	40.4
My supervisor clearly explains what s/he expects from my performance	2	2.1	9	14.2	1	1.4	38	58.2	16	24.1
I set SMART objectives (Specific, Measurable, Attainable, Realistic, Time Bounded)	–	0	32	48.2	4	5.7	27	40.4	3	5.7
Development plans are prepared jointly by me and my supervisor	1	2.1	28	43.2	12	17.1	20	29.4	5	7.1

				3		7		8		
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Group Mean: 3.53

Std. Deviation: 0.63

Source: Survey Questionnaire 2016

The first question in this category was intended to assess the existence of collaboration between managers and employees during objective setting. In this regard, only 4 respondents (6.4%) disagreed, the majority (n=62, 94%) of the respondents have confirmed by their agreement that they set performance objectives jointly with their supervisors under free discussion.

Moreover, for the query intended to examine the provision of clear explanation by supervisors about performance expectations, 10 participants (16.3%) disagreed, 1(1.4%) respondents stayed neutral and the majority (n=54,82.27%) respondents agreed that they typically receive clear explanations on performance expectations during the planning phase of performance management. Therefore, it can be inferred that the organization is functioning well in this direction. But, as setting clear expectation is essential to goal achievement, there is a need to improve the provision of clear performance expectations with consistency.

It is clearly stated by Michael Armstrong (2009) that setting SMART objective is fundamental in performance management. If this stage is not done well, the whole practice will be uncertain to achieve the major goals in implementation of the system. Respondents were asked if they set SMART objectives during the planning phase, then as indicated in the above bar chart, 31 participants (48.2%) disagreed, 30 individuals (46.1%) have agreed that they practice this stage well and as per the expected standard, while the remaining 5 respondents chosen neutral. As stated above setting SMART objective is a cornerstone in the practice of performance management and the respondents' figure in this measure is not pleasing. In addition, the interviewees were asked similar question and their response showed that the practice of setting SMART objectives is poor. In general, it is witnessed that there is incompetence in almost half of the employees, hence the case organization have to improve a lot in this regard.

At the last enquiry of the performance planning portion, the practice and cooperativeness of employees and their supervisors on preparation and setting of development plans was asked. Here, 29 responses (45.39%) were disagreement, 24 responses (36.89%) were agreement while the remaining 11 individuals (17.7%) voted neutral. This indicates that only 1 out of 3 employees and their supervisors set developmental objectives together. This, the case organization can be

criticized that there is a clear gap in relation to staffs' collaboration and practice of development planning and related activities.

4.3.3 Performance Execution

In the assessment of the execution phase, as portrayed below in Table 4.6 respondents were asked to rate their opinion on 6 measures of the practice. First of all, on the subject of “provision of ongoing feedback from supervisors which helps to improve performance”, 33 respondents (50.36%) agreed on the issue, 3 individuals (5%) kept neutral and the remaining 29 respondents (44.69%) agreed that they receive ongoing performance related feedbacks from their supervisors.

Correspondingly, during the interview, it is observed that the performance of supervisors regarding ongoing feedback is very poor in the organization. Here, it can be inferred that the majorities didn't agree by the presence of ongoing feedback. As Michael Armstrong (2009) mentioned, “ongoing feedback by managers is strongly related to performance management effectiveness”. Therefore, the case organization should commit itself to improve in this regard.

As portrayed in the below pie chart, query was forwarded to respondents concerning the availability of appropriate and well-timed feedback from bosses on employee's performance. Then, 40 respondents (60.99%) disagreed, 4 participants (7.1%) stood impartial and only 20 of the respondents (31.1%) acknowledged the existence of timely feedbacks from their supervisors on job performance. Here, it is observed that only 1 out of 3 employees get timely feedbacks from supervisors.

Table 4.5 Respondents view on Performance Execution Measures

Description	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	Fre q.	%	Fre q.	%	Fre q.	%	Fre q.	%	Fre q.	%
My supervisor gives me ongoing feedback that helps me improve my performance	2	2.8	32	47.5	3	5	28	42.6	1	2.1
My supervisor provides timely feedbacks on my performance.	2	3.5	38	57.4	5	7.1	18	27	3	5

My supervisors provide me coaching to improve performance on regular basis	4	5.7	37	56	5	7.8	16	24.3	4	6
My supervisor documents major performance events and feedbacks over the performance period	2	2.8	26	39.7	9	13.5	23	34.8	6	9.2
I am provided with resources to perform and produce the expected results.	–	0	7	9.9	4	6.4	41	61.7	14	22
My performance information is used to set priorities for personal development	5	7.8	34	51.1	3	5	23	34	1	2.1

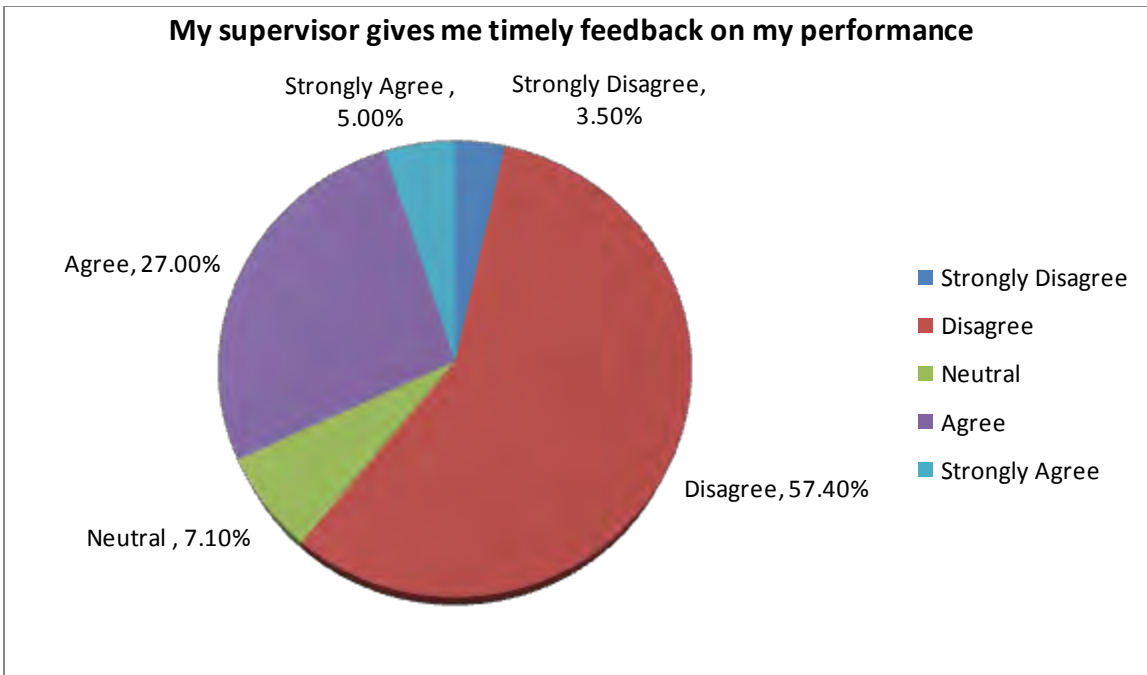
Group Mean: 3.02

Std. Deviation: 0.63

Source: Survey questionnaire 2016

In general observation, both ongoing and timely feedbacks from superiors to subordinates in the case organization is appeared to be lower. It is clearly stated by (Lee,2005) that the longer the gap between performance events and performance feedback, the greater the challenge of remembering with clarity the character and quality of the performance event. Also, two semi-annuals or one annual performance conversation cannot manage performance alone. So the case organization should understand this and work to improve this practice. During the interview, the respondents forwarded their idea which supports the result of the quantitative figure and confirmed the performance feedbacks are practiced poorer than expected.

Figure 4.1 Pie chart of respondents “Perception on Performance Feedback”



Source: Survey Questionnaire 2016

Then again, in relation to the presence of consistent coaching for the improvement of employees' performance 41 respondents (61.70%) disagreed, 5 employees (7.8%) choose neutrality and the remaining 20 individuals (30.5%) indicated their agreement on the presence of coaching in a consistent manner. Coaching also appeared to be inadequately practiced in the organization. As the central aim of the application of performance management is improving individual performance to achieve organizational goals, coaching is a mandatory practice.

On the other hand, to measure the status of supervisors on documentation of major performance events and feedback points through the performance period, 28 respondents (42.5%) showed disagreement, 8 of them (13.5%) selected neutral and 30 participants (44%) agreed on the presence of proper documentation of major performance actions over the period by managers and employees. As improper documentation exposes the system to bias and subjectivity. It is not optional to create appropriate and organized documentation practice in the organization.

On the issue of delivery of resources by supervisors and the organization which are necessary to execute and accomplish in line with the established performance expectation. 6 respondents (9.9%) disagreed, 4 persons (6.4%) reserved neutral and the majority (56, 83.68%) of the respondents confirmed the consistent supply of essential resources by the organization and

supervisors in the execution of planned performance. In this regard, it can be inferred that the organization is functioning well and should work to maintain this performance.

4.3.4 Performance Assessment and Review

With regard to the last stages in performance management process, respondents were provided with 8 queries on assessment and review of measures. The first enquiry was made to assess whether they were given a chance to assess their own performance and 11 of the respondents (17%) disagreed, and majority (54, 83%) respondents agreed that they got a chance to assess and rate their own performance during this phase. As indicated by Herman Aguinis (2009) self-appraisal can reduce an employee's defensiveness during appraisal meeting and increase the employee's satisfaction with the performance management system. As well, it enhances perceptions of accuracy and fairness and as a result acceptance of the system. Accordingly, based on the above percentage, it is the researcher's view that the case organization is performing well in this side.

Moreover, the assessment continued by questioning if employees' performance is rated based on the established standards, and 24 respondents (36.89%) disagreed on this issue, 6 of them (9.9%) stood neutral and 36 of the respondents (53.19%) expressed their agreement on the objectivity of the rating on their performance. Hence, the cumulative of disagree and neutral (i.e 46%) of respondents indicated that there is subjectivity in performance evaluations.

In addition, for the inquiry "the evaluation rating I get reflects my actual performance during the specific performance period", 34 respondents (51.8%) disagreed, 4 individuals (6.4%) chose neutral and 28 (41.84%) approved that the ratings are explicitly reflective of their actions during those specific performance periods. Here, above half of the respondents are not happy with the ratings' time-specificity. This issue was also discussed earlier in this chapter at the planning phase, particularly at the measure of setting SMART objectives. At that stage, the researcher has observed that half of the respondents were lower than the expected standard in practicing objective setting. It is unquestionable that quality planning and objective setting affects the whole process of PM particularly the rating stage.

Table 4.6 Respondents view on Performance Assessment and Review Measures

Description	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	Fre q.	%	Fre q.	%	Fre q.	%	Fre q.	%	Fre q.	%
I'm given a chance to assess my own performance	1	.7	10	16.3	–	0	33	50.4	22	32.6
My performance is rated based on the standards established	2	2.8	22	34	7	9.9	27	40.4	8	12.8
Devaluation rating I get reflects my actual performance during the specific performance period	3	5.	31	46.8	4	6.4	26	39	2	2.8
My self-rating and supervisor's rating are always similar	3	5	34	51.1	4	5.7	25	38.3	–	0
There is free discussion with my supervisor during performance review	1	2.1	5	7.8	8	12.8	36	53.2	16	24.1
If I don't accept the rating that my supervisor's provides, there is an appeal process in NIC	4	6.4	19	29.1	4	5.7	31	46.8	8	12.1
My future development plans are discussed and agreed after the assessment	5	7.1	28	42.6	3	5	27	40.4	3	5
I have received the recommended trainings in accordance with my performance gap and the job's necessity	13	19.9	45	68.1	2	2.8	6	9.2	–	0

Group mean: 3.13

Std. Deviation: 0.57

Source: Survey Questionnaire 2016

On the fourth query of assessing the similarity and the comparison of employee self-rating and supervisors' rating 37 respondents (56.03%) disagreed on the existence of similarity on theirs and supervisors rating, 4 individuals (5.7%) expressed their impartiality while 25 (38.3%) respondents showed their agreement on the idea of self-rating and supervisors rating similarly. Here, the absence of regular and timely feedback and communication could be a reason for this mismatch.

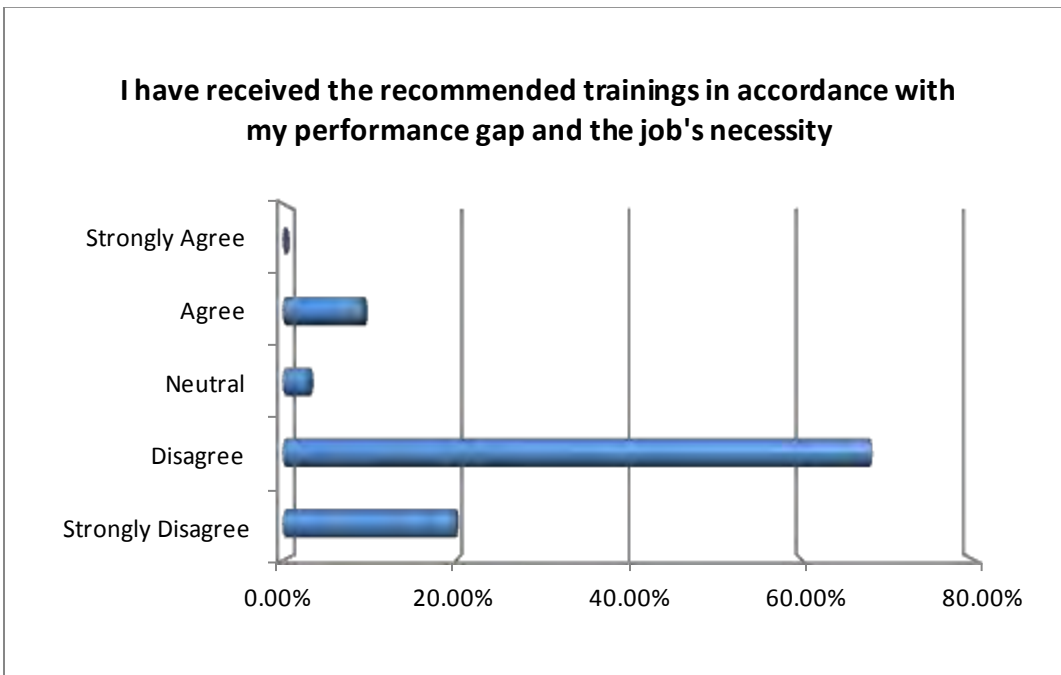
Beyond this, dissimilarity in performance rating could have different causes, and these causes should have to be investigated further.

Again, respondents were asked to show their reflection on the occurrence of free discussions with their supervisors during performance review meeting and 7 respondents (9.9%) disagreed, 8 of them (1.8%) stood neutral and the remaining 51(77.31%) has agreed on the presence of free discussion with supervisors on review meetings. The presence of free discussion during review meeting is helpful in creating smooth relationship between the parties and thereby increase the acceptability of the system.

The researcher continued the assessment by examining the presence of appeal procedures whenever disagreement occurs in the course of evaluation. In this regard, 23 respondents (35.5%) showed their disagreement, 4 individuals (5.7%) stayed neutral and 39 respondents (58.9%) confirmed the presence of appeal opportunity at the time of disagreement with supervisors concerning evaluation ratings. During the interview, it is observed that the HR unit in the organization plays a mediator role at the time of rate discrepancy. The case organization is functioning well concerning the “correct ability” of rating according to the above table.

As it is mentioned, the main objective of contemporary performance management, at the end of assessment and evaluation phases, there must be discussion about employees’ future development plans. To assess the presence of these discussions of future development plans at this particular stage, employees were asked about their experience and 33 of them (49.65%) disagreed on the issue, 3 of the respondents (5%) were neutral and 30 of the respondents (45.4%) agreed that they discuss about their future development plan during assessment and review with their supervisors.

Figure 4.2 Bar Chart of Respondents' Perception on Performance related trainings



Source: Survey Questionnaire 2016

During assessment, it is expected that employee's improvement areas will be explored. Then, needed trainings will be recommended as per the identified gaps. As portrayed above in Table 4.7, question was forwarded to respondents to check if they have received the recommended trainings on the identified performance gaps, and the vast majority (n=58, 88%) disagreed, 2 respondents (2.8%) stood neutral and only 6 of the participants (9.2%) showed their agreement on the provision of proposed training during performance evaluation. This poor practice was also confirmed by the respondents on the interview. Here, it can be seen that significant number of respondents haven't received the trainings proposed by their supervisors. In modern PMS, at the completion of performance management process, there are expected reactions by the management based on the results of the evaluation. Mostly, whenever, the evaluation results do not exceed expectations, training and development of employees is mandatory according to Michael Armstrong (2009). Even if the ratings exceeded established expectations, employees will further be developed and trained to take the next step in their future career in the organization. In this regard, the organization's practice is rated as poor.

4.4 Purpose of Performance Management

As PMP is aimed to serve different purposes in present-day systems, this research weights the purposes that the target organization aimed by the application of the performance management system.

Table 4.7 Respondents View on Purpose of PMP Measures

Description	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	Fre q.	%	Fre q.	%	Fre q.	%	Fre q.	%	Fre q.	%
PMP is aimed at linking the organization's goal with department, team and individual goals.	–	0	4	6.4	8	12.8	31	46.1	23	34.8
PMP output is used for salary adjustment	8	12.1	54	81.6	1	2.1	1	1.4	2	2.8
PMP output is used for promotion and/or demotion	15	23.4	30	45.4	13	19.9	5	7.1	3	4.3
PMP is used to communicate performance expectation of the employer	1	1.4	2	3.5	17	25.5	31	46.1	15	23.4
PMP functions for identifying performance deficiencies	–	0	15	22.7	1	1.4	44	66.7	6	9.2
PMP is used for filling identified performance gap	11	17	32	48.9	1	.7	18	27.7	4	5.7
PMP helps employees to achieve their career aspirations in the long run.	–	0	14	22.7	4	5	43	64.5	5	7.8
PMP is used as a toll for succession planning in the organization	1	2.1	13	19.9	25	36.9	19	28.4	8	12.8
PMP document can be used as a source to avoid litigations	2	2.8	9	14.2	29	44	19	29.1	7	9.9

Source: survey Questionnaire 2016

Firstly, participants were asked to confirm if they have observed in the organization the intention of linking the organizational goal with team and individual goals and 4 respondents (6.4%) disagreed, 8 of them (12.8%) stood neutral and the vast majority (54, 80.8%) respondents agreed. It is appreciated that the organization is doing very well in aligning organizational, departmental and individual objectives by using its performance management system. Therefore, one can say that the organization targeted to bring the focus of employees on the track it desires in order to achieve a shared understanding of performance requirements throughout the organization.

Participants were again asked if the target organization is using the result of PMP for employees' salary adjustment and 62 respondents (93.61%) disagreed, 1 participants (2.1%) chose neutral and the remaining 3 respondents (4.25%) showed their agreement that the case organization uses performance management results for employee's salary adjustment. This significantly shows that the practice of using the result of PMP for adjusting employees' salary is poor in the target organization.

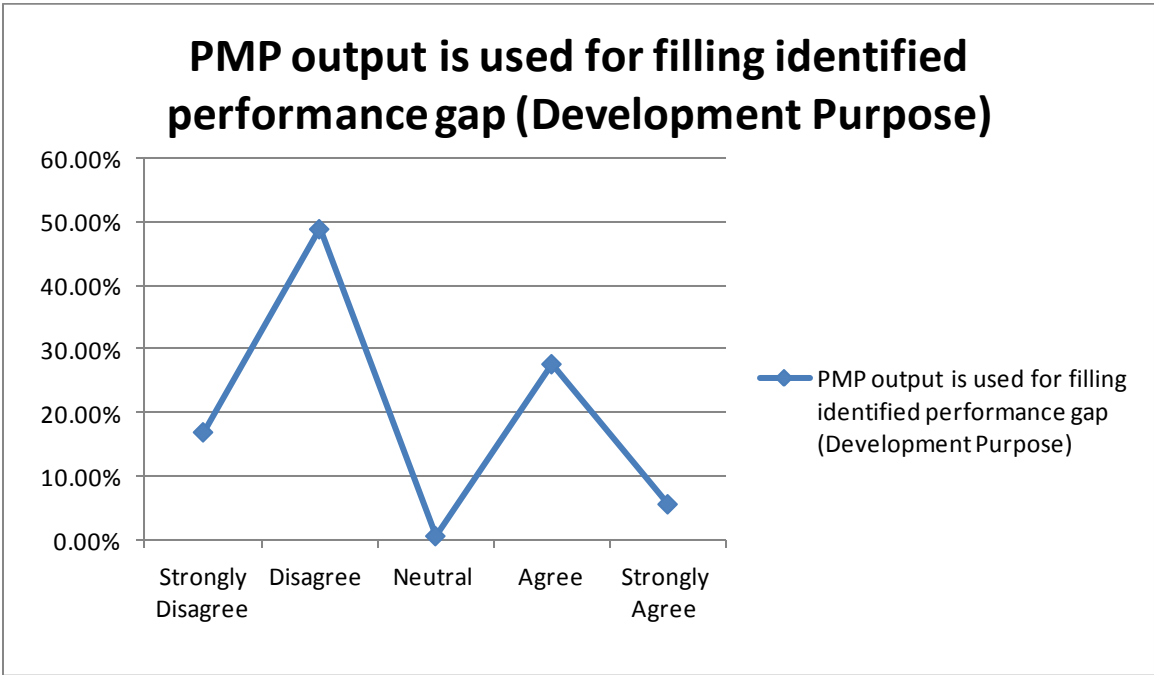
Concerning the use of PMP output for promotion and/or demoting employees, 45 respondents (68.8%) disagreed, 13(19.9%) selected neutral and the rest 8 respondents (11.34%) agreed on the idea that PMP output poorly influences decision makings in the promotion and demotion of employees.

As assessing the purposes of PMP continues, respondents were asked if performance management is used to communicate employees performance expectations of the organization and 3 respondents (4.96%) disagreed, 17 respondents (25.5%) stayed neutral and the rest of the participants 46(69.5%) has agreed that the organization uses the system to communicate performance expectations to its employees.

On the query provided to examine if the current system aims in identifying performance deficiencies, 15 respondents (22.69%) showed their disagreement, 1 participant (1.4%) remained neutral and the majority (50, 75.88%) of respondents agreed that performance management process helped them identify performance gaps and areas of improvement. In relation to this idea, respondents were again provided with related query to forward their view if performance management system of the target organization is used for filling identified performance gaps of employees and 43 of them (66%) disagreed, 1 employee inclined to neutral and 22(33.3%) respondents supported that the case organization uses the system for filling identified

performance gaps of employees. Here, from the above consecutively discussed queries, it is understood that the system is functioning very well in performance gap identification simply. But as identifying performance gaps alone won't bring any progress, it is advised to be accomplished by mechanisms to fill the identified performance gaps. Coaching, mentoring, educating and other training and development methods must be implemented to make the effort meaningful. Therefore, the case organization should take the assignment of assessing where the problem is, and bring the remedy.

Figure 4.3 Line chart – Comparison of Administrative and Development Purposes of PMS



Source: Survey Questionnaire 2016

On the other hand, respondents were asked if the performance management system supports employees for the achievement of their career aspiration in the long run and 15 respondents (22.69%) disagreed that the system is not supportive to them in the achievement of their long run career aspiration, 3 of them (5%) stayed neutral and the remaining 48 respondents (72.34%) agreed that they are benefited by the performance management system in the pursuit of their aspired career track in the long run. It can be inferred that the system is good in enabling the

employees dream and pursue their prospect careers. So, the organization should maintain this performance and try to improve its record more.

Concerning the support of performance management system in succession planning, 15 respondents (21.98%) disagreed, 24 employees (36.9%) stood neutral and 27 respondents (41.14%) agreed that performance management system is used in decision making regarding succession planning in the case organization. Here, in aggregate, large number (59%) of respondents replied disagree and neutral on the succession planning measure.

As a final point in this category of examining the purposes of performance management system in the case organization, respondents were asked about the system's benefit with regard to producing formal documentations that are valuable to avoid litigations, and 11 of the respondents (17%) disagreed, 29 respondents (44%) showed their neutrality while the rest 26 respondents (39%) agreed that the outcomes and documentation in the system are beneficial in cases of litigation. It inferred that most of the respondents don't have the information whether the organization uses the documents of performance management for litigation or not.

During the interview with the selected respondents, the researcher witnessed that in the case organization, the current management system is used mainly for administrative. Above this, it is aimed to ensure the cascading of organizational mission and vision, to confirm goal integration, by keeping the record of performance result for the avoidance of legal cases and also to communicate to employees the expectation of organization and supervisors. It is observed by the interview that unlike developmental, administrative purpose is emphasized and served most in the case organization.

4.5 Employee's Perception towards PMP

To understand and observe the perception of employees towards the performance management system in the target organization, eight measures were prepared as can be seen below in Table 4.9. First, they were asked if they are happy in their participation in the system, and 1 respondent (2.1%) disagreed, 13 (19.9%) respondents were neutral and the majority of the respondents (n=52, 78%) shown that they are happy to be part of the performance management processes in the target organization.

Regarding the adequacy and sufficiency of preliminary trainings regarding PMP and its procedures to employees in the target organization, majority of the respondents (n=41, 61.70%) disagreed, 4 of them (5.7%) chose neutral and the rest 21(32.6%) respondents appeared to be satisfied by the trainings given to employees on the topic of PMP processes and procedures. Therefore, the case organization should think about the means, and commit to improve its practice in this regard.

Table 4.8 Respondents Perception Measures

Description	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	Fre q	%	Fre q	%	Fre q	%	Fre q	%	Fre q	%
PMP is aimed at linking the organization's goal with department, team and individual goals.	–	0	4	6.4	8	12.8	31	46.1	23	34.8
PMP output is used for salary adjustment	8	12.1	54	81.6	1	2.1	1	1.4	2	2.8
PMP output is used for promotion and/or demotion	15	23.4	30	45.4	13	19.9	5	7.1	3	4.3
PMP is used to communicate performance expectation of the employer	1	1.4	2	3.5	18	25.5	30	46.1	15	23.4
PMP functions for identifying performance deficiencies	–	0	15	22.7	1	1.4	44	66.7	6	9.2
PMP is used for filling identified performance gap	11	17	32	48.9	1	.7	18	27.7	4	5.7
PMP helps employees to achieve their career aspirations in the long run.	–	0	15	22.7	3	5	43	64.5	5	7.8
PMP is used as a toll for succession planning in the organization	1	2.1	13	19.9	25	36.9	19	28.4	8	12.8
PMP document can be used as a source to avoid litigations	2	2.8	9	14.2	29	44	19	29.1	7	9.9

Source: Survey Questionnaire 2016

In measuring employee's attitude and self-confidence towards their level of knowledge on how to operate and actively play a part in the performance management system of the case organization, 30(45.5%) respondents exhibited that they are not confident in their knowledge on PMP operation, 9 individuals selected neutral and the rest 27(41.1%) of the respondents were appeared to be confident in their knowledge over PMP and its operation, which is very critical and needs high attention. This is somehow related with the previous query regarding training and it is directly affected by its performance. So, by understanding the importance of building the knowledge of employees on enabling to manage performance, the case organization should have must act on this concern.

Respondents were asked if the case organization applied PMP only to control employees, and most of the respondents opposed the idea, to get them in figures, 35 (53.19%) disagreed, 19 (29%) remained neutral and the rest 12 (17.7%) respondents agreed on the thought that the organization uses PMP to control staffs.

Respondents were asked again if they think that performance management is simply a waste of time, and the majority (n=53, 80.9%) of the respondents opposed the idea; 5(7%) participants remained neutral and 8(12%) of respondents expressed their thought that implementing and participating in performance management is simply time killing. Similarly, the respondents were questioned if their participation in the system is for the reason that it is obligatory by the case organization, and 46(70%) of the respondents have disagreed and confirmed that they have self-willingness and interest to participate in the system, 6 (8.5%) didn't take either of the sides and the remaining 14 respondents (22%) approved that they are taking part because it is compulsory.

Regarding the objectivity of judgment of supervisors on the rating, more than half of the respondents (n=36, 54.6%) disagreed, 5 individuals (7.8%) stayed neutral and 25(37.6%) respondents agreed that ratings are objective. In addition to this, the interview result also shows that there exists subjective decision during evaluation which the HR department is troubled about. As the figure is enormous, the organization is required to investigate the issue further and bring some solution to minimize the problem.

Finally, to observe the general pleasure of employees, the final measure focused on their satisfaction on the performance management system, and 34 (51.77%) of the respondents

disagreed as they are not satisfied with the system, 2 (3.5%) of respondents reserved neutral and 30 (44.6%) respondents supported the idea that they are satisfied with the PMS.

During the interview session, the researcher asked questions concerning the perception of the employees towards the system and the organization's action on the issue. On the assessment of effectiveness of the performance management system, the researcher perceived that the system is never reviewed or assessed by the organization so far. And also, the HR department has never did staff attitude and perception survey towards the performance management system too. But the higher officials in the HR department expressed that they have a plan to do these assessments in the coming years. As knowing the perception of the employees towards the system is very essential to fill the gaps in the practice, the organization should try to involve employees' idea in this regard.

4.6 Knowledge on PMP

In order to assess the knowledge of employees on performance management practice and procedures, seven measures were forwarded and respondents were asked to express their level of agreement. The summary of their response is listed hereunder in Table 4.11

Table 4.9 Respondents Knowledge on PMP Measures

Description	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	Fre q.	%	Fre q.	%	Fre q.	%	Fre q.	%	Fre q.	%
I am capable of setting SMART objectives (specific, measurable, attainable, Realistic, Time bounded)	1	0	24	36.9	5	7.1	31	47.5	6	8.5
I know the purpose of performance management program	1	0	20	30.5	20	30.5	19	29.1	7	9.9
I know how to provide performance-related feedback to subordinates	1	.7	37	56	2	2.1	24	37.6	2	3.5
I am knowledgeable on how to coach employees	1	0	30	46.8	7	9.9	27	40.4	2	2.8
I am capable of measuring	1	0	36	55	7	8.5	22	34	1	1.4

performance of my subordinates				3				8		
I know how to prepare and lead review meetings	–	0	2	3.5	10	15.	44	66	10	14.
I have sufficient knowledge on performance gap assessment for y subordinates	–	0	24	36.	3	5	36	53.	3	4.3
I usually support employees to fill identified performance gaps	–	0	7	9.9	16	24.	31	47.	12	17.
						8		5		7

Source: Survey Questionnaire 2016

The first measure was on whether employees are capable of setting SMART objectives for which (n=24, 36.9%) respondents disagreed, 5 individuals (7%) remained neutral, which shows that they are not assertive in their capability of setting SMART objectives, the rest 37 individuals (56.03%) of respondents confirmed that they are capable of doing the objective setting. As this particular knowledge is mandatory to effectively participate in the performance management system, the case organization has to do much to improve in this regard.

Regarding employees' knowledge on providing performance related feedback to subordinates, majority (n=37, 56.74%) of the respondents disagreed with the statement while 1 (2.1%) of respondents stood neutral and the rest 27 respondents (41%) agreed that they are capable of providing performance related feedback to their subordinates. As proper feedback helps discover errors, maintain goal direction, influences new goals provides information on performance capabilities and on how much more effort is needed to achieve goals, and positive reinforcement for goal accomplishments, the case organization should have to think of training the employees on how to provide performance related feedback.

Similarly, respondents were asked whether they are capable of coaching their subordinates and 31 of them (46.8%) disagreed with the statement, 6 (10%) of them stood neutral while the rest 29 (43.2%) agreed on their skill of coaching subordinates. Here, more than half of the respondents have a doubt in their coaching skills. It is necessary to improve manager's coaching skills in the case organization.

Observing employee's knowledge and skill in preparing and leading review meeting was another part of knowledge assessment and only 2 (3.54%) if respondents disagreed, 10 (15.6%) respondents abstained from taking side and the majority (n=54, 80.85%) has agreed that they are

capable of preparing and leading review meetings. This shows that the organization is doing great in this regard.

Regarding employee's skill on performance gap assessments, respondents were asked if they are capable enough, and 24 (36.88%) has disagreed 4 respondents were neutral while the rest (n=38, 58.15%) agreed that they have the capacity to assess performance gaps of their subordinates. Even though the organization performed fine, as assessing and analyzing performance gap is very essential, the target organization must work on this.

Lastly in this category, respondents were asked if they usually support their subordinates to fill identified performance gaps as necessary, and 7 respondents disagreed with the statement where the majority (n=43, 65%) of respondents agreed that they provide support subordinates and collaborate with them in narrowing identified performance gaps. This shows that the employees work cooperatively in this regard.

During interview, the issue regarding the knowledge of employees was assessed. The researcher came to know that to raise awareness in the organization; the HR department mostly provides refresher trainings once or twice a year, at the time of objective setting or in the middle of the performance year. It is also told that the trainings are not consistent due to budget deficit, shortage of staff and other reasons. Similarly, on the subject of knowledge of staff on PMP, it is acknowledged that most staffs are not capable of setting SMART objectives, and they don't participate actively as expected in the performance management processes. One of the interviewee said that "we always provide training to tackle this problem, however, for unknown reasons; we couldn't bring the employees on the right track. Maybe the trainings that we provide are not successful. But, the basic reasons are not researched yet."

4.7 Challenges on The Application of PMP

In this category, expected challenges in the practice are assessed. At the start, respondents were asked to provide their opinion, if there is carelessness of employees during the implementation of the system as a challenge and 25 (37.5%) disagreed, 3 individuals remained neutral and the majority (n=38, 57.5%) agreed that employees are careless in their practice throughout the implementation of the performance management system. Carelessness of employees during performance management practice can be related with different factors. As it is stated in Herman Aguinis (2009), there are some best practices that one performance management system should

consist and among them is “Meaningfulness of the system”; which means, if that system has no consequences in terms of outcomes the participants value, people will not pay attention to that as a result they will be inconsiderate. However, beyond this idea, it seems that this issue needs further investigation and assessment by the target organization to find out the reasons that brought employee’s carelessness.

Again respondents were asked if the performance management system is complex and difficult to operate, and 50 (75.6%) disagreed, 2 individuals remained neutral and 14 of them (21.3%) agreed that the system is not user-friendly. From this figure, it is witnessed that the applied system in the organization is simple and workable to the majority of the users. But trying to make the system more user-friendly is another assignment for the target organization.

Moreover, respondents were asked if there exists insufficient and inadequate commitment by the senior and line management and 26 (39%) disagreed, 16 individuals (24%) remained neutral and the rest 24 (36.1%) agreed that the management commitment is not enough and satisfactory. It is completely useless to have a well-developed PMS without commitment from the management team. If senior and line management do not show commitment to the implemented PMS, the employees will also not take it as serious and important. In this survey, the cumulative proportion of neutrality and agreement (61%) indicates that there is a gap witnessed in the support of line management to the system. The interviewees also confirmed that the commitment of line managers is not satisfactory in the application. It is observed that supervisors usually focus only on one component from the system i.e. evaluation.

On the other hand, concerning lack of provision of support from HR department, 28 (42.5%) disagreed on the statement, the majority (n=36, 55.3%) agreed that they are not satisfied by the support provided from the HR department in the implementation of the performance management system.

Table 4.10 Challenges on the Application of PMP

Description	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	Fre q.	%	Fre q.	%	Fre q.	%	Fre q.	%	Fre q.	%
There is carelessness of employees to implement the program	10	15.6	14	22	2	5	36	55.5	4	6.4
The PMP system is complex and not easy to practice	5	7.8	45	68.1	2	2.8	11	16.3	3	5
Inadequate management commitment for the application of PMP	–	0	26	39.7	16	24.1	23	34	1	2.1
Insufficient support by Human Resource department	2	2.8	8	12.8	1	2.1	53	79.4	2	2.8
Lack of knowledge of employees to implement PMP process.	1	2.1	19	29.1	2	2.8	43	63.1	1	2.1
Poor understanding of employees towards PMP purpose	1	1.4	28	39	3	3.5	30	41.8	4	6.4
There is no adequate time given to implement the PMP system	6	7.8	36	55.3	10	14.9	13	19.9	1	2.1
There is lack of budget for training and development	2	2.8	4	5.7	6	8.5	50	77.3	4	5.7
Evaluators biasness is a challenge in performance management	1	0.7	5	7.8	3	5	52	79.4	5	7.1

Source: Survey Questionnaire 2016

On the other hand, as per (Kathy Armstrong and Adrian Ward, 2005), HR's role in performance management is crucial. HRs should be in charge of designing and reviewing systems, convincing the senior management of a new approach, implementing new process, running workshops for managers and staff, providing advice and support materials to staff and management, and insuring there is compliance with the system.

Accordingly, from the above figures again one can understand that the majority of the participants are not satisfied by the service and support given by the Human Resource unit and there seems much to be done to see where this specific support is deficient so that to be able to give the necessary support to the users by the HR people.

The researcher also collected ideas of respondents during the interview about the role of HR unit in the performance management system implementation. It is observed that the respondents believe that the HR department is not giving the support with the expected quality level and coverage particularly regarding awareness creation over PMP and staff development matters.

As the researcher continues, respondents were asked to provide their thought on the presence of poor understanding of employees towards usage of performance management and 20 respondents (31%) disagreed, 43 respondents (65%) agreed that it is their belief that employees do not have the necessary knowledge and understanding on the practice and benefits, while the remaining 3 individuals stood neutral. It can be inferred from this figure that the majority of the employees' awareness and understanding on the practice of performance management system and its benefits is poor and not satisfactory, which counted by employees as a challenge in the journey to success. With regard to the deficiency of time given for the activities and execution of the performance management process, 27 respondents (40.4%) disagreed with the statement and thought that the time given in the practice is sufficient, 32 individuals (48.23%) agreed that the practice lacks sufficient time while the rest of the respondents (n=7, 11%) stayed neutral.

In order to check if there exists shortage of resources in the implementation of the system, respondents were asked their experience and 42 (63%) of the respondents disagreed and confirmed that they are provided with sufficient resources that are necessary in the practice, 14 of them (21%) agree on the deficient of resources and 10 (15%) of them stood neutral. It is seen that the target organization is doing well in material supply for the practice of the performance management system. Though, the figure shows that 1 out of 4 employees is not pleased with the resource supply thus, there should be better arrangement for material and resource supply in the organization.

One of the measures raised in assessing the challenges hindering the system not to achieve its expectations was lack of budget for training and development; here the vast majority (n=55, 83%)

of the respondents agreed that there is lack of budget for employees development, 6 (8.5%) of the participants remained neutral while the rest 5 respondents disagreed. On this survey it is observed that the vast majority of the respondents complained on the shortage of training and development because of lack of budget. Hence, it is clear that the case organization must emphasis in this regard so as to achieve the established organizational goals.

The last measure in this category discussed the issue of evaluator's biasness as a challenge and 57 respondents (86.5%) agreed that evaluators are mostly subjective in their rating, 6 participants disagreed on the statement while 3 (5%) of the respondents remained neutral. So this problem should be investigated by the case organization and subjectivity should be lowered to the most possible level. On the other hand, during the interview, the researcher got different ideas on the challenges that hinder the employees on the application of the performance management system and the major ones are listed in the following paragraphs.

The first issue raised was shortage of staff in HR unit. It is told that the HR department don't have a separate staff development unit which follows-up the issue of performance management, and is committed to training and development of employees.

In addition, it is told that line managers are careless and are not totally accountable in accomplishing their respective tasks of providing timely and ongoing feedback, coaching and training the employees under their unit.

The interviewees also reflected that, the employees' attitude focuses only on the monetary benefit and annual increments. As a result employees do not focus on other objectives of the system like skill development and future career advancement. So there is a problem of poor awareness by employees.

On top of this, the social bond is too strong in the organization, particularly in the branches where the number of employees is small, thus, the problem of biasness is difficult to reduce, which worsened the activity of subjective and biased decisions. It is the interviewee's idea that employees' knowledge towards the performance management system and its practice is very low.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In chapter four, data analysis and interpretation has been presented in this chapter, based on the major findings subsequent conclusions are made. Based on the conclusion, recommendations are forwarded in relation to literatures reviewed to better enhance the organization's performance management process and practice.

5.2 Conclusions

As mentioned in the introductory section of this study, human resource management is critical for the successful operation and profitability of an organization since the people are main assets used to operate an organization. It is known that one of the core HRM functions is managing employee's performance. Accordingly, the main objective of the study was assessing in detail the effectiveness of the practices performance management system, explore its major aims, assess the perception and knowledge of employees over the system and thereby identify the challenges that the case organization and its employees facing in their journey of applying the system. Thus, based on the major findings stated above, the following conclusion has been reached.

On the prerequisite process, it is concluded that employees are well-informed of the organization's mission, vision and goals. Objectives at different levels throughout the structure are integrated and aligned well. Moreover, jobs are clearly described to employees. To the contrary, employees do not get preliminary training and coaching during new task assignment. In addition, it is also concluded that employees lack the skill to manage performance and actively participate in the system.

At the planning phase, the management of the case organization found successful in creating a ground for participative objective setting. Because of this, supervisors are able to provide performance expectations in a clear manner to their subordinates. However, the practice of setting SMART objectives is not executed well. The performance of employees and supervisors in setting developmental objectives is not also found satisfactory.

Regarding the process of execution, employees do not get timely and ongoing performance feedbacks. Hence, coaching and performance follow-up were not regularly performed. These practices are found to be the drawbacks supervisors and line managers in the application. The practice of documentation of major performance events is witnessed partially on the supervisors. The organization's commitment in provision of the required material supplies is noted as its strength.

In the assessment stage, most of the employees do self-appraisals which is very good in reinforcing the system. In addition, review meetings are accompanied by free discussions and negotiations. If these discussions do not narrow the thought discrepancy between the parties, there is an appeal procedure that employees can follow in the organization. This shows that employees are empowered to have a discussion with their supervisors and management at any point.

Gaps concerning evaluation and rating processes were observed. In particular, lack of standardization in ratings of performance is observed. Partially, employees were not measured based on the established performance objectives.

Formally recommended trainings based on identified performance gaps by supervisors were not provided to employees. Thus development activities are poorly practiced.

Concerning major aims of the application, it is mostly used as a source of information for administrative decisions and as well helpful to communicate the organization's and the supervisors' expectations to employees. The recorded output of the system were also moderately useful to the organization in avoiding litigations. It is concluded that strategic purpose is also used well by the process of alignment and goal integration. But, the system didn't serve its employee development and organizational maintenance purposes well.

Employees are perceive as interested and pleased to participate in the system which enhances cooperation in every angle. They believe that they are not wasting time in their practice and involvement in performance management process. The system is not also percieved as 'controlling' method. On the other hand, it is common perception that adequate trainings are not given to employees on performance management system and its process, which possibly created lack of confidence in the knowledge and skill that the employee possess in their participation in the system. The system generally was not fully satisfactory to employees.

Concerning knowledge of employees on the practice, they are seen to be well-informed on how to prepare and lead review meetings and are experienced in skill gap identification for subordinates. Regarding the detail practices, employees are not skilled on how to provide performance related feedbacks to subordinates and how to coach employees. Most employees are not capable of setting SMART objective.

As a challenge, absence of training and development activities and opportunities which may be caused by lack of budget is listed at the top. Negligence of employees, subjective decision making of evaluators, poor understanding and knowledge of employees over the system and its processes were among the challenges in the application. In addition, in some ways, lack of sufficient support from the HR department and lower commitment of management to the program's success were found to be challenges faced by employees.

5.3 Recommendations

HRM can be strategic partner for any business when it presents a tangible support for an organization's profitability. This tangible support is achieved when the HR system in place is effectively implemented along with the individual HR practices which are sure to lead to increased productivity of firm. Performance management is one of the major pillars in contemporary HR system. The potential value of using PMS as a tool to manage and measure both employee and organizational performance depends largely on the quality of how the system is implemented. It is seen as an efficient vehicle to successfully deliver on the strategic objectives and goals of organizations. As, the proper implementation of such a system is of critical importance to success, organizations should watch over to confirm its functionality and able to take timely measures as necessary. In addition, knowing the major challenges that are associated with effective implementation and practice should not be left to luck.

Accordingly, to better enhance the performance management system of the case organization, the following recommendations are forwarded.

For the expected performance to be achieved, employees should understand their role and contribution to their team and organization. Therefore, employees should be provided with updated job descriptions at least at the beginning of every performance period.

As planning is the backbone for the whole process of PM, the organization should confirm the practice and usage of SMART objectives in the application by giving the necessary trainings on how to develop the SMART objectives.

To enhance employees' capability, at the beginning of every performance period, employees should be checked for their skills and abilities with regard to managing performance. Then, the employees should get refreshed or thorough trainings basing PMP training need analysis and/or gaps identified in previous performance period.

As feedback and coaching practices are the basis for success of PMS, the management must commit to make continuous feedback and coaching the predominant style of managing people, were commitment to achieving organizational objective is embedded in a parallel commitment to improving the people.

On the assessment and review process, the finding indicated that there is lack of standardization in the exercise, therefore, to make sure the presence of consistent evaluation across people and time, ongoing training of the individuals in charge of appraisals, usually managers is essential.

All supervisors should be responsible to manage the performance of subordinates properly. To make the supervisors accountable, the development of their subordinates should be counted as their responsibility and incorporated in their own performance objectives as major performance expectation. Managers again should be held accountable for the failure of their subordinates on PM activities. So the organization should enforce accountability concerning employee performance.

The findings indicated that the organization is highly focused on administrative purposes by the application. To get a balanced outcome from the system. It should also comprehensively focus on developmental and organizational maintenance activities like, feedback, coaching, training, development and career management.

As a challenge in this regard, lack of budget and inadequate HR support was found during the survey. Therefore, the organization's management and the HR unit should together commit themselves in resolving the budget problem to deliver the required trainings to employees. In such a way, developed and motivated employees can support the achievement of organizational objective.

Appropriate perception and understanding of employees' about the PM processes and its purposes plays a vital role in the acceptability and success of the application. Therefore, the organization should work on raising awareness of employees to develop better attitude towards the performance management system.

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Appendices

Addis Ababa University School of Commerce

MA Program in Human Resource Management

Dear respective respondents

I am a post graduate student in MA in Human Resource Management and I am conducting a survey on the title “Effectiveness of Performance Management Execution: In Nib Insurance Company” and the objective of this questionnaire is to collect data from NIC employees which help to assess the Performance Management System in NIC. The information collected shall be used for research purpose only.

There are two sections: Demographic Information and Performance Management System Opinion Survey.

I assure you that your responses will not disclosed in any way and utmost confidentiality will be maintained. Hence, I request your sincere corporation for the successful undertaking of the study and your valuable response is highly appreciated.

Thank you!

Notice

- ✓ No need to write your name.
- ✓ Please put a “√” mark in the boxes for your answers

Part I: -Demographic Information

1. Age Category

- 20-30
- 31 – 40
- 41 – 50
- Above 51

2. Marital Status

- Single
- Married
- Divorced
- Widowed
- Other _____

3. Gender

- Male
- Female

4. Educational Attainment

- High school certificate
- College Diploma
- Bachelor's Degree
- Master's Degree
- Doctorate Degree
- Other (Please Specify).....

5. Job level

- Managerial
- Clerical
- Professional
- Non clerical
- Other -----

6. Your experience in NIC

- 1-5Years
- 6 – 10 Years
- 11 -20 Years
- 21 – 30 Years
- >= 31 Years

Part II

In the following tables you find some dimensions of reward management practices in our bank. Please give your responses for your causes by putting a tick mark (✓) in the corresponding spaces under each number in front of each situation based on your agreement level. The numbers are decoded in the following manner.

- 1= strongly disagree
- 2= disagree
- 3= neither agree nor disagree
- 4= agree
- 5= strongly agree

No.	Descriptions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I	Performance Prerequisites					
1	I have clear understanding of the Bank's mission, strategy and objectives					
2	Management regularly communicates in concise manner the university's mission, and objectives throughout the organization					
3	I have a clear understanding of how many jobs related to the overall Bank's mission					
4	My duties and responsibilities are clearly defined to my understanding					
5	I have a clear understanding of performance management process					
6	My supervisor makes it easy to understand the performance management and always offering assistance to me when needed					
7	I have been given a clear and useful induction/ training on performance management practices					
II	Performance Planning					
1	Objective setting is done jointly by me and my supervisor					
2	My supervisor clearly explains what s/he expects from my performance					
3	I set SMART objectives (Specific, Measurable, Attainable, Realistic, Time Bounded)					
4	Development plans are prepared jointly by me and my supervisor					
IV	Performance Execution					
1	My supervisor gives me ongoing feedback that helps me improve my performance					

2	My supervisor provides timely feedbacks on my performance.					
3	My supervisors provide me coaching to improve performance on regular basis					
4	My supervisor documents major performance events and feedbacks over the performance period					
5	I am provided with resources to perform and produce the expected results.					
6	My performance information is used to set priorities for personal development					
7	My supervisor gives me ongoing feedback that helps me improve my performance					
III	Performance Assessment					
1	I'm given a chance to assess my own performance					
2	My performance is rated based on the standards established					
3	Devaluation rating I get reflects my actual performance during the specific performance period					
4	My self-rating and supervisor's rating are always similar					
5	There is free discussion with my supervisor during performance review					
6	If I don't accept the rating that my supervisor's provides, there is an appeal process in NIC					
7	My future development plans are discussed and agreed after the assessment					
8	I have received the recommended trainings in accordance with my performance gap and the job's necessity					
V	Purpose of Performance Management System					
1	PMP is aimed at linking the organization's goal with department, team and individual goals.					
2	PMP output is used for salary adjustment					
3	PMP output is used for promotion and/or demotion					
4	PMP is used to communicate performance expectation of the employer					
5	PMP functions for identifying performance deficiencies					
6	PMP is used for filling identified performance gap					
7	PMP helps employees to achieve their career aspirations in the long run.					

8	PMP is used as a toll for succession planning in the organization					
9	PMP document can be used as a source to avoid litigations					
VI	Perception of Respondents towards Performance Management System and Practice					
1	I am very happy for taking part in the performance management practice					
2	The trainings given on PMP are adequate					
3	I am confident in my knowledge about performance management process					
4	The system is applied by NIC only to control employees					
5	Performance management is simply a waste of time					
6	I participated in the system only because it is obligatory					
7	Judgment is mostly objective and based on evidence					
8	I am satisfied with the performance management system of the organization					
VII	Knowledge of Respondents about Performance Management System and Practice					
1	I am capable of setting SMART objectives (specific, measurable, attainable, Realistic, Time bounded)					
2	I know the purpose of performance management program					
3	I know how to provide performance-related feedback to subordinates					
4	I am knowledgeable on how to coach employees					
5	I am capable of measuring performance of my subordinates					
6	I know how to prepare and lead review meetings					
7	I have sufficient knowledge on performance gap assessment for y subordinates					
VII I	Challenges on the Application of Performance Management System					
1	There is carelessness of employees to implement the program					
2	The PMP system is complex and not easy to practice					
3	Inadequate management commitment for the application of PMP					

4	Insufficient support by Human Resource department					
5	Lack of knowledge of employees to implement PMP process.					
6	Poor understanding of employees towards PMP purpose					
7	There is no adequate time given to implement the PMP system					
8	There is lack of budget for training and development					
9	Evaluators biasness is a challenge in performance management					

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Interview questions

1. How are the Performance management process practiced in the organization?
2. What is the role of HR unit in performance management system implementation?
3. What are the major purposes that the organization aims to achieve by implementing performance management system?
4. How is the capability of staff in setting SMART objectives?
5. Has any survey been made to identify managers and staff attitude towards the system?
6. What are the challenges that staffs face in the implementation of PMS?