ADDIS ABABA UNIVERSITYSCHOOL OF COMMERCE

HUMAN RESOURCE MANAGEMENT GRAGUATE PROGRAM

ASSESSMENT OF THE PRACTIES OF EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM OF COMMERCIAL BANK OF ETHIOPIA

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Assessing Employee Performance Management Practice of Commercial Bank of Ethiopia

In Partial Fulfilment of the Requirements for the Degree of Master of Arts in Human Resource Management

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Statement of Declaration

I declare that this study, **Assessment of Employees performance management system practice of Commercial Bank of Ethiopia** is my own work and that all the sources I have used or quoted have been indicated and acknowledged by means of complete references.

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Acronyms

BSC: Balanced Score Card

CBE: Commercial Bank of Ethiopia

EPM: Employee Performance Management

KPI: Key Performance Indicator

KSA: Knowledge, Skill and Ability

PM: Performance Management

PMS: Performance Management System

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Abstract

The study assesses the employee performance management practice of the commercial bank of Ethiopia. To achieve this objective, a review of relevant literature was done and primary data was gathered using a Likert scale questionnaire format administered to two hundred respondents. Data analysis was carried out using descriptive analysis. Findings revealed that participation in performance planning among other things impacts the achievement of organizational gals. The study concluded to get positive outcome from the system it must be well designed and communicated to the lower level performers and proper follow up should be practiced in addition to participating employees in performance planning.The study recommended among others that employees should be carried along in setting the organization goals and objectives, and the organizations performance management system should be clear, objective and easy to understand.

Chapter One

Introduction

1.1. Background of the Study

Performance management is defined as a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization (Aguinis, 2009). This definition notes two issues as factors that distinguish performance management from the traditional performance appraisal practice: it is a continuous process and that there is an alignment with strategic goals.

Performance management is also defined as a process of establishing shared understanding about what is to be achieved and how it is to be achieved, and an approach to managing and developing people that improves individual, team and organizational performance (Armstrong 2009).

Performance management is important for one of the important issues in the organizational setup as it helps organizations ensuring employees are working hard to contribute to achieving the organization's mission and objectives. Performance management setting expectations for employee performance and motivates them to work hard in ways that is expected by the organization. Moreover, performance management system provides a completed and professional management process for organizations to assess the performance results of organizations and employees. Employee performance could be expected, assessed and encouraged. As Macky and Johnson (2000) stressed that the importance of performance management system is on continuously improving organizational performance, and this is achieved by improved individual employee performance. Therefore, improving employee performance by using performance management system is away to improve organizational performance (Zhang Ying 2012).

According to Furnham, (2004) the essence of performance management systems is to provide an avenue for improved employees' performance through a dynamic process of defining and measuring of achievement of goals in line with organizational set goals (Ayandele I. Ayanyinka and Isichei E. Emmanuel 2013).

Achieving effective performance of human resources is primary goal of every organization. In this regard, performance management practice of human resource management provides

the sound basis of evaluating and developing employee performance in order to get enhanced organizational success. Similar to any organization, banks evaluates their employees' performance for effective human resource management.

The growing competitive nature of the global business environment places enormous responsibilities on managers to create an enabling operating environment that can trigger desirable attitude from employees towards the organizations set goals and objectives (Inyang, 2008)as cited by Ayanyinka, and Emmanuel e(2013) . The attitude has to be in the interest of the organization and must sincerely show strong evidence for improved organizational performance. This is imperative owing to the vast role employees' play in ensuring the corporate existence of the business. However, for organization to command this high level of dedication from employees the organization must design an unbiased, objective and fair measure that seek to identify, recognize and reward employee's contributions to the organizations success, and ensure it is ultimately link to the organizations goal and objectives (Aguinis, 2007).

As cited by Ayanyinka and Emmanuel(2013) the system's success is crucial to the continued existence of the business owing to the fact that attitudes employee's holds to the organization or task performance can hinder the organizations profitability (Inyang, 2008).The system should seek to improve employee's continuity and reduce turnover in the organization. According to (Weiss and Hurtle, 1997) performance management purpose is to achieve success for both the employee and the organization through a process that provides clear, supportive feedback and recognition to all contributors (Armstorng2009).

According to Aguinis, (2007) in implementing a performance management system the basic steps are to ensure a well detailed communication plan, an appeal process, training programs for ratters to ensure there is no mistake in the performance assessment and pilot testing the system that creates avenue for re-evaluation to cover necessary details that may have be omitted unintentionally (Ayanyinka and Emmanuel 2013).

Employees' perception toward the program can shape how they react to and act in accordance with the performance management system. Since performance management is the process that requires high involvement and commitment from people in the organization, perceptions of the employees can highly affect organization outcome.

1.2 Statement of the problem

Commercial banks play important roles in worldwide economies and their employees are the best sources of delivering good services to their customers. Excellent services provided and offered by employees can create a positive perception and ever lasting image in the eyes of banks and customers. As explained by (Thomas Wusu2012) the motivation of a bank's employee plays a major role in achieving high level of satisfaction among its customers (Petcharak, 2004).

The sound economic policy coupled with consistent economic growth initiates high demand of finance. Though the government policy sheltered the banking sector from foreign investors the competition among the local banks and the uncertainty of the future action of the government towards the sector forces the local banks to made large investments in improving their service. Because of the nature of the industry one of the strategies to win the competition is building the human resource capacity and improves the productivity of each employee, this intern requires implementation of modern management system which will help the bank to track the performance of each unit as well as to measure the contribution of employees of the bank.

When individuals (or teams or units) are not well aligned with the vision, organizational goals, or what customers need and want, extra energy is required to reach the goals because time is often diverted to low-or no-value-added activities. Furthermore it results, in frustration of individuals or teams involved, poor performance, turnover etc. because; they may feel that their efforts are not creating success.

The role of performance management in here is by cascading strategic goals down the organization, it promotes the alignment of individual objectives with organizational objectives. unless, Performance planning is completed in a way the manager and the individual have come to an understanding (ideally, an agreement) on the individual's key job responsibilities, the goals that the person will achieve over the next year, the competencies that the organization expects of its members, and the development plans the individual will pursue it creates confusion by the employees and employee tends to perceive the process as imposed by the management group (Grote, 2002).

As its ongoing process of improving its overall performance the commercial bank of Ethiopia undertake various measures. Among the initiatives the implementation of the

performance management system to its entire process has got the highest attention of the owner as well as the top management but as observed by the researcher there is a perception that the PMS is difficult to practice and the goals are not at the reach of the performer, gradually this will lead the employees to the level of attitude which considers the system as one time management agenda. In line with the aim of the researcher is to assess the application of employee performance management system of the bank and to come up with valid recommendations and suggestion for the earlier action of the management by thorough analysis of the different stages of performance management system with the impact on employee performance.

1.3. Research Question

Does the performance management system of CBE follow standard performance management process?

Does performance management system at CBE serve the principal purposes of performance management?

How would employee's involvement in the designing of the performance management system contribute to employees' commitment?

Is there alignment between the performance management system and the banks overall objectives?

Is there employee participation in performance planning?

1.4. Objective of the study

1.4.1. General objective

The main objective of this study is to assess the practice of performance management system in CBE.

1.4.2. Specific objectives

- To measure whether the banks goals and objectives are clear for staff members
- To measure employees perception about goals and objectives of the bank.
- To identify the significance of differences for employees and management in their expected performance and perceived performance.

1.5. Significance of the study

The bank has made huge investment in introducing the performance management system. The researcher expects to find out areas which need improvement and areas which the bank is doing sound based on the findings. The result of the proposed research will make a contribution to previous literatures in this topic and can serve as additional source of reference and will improve customer satisfaction by improving employees' performance. Moreover, it serves for other researchers as a springboard to conduct detailed researches on the problem and will help the bank to take appropriate actions if any to strengthen its effort towards crating good performance culture and introduction new directives as needed.

1.6 scope of the study

This study is limited to assessing the performance management system of Commercial Bank of Ethiopia. The research is going to be conducted on permanent clerical staffs of the bank in branches which are located in Addis Ababa. The researcher will address ten branches from the four districts under Addis Ababa city branches.

1.7. Limitation

The research only addressed employees and management of selected branches. The time assigned to complete this study will not sufficient, so it will a bit difficult for the researcher to make a thorough investigation in the area within this short period of time. Because of these limitations the researcher is forced to limit the size of sample selected. The study will be conducted in branches situated in Addis Ababa and this may affect the generalizability of the finding to the entire organization.

1.8. Structure of the paper

This paper is categorized into five parts chapter one includes the introduction, followed by statement of the problem, significance of the study, limitation and delimitation of the study. Under chapter two, the literature review is presented. In this chapter various views of theorists with regard to the importance, process and effects of mismanagement of performance management system will be analyzed and discussed. Chapter three is the methodology part and discusses the reasons why the various research strategies were selected and the rationale for the sample selection process.

Chapter four will present the findings of the study and will contain data presentation, analysis and interpretation, as well as major findings. The conclusion, recommendation and future research suggestion will be compiled in the last chapter which is chapter five.

Chapter Two

Review of Literatures

2.1. What is performance?

According to Armstrong (2009) there are different views on what performance is. It can be regarded as simply the record of outcomes achieved. On an individual basis, it can be a record of the person's accomplishments.

The Oxford English Dictionary defines performance as: „The accomplishment, execution, carrying out, working out of anything ordered or undertaken. This refers to outputs/outcomes (accomplishment) but also states that 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.

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. According to (Grote 2002), for an organization to be successful, both behaviors and results are important.

As seen above the definitions given focused similarly in behavior and result. Based on this fact Armstrong, (2009) said a more comprehensive view of performance is achieved if it is defined as embracing both behavior and outcomes.

According to (Aguinis, 2007), as cited by Ayanyinka, et al (2013) performance means both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. This definition of performance leads to the conclusion that when managing the performance of teams and individuals both inputs (behavior) and outputs (results) need to be considered.

2.2. What is performance management?

Performance management can be described as a strategic and integrated approach to delivering sustained success to organizations that focuses on performance improvement and employee development (Armstrong, 2009)

According to Aguinis, (2009) Performance management is a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization (Smither and London 2009).

Performance management is a process that enables employees to perform their roles to the best of their abilities with the aim of achieving or exceeding established targets and standards that are directly linked with the organizations objectives. It can be regarded as a strategic management technique that supports the overall business goals of the firm through linking each individuals work goals to the overall mission of the firm (Collings andWood 2009).

Performance management is a continuous and flexible process that involves managers and those whom they manage acting as partners with in 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 cooperation rather than control or coercion (Armstrong2006).

2.3. Performance management process

Many of the pertinent models on performance management involve a simple four or five step process. These models tend to be based on the assertion that all work performance stems from and is driven by the corporate objectives. These are then broken into functional/departmental objectives. Individual objectives shoot out from these and all are monitored and reviewed on an ongoing basis with a formal review or appraisal conducted at least annually (Collings and Wood 2009).

According to D. Torrington, L. Hall, and S. Taylor (2008), a typical performance management system, include both development and reward aspects, the main stages of which are: definition of business roles, planning performance, delivering and monitoring performance, and formal performance assessment.

Armstrong, (2009) described that performance management system operates as a continuous and self-renewing cycle that closely resembles the cycle of continuous improvement. It comprises four stages: plan, act, monitor, and review.

Performance management represents a more holistic view of performance in which performance appraisal or review is almost always a key part of the system (D. Torrington, et al. 2008).

According to the author his 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 appraisal process involves four phases namely performance planning, performance execution, performance assessment, and performance review.

Performance Planning: The process by which , the manager and individual get together to discuss upon what the person will achieve over the next period (the key responsibilities of the person's job and the goals the person will work on) and how the person will do the job (the behaviors and competencies the organization expects of its members). They typically also discuss the individual's development plans. According to Smither and London (2009) performance planning is, the stage were the supervisor and the employee meet to discuss, and agree on, what needs to be done and how it should be done.

Performance Execution: Over the course of the year the employee works to achieve the goals, objectives, and key responsibilities of the job. The manager provides coaching and feedback to the individual to increase the probability of success. He/she creates the conditions that motivate and resolves any performance problems that arise.

This is the stage where employee strives to produce the results and display the behaviors agreed on earlier as well as to work on development needs. Although employees have a primary responsibility and ownership of this process, the supervisor also needs to do his or her share of the work.

Performance Assessment: The manager reflects on how well the subordinate has performed over the course of the year, assembles the various forms and paperwork that the organization provides to make this assessment, and fills them out.

In the assessment phase, both the employee and the manager are responsible for evaluating the extent to which the desired behaviors have been displayed, and whether the desired results have been achieved.

Performance Review: The manager and the subordinate meet, usually for about an hour to review the appraisal form that the manager has written and talk about how well the person

performed over the past period. It involves the meeting between the employee and the manager to review their assessments.

Having seen the overview of each step, since the central theme of the paper is on performance planning, assessment and the uses of the evaluation results, each one of them deserves a more detailed discussion as follows.

2.3.1. Performance planning

"Some managers object that performance planning takes too much time; these managers are wrong because that period is the most valuable time the manager spends in people-management activities during the entire year. A minute devoted to planning prevent hours spent on correcting and responding to an anguished reaction during a performance appraisal discussion i.e., is that what you wanted me to do? Why didn't you tell me?" (Grote 2002).

One of the primary reasons that performance appraisal discussions are so awkward is that they are conducted in a vacuum. If the manager and the individual haven't had a good discussion about requirements and expectations, if they haven't talked about goals, if they haven't had a meaningful dialogue about core competencies, then it will be impossible for the manager to honestly and ethically assess how well the individual has done in meeting those un discussed objectives (Grote2002).

Grote (2002) describes Performance planning as the bedrock of an effective performance management system. The performance-planning discussion gives the manager the chance to talk about her/his expectations and what she/he sees as genuinely important in the individual's job. It gives the individual a clear operating charter so that he can go about doing his job with the full certainty that he's working on the highest priority responsibilities and operating in a way that the organization expects.

Performance planning typically involves a meeting between an appraiser and an appraise.

The agenda for this meeting includes four major activities:

- Coming to agreement on the individuals key job responsibilities
- Developing a common understanding of the goals and objectives that need to be achieved
- Identifying the most important competencies that the individual must display in doing the job

- Creating an appropriate individual development plan (Dick Grote 2002).

A clear understanding of what is expected of employee is essential. If there is no such understanding; the manager is likely to assess performance on the basis of what she/he expects of the employee, which may be very different from what the employee understood to be the job duties and responsibilities. To avoid this problem, there are two requirements that must be met. The employee must understand both what is expected and how well the job is expected to be performed. These two requirements are called Significant Job Segments and Standards of Performance. Significant job segments are obtained from job descriptions that cover the duties and responsibilities of jobs. Standards of performance are an important and often neglected element in performance appraisal.

While significant job segments describe what needs to be done, standards of performance describe how well it must be done. Two of them together clarify what's expected of the employee. This clarification is necessary to guide the behavior of the employee as well as to provide a basis for appraisal (Donald L. Kirkpatrick 2006).

Responsibilities of the supervisors and employees in performance planning

Dick Grote (2002) in his book named The Performance Appraisal Question and Answer Book explicitly stated the responsibilities of the manager and the employee in performance planning.

A. Responsibilities of the supervisor in performance planning

The supervisor has six primary responsibilities:

- Review the organization's mission statement, or vision and values, and the department's goals.
- Read the individual's job description. Think about the goals and objectives the person needs to achieve in the upcoming appraisal period.
- Identify the most important competencies that he/she expects the individual to demonstrate in performing the job.
- Determine what he/she consider to be fully successful performance in each area.
- Discuss and come to agreement with the employees on the most important competencies, key position responsibilities, and goals.
- Discuss and come to agreement on the employee's development plan.

B. Responsibilities of the employees in performance planning

- Review the organization's mission statement and their department's goals.
- Review their job description and determine their critical responsibilities.
- Think about their job and identify the most important goals they should accomplish in the upcoming appraisal period.
- Think about what they consider to be fully successful performance in each area.
- Discuss and come to agreement with their appraiser on the most important competencies for their job, key position responsibilities, and goals.
- Discuss and come to agreement on their personal development plans.
- Make full notes on a working copy of the performance appraisal form.
- Keep the original of the form and give a copy to the appraiser.

2.3.1.1. Components of performance planning

Performance planning is the process of setting performance goals in relation to the key accountabilities associated with your role. Commonly, setting performance goals involves having an understanding of your key accountabilities, setting goals in relation to these accountabilities, and deciding how you will measure the achievement of your goals (L. Kirkpatrick, 2006).

According to Smither and London (2009) performance planning discussion includes a consideration of (1) results, (2), behaviors, and (3) development plan. Results refer to what needs to be done or the outcomes an employee must produce. A consideration of results needs to include the key accountabilities, specific objectives that the employee will achieve as part of each accountability and performance standards (yardstick) used to evaluate how well employees have achieved each objectives. A consideration of behaviors includes discussing competencies, which are measurable clusters of knowledge, skills, and attitudes (KSAs) that are critical in determining how results will be achieved. Development plan should include identifying areas that need improvement and setting goals to be achieved in each area. Usually development plans include both results and behaviors.

To show the difference between result and behavior Dick Grote (2002) identified that, results include actual job outputs, countable products, measurable outcomes and accomplishments, and objectives achieved. It deals with what the person achieved whereas, behaviors include

competencies, skills, expertise and proficiencies, the individual adherence to organizational values, and the person's personal style, manner, and approach. Behaviors deal with how the person went about doing the job.

A. Goals or objectives setting

According to (Fletcher, 1993) goal setting involves cascading organizational goals to individual goals, agreeing objectives, Competency requirements, and personal development plans. Performance management is a mechanism to join together individuals' performance with an organizational performance through aligning organizational goals with individual goals. It is used to create a shared vision and goals of the organization, and to help each individual employee to understand and recognize their part in contributing to organizational performance (Armstrong 2006).

According to (Locke and Latham, 2002) goal setting affects the direction, effort and persistence of employees. Specifically, a goal directs an employee's attention toward actions which bring goal accomplishment, leads an employee to adjust and persist their effort, and stimulates the development of task strategies to attain it (Pachsiry Chompukum(2009). He also cite (Seijts and Latham2005) However, to enhance effectiveness, goals should be specific and difficult. In other words, a specific and challenging goal leads to higher performance than general goals such as "do your best". In fact, it has much stronger effect on performance than any other factors, including participation. It may be presumed that participating in goal setting enhance its effectiveness; goal setting is likely to be more effective when people participate in setting goals than when goals are assigned to them. However, Locke and Latham (2002) state that when goal difficult is held constant, the performance of those who participate in setting goals does not differ significantly from those who were assigned goals. Moreover, both a anticipatively set goal and an assigned goal result in higher performance than a general goal asking employees to do their best (Latham, Steele, and Saari, 1982).Clearly, goal setting has motivational effect on employees. But this does not mean that it affects employees' attitude toward performance management system since having goals does not directly affect employees' gain and loss (Pachsiry Chompukum).

Armstrong (2009) pointed out that Setting goals /objectives (i.e. describing what we want to achieve and how it can be achieved) is the most important activity during the performance planning and agreement stages of performance management.

Dick Grote (2002) also identified that goal setting is one of the key elements of performance planning. In addition to identifying the key responsibilities of the individual's job and the competencies or behaviors that the organization expects everyone to display, another critical element is setting appropriate goals for the upcoming year.

The following are described as the outcomes of goal setting:

- It forces the identification of critical success factors in the job.
- It mobilizes individual and organizational energy.
- It forces concentration on highest priority activities.
- It increases probability of success.
- It generates increases in productivity.

Characteristics of effective goals/objectives

If goal setting isn't a part of the performance management process, then it will be easy to get caught in the activity trap—spending time on activities that don't generate a lot of return but are done because they are familiar. If we have set clearly stated and measurable goals and objectives, we are less likely to work on low-priority tasks because we will be aware of what our high-priority responsibilities are (Grote 2002). In general effective goals/objectives should be SMART

Specific: clear, unambiguous, straightforward, understandable and challenging.

Measurable: the manager and the employee must have some way of determining whether the employee met the goal (quantity, quality, time, money).

Achievable: challenging but within the reach of a competent and committed person

Relevant: the goal must make sense in terms of what the employee and the department are trying to accomplish.

Time bound: there must be a time limit on how long the employee has to accomplish the goal (Grote 2002; Armstrong 2009; Amy Delpo, 2007).

B. Performance standards

Performance standards are management approved expressions of the performance threshold(s), requirement(s), or expectation(s) that employees must meet to be appraised at particular levels of performance (United States Office of Personnel Management, January 2001). Standards of performance are different from objectives. Objectives should be set for an individual, rather than for a job. Therefore, a manager who has several employees who do the same job will have one set of standards for the job but may have different objectives for each person (for mediocre or outstanding), based on that person's experience, skills, and past performance.

Characteristics of effective Standards

There are eight characteristics of effective standards (Donald L. Kirkpatrick 2006):

They are based on the job and not the person(s) in the job- Standards of performance should be established for the job itself regardless of who occupies the job.

They are achievable- It means that practically all employees on the job should be able to reach the standard.

They are understood- The standard should be clear to manager and employee alike.

They are agreed on- Both manager and employee should agree that the standard is fair.

They are as specific and as measurable as possible- Some people feel that standards must be specific and measurable. They insist that they must be stated in numbers, percentages, dollars, or some other form that can be quantifiably measured.

They are time oriented- It should be clear whether the standard is to be accomplished by a specific date or whether it is ongoing.

They are written- Both manager and employee should have a written copy of the standards that are agreed on.

They are subject to change- Because standards should be achievable and agreed on, they should be periodically evaluated and changed if necessary.

C. Performance measures

Performance measurement systems succeed when the organization's strategy and performance measures are in alignment and when senior managers convey the organization's mission, vision, values and strategic direction to employees and external

stakeholders. The performance measures give life to the mission, vision, and strategy by providing a focus that lets each employee know how they contribute to the success of the company and its stakeholders' measurable expectations.

In addition to identifying what the key responsibilities of a position are; the manager and the individual need to discuss how the person's performance will be measured and evaluated. There is a difference between output measures and outcome measures. An output is a result that can be measured quantifiably, while an outcome is a visible effect that is the result of effort but cannot necessarily be measured in quantified terms. According to Grote, (2002) there are four general measures of output: Quality, Quantity, Cost, and Timeliness. Armstrong (2009) suggested that measures of outcome include: changes in behavior; completion of work/project; acquisition and effective use of additional knowledge and skills etc.

2.3.1.2. Employee participation in performance planning

Getting employees involved in the planning process will help them understand the goals of the Organization, what needs to be done, why it needs to be done, and how well it should be done (Grote, 2002).

Employee participation is a very important element for successful performance evaluation systems. Employees must play a key role, participating in everything from writing job descriptions, to identifying their own goals and standards, to assessing how well they have performed. When employees are involved in goal setting, the goals they set are higher and more demanding than goals that managers set alone. Employees will push the envelope, often demanding more of themselves than the managers might demand of them. Employee participation promotes teamwork. It gives the employee and the manager a sense of working together rather than being on opposite sides of the fence.

Participation in goal setting improves performance, not because participation by itself is inherently motivating, but because it provides the employee with an increased understanding of expectations and strategies for goal accomplishment (Armstrong 2009). W. Smither and M. London (2009) also pointed out that, employees need to have active input in the development of the job descriptions, performance standards, and the creation of the rating form.

2.3.1.3. Alignment and Performance Management

Alignment is defined as the extent to which employees are similarly connected to or have a consistent line of sight to the vision and direction of the organization and its customers, often encapsulated within its current strategy (Smither and London (2009).

The aim is to focus people on doing the right things in order to achieve a shared understanding of performance requirements throughout the organization. Thus Integration should be achieved by ensuring that everyone is aware of corporate, functional and team goals and that the objectives they agree for themselves are consistent with those goals and will contribute in specified ways to their achievement (Armstrong 2009).

As explained by (Smither and London (2009) Low alignment results in waste of time and energy. When individuals (or teams or units) are not well aligned with the vision, organizational goals, or what customers need and want, extra energy is required to reach the goals because time is often diverted to low-or no-value-added activities. Furthermore it results, in frustration of individuals or teams involved, poor performance, turnover etc. because; they may feel that their efforts are not creating success. The role of performance management in here is by cascading strategic goals down the organization, it promotes the alignment of individual objectives with organizational objectives.

To summarize, Performance planning is completed when the manager and the individual have come to an understanding (ideally, an agreement) on the individual's key job responsibilities, the goals that the person will achieve over the next year, the competencies that the organization expects of its members, and the development plans the individual will pursue (Grote, 2002).

2.3.2. Performance assessment

Performance assessment involves evaluating just how good a job the individual has done and filling out the appraisal form. Employee performance assessments require the ability to judge performance, and good judgment is a matter of using clear standards, considering only relevant evidence, combining probabilities in their correct weight and avoiding projection (ascribing to other people one's own faults).

Responsibilities of the supervisors and employees in performance assessment

- **Responsibilities of the supervisor**
  - Review the original list of competencies, goals, objectives, and key position responsibilities.
  - Prepare a preliminary assessment of the employee's performance over the entire year.
  - Review the individual's list of accomplishments and the self appraisal.
  - Prepare your final assessment of the employee's performance.
  - Write the official performance appraisal using the appraisal form.
  - Review the appraisal with your manager and obtain concurrence.
  - Determine any revisions needed to the employee's key position responsibilities, goals, objectives, competencies, and development plans for the next appraisal period.
  - Prepare for the performance review meeting.

- **Employee's responsibility in the performance assessment phase**
  - Reviewing one's own personal performance over the year
  - Assessing performance and accomplishments against the development plan
  - Preparing a list of accomplishments and achievements and sending it to appraiser
  - Write a self-appraisal using the appraisal form
  - Consider any revisions needed to key responsibilities, goals, objectives, competencies, and development plans for the next performance review cycle
    Prepare for the performance review meeting

2.4. Performance management best practice

Though research and practice in past confirm the difficulty of having an ideal performance management system, there are some factors used to mark systems to check whether they are best practices or not. Best practices in this sense constitute systems that are more likely to live up to their promise. James W. and Manuel L, (2009) suggest the following points as those that help to evaluate soundness of performance management systems.

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

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

Practicality; Systems that are too expensive, time taking and convoluted will obviously not be effective.

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

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

Identification of effective and ineffective performance; The performance management system should provide information that allows for the identification of effective and ineffective performance.

Reliability; A good system should include measures of performance that are consistent and free of error.

Validity; refers to the fact that the measures include all relevant performance facets and do not include irrelevant performance facets. In other words, measures are relevant (include all critical performance facets), not deficient (do not leave any important aspects out), and are not contaminated (do not include factors outside of the control of the employee or factors unrelated to performance).

Acceptability and fairness; A good system is acceptable and is perceived as fair by all participants.

Inclusiveness; Good systems include input from multiple sources on an ongoing basis. All participants must be given a voice in the process of designing and implementing the system.
Openness; Good systems have no secrets. First, performance is evaluated frequently and performance feedback is provided on an ongoing basis.
Correctability; When employees perceive an error has been made, there should be a mechanism through which this error can be corrected.
Standardization; Good systems are standardized. This means that performance is evaluated consistently across people and time.
Ethicality; Good systems comply with ethical standards. Operationally, this means that the supervisor suppresses his or her personal self - interest in providing evaluations.

2.5 Basic theories contributed to the development of PMS

As cited by Armstrong (2009) the following theories have been identified as the main contributor to the concept of performance management by Buchner, (2007).

2.5.1 Goal theory

Goal theory as developed by Latham and Locke (1979) highlights four mechanisms that connect goals to performance outcomes: 1) they direct attention to priorities; 2) they stimulate effort; 3) they challenge people to bring their knowledge and skills to bear to increase their chances of success; and 4) the more challenging the goal, the more people will draw on their full repertoire of skills. This theory underpins the emphasis in performance management on setting and agreeing objectives against which performance can be measured and managed (Armstrong 2009).
Goals inform individuals to achieve particular levels of performance, in order for them to direct and evaluate their actions; while performance feedback allows the individual to track how well he or she has been doing in relation to the goal so that, if necessary ,adjustments in effort, direction or possibly task strategies can be made. Goal theory supports the agreement of objectives, feedback and review aspects of performance management.

2.5.2 Control theory

Control theory focuses attention 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 a crucial part of performance management processes.

2.5.3 Social cognitive theory

Social cognitive theory was developed by Bandura (1986). It is based on his central concept of self-efficacy. This suggests that what people believe that they can or cannot do powerfully impacts on their performance. Developing and strengthening positive self-belief in employees is therefore an important performance management objective (Armstrong2009).

2.6 Balanced score card as performance management tool

As defined by Kaplan and Norton, (1996) BSC is a multidimensional framework for describing, implementing and managing strategy at all levels of an enterprise by linking, through a logical structure, objectives, initiatives, and measures to an organization's strategy. The BSC augments the traditional financial measures with performance benchmarks in three other non-financial aspects by linking the company's performance to its relationship with customers, key internal processes and its learning and growth capabilities. In the process, it provides a balance between short-term and long-term corporate objectives through:

Translating vision into specific measurable goals encompassing clarifying the vision and gaining consensus; Communicating and linking the corporate strategy with employee performance expectations. As the high level scorecard cascades down to individual business units, overarching strategic objectives and measures are translated into objectives and measures appropriate to each particular group yielding personal scorecards when these are tied to individual performance and compensation systems.

Business planning through the inherent requirement of the BSC to integrate strategic planning and budgeting ensuring that financial budgets support strategic goals; and providing a mechanism for strategic feedback and review thereby facilitating learning.

The four building blocks of the BSC are depicted below:

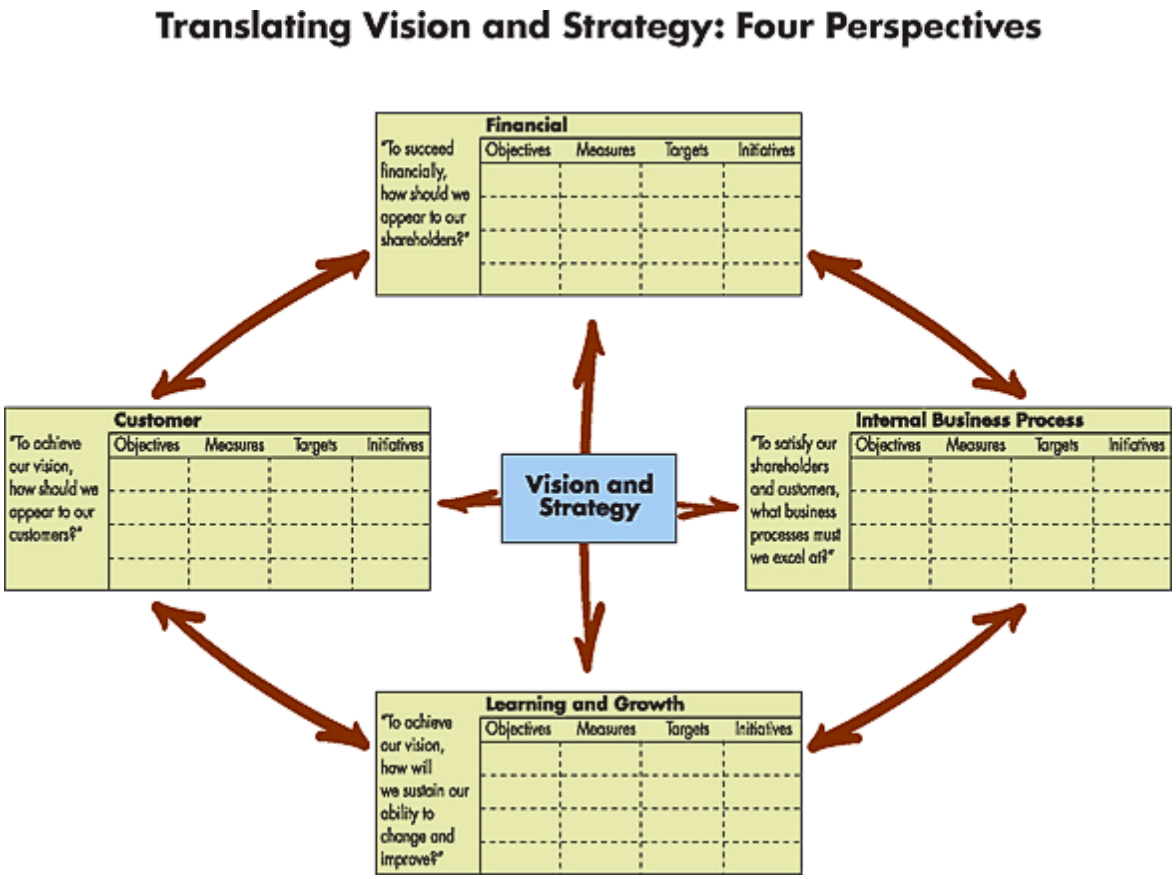

Figure 2.1 Source: Kaplan and Norton (1996)

Financial Perspective

The financial perspective relates and answers the needs and expectations of shareholders. The financial perspective typically relates to profitability and worth of the organization.

Customer Perspective

This perspective identifies the importance of customers as a key stakeholder in business sustainability and growth. It answers the question on how an organization should appear to its customers. Critics of the traditional financial measurement argue that it failed to clearly identify where future growth would come from and where the company should focus its attention for breakthroughs in new areas.

Internal Business Processes

Internal business perspectives are inward looking aimed at identifying value propositions to attract and retain customers as well as satisfy shareholders with excellent financial returns.

Learning and Growth

The question: “To achieve its vision, how will the organization sustain its ability to change and improve?” is answered in this perspective. It identifies the infrastructure the organization has to build and manage to create long-term growth and improvement through people, systems and organizational procedures. Within this category, organizations invest in re skilling employees, enhancing information technology and systems, and aligning organizational procedures and routines

The BSC provides clarity on overall corporate objectives and what the organization aims to achieve for shareholders and customers, engaging in three activities while aligning employeeës individual performances. These are communicating and educating, setting goals, and linking rewards to performance measures. When implemented in this manner and executed in its entirety, the BSC completes the performance management cycle.

2.7 Conceptual Framework

The research is try to assess employee performance management practice of CBE by using four variables which are; Management Support and Commitment, Employees participation

in performance planning, Alignment of objectives, Employees awareness of goals and objectives, Goals (SMART).

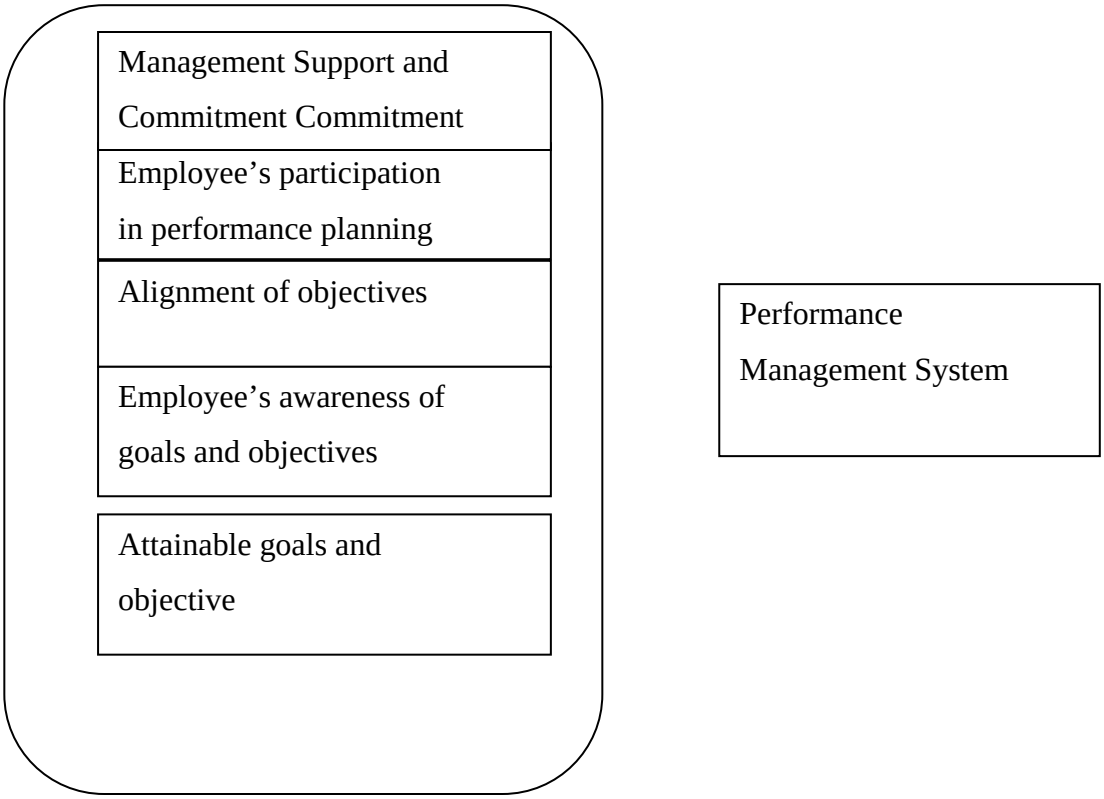

Figure 2.1 conceptual frame work

Chapter Three

Research Methodology

3.1. Overview of Commercial Bank of Ethiopia (CBE)

The Commercial Bank of Ethiopia (CBE) has been playing a conspicuous role in economic development of the country for more than73 years. The CBE is leading bank in the country established in 1942. Today, more than ever before, the CBE has aggressively expanded its presence in all directions of the country. Currently, it has 939 branches, across the entire breadth and width of the country and has more than 10.1 million customers throughout the country.

Despite the stiff competition from private commercial banks, the CBE has remained in the lead in terms of assets, deposits, capital, and customer-base and branch network. As of March 31, 2015, total deposit of the bank reached to birr 220.1 billion while total capital of the bank reached birr 276.3billion. CBE combines a wide human capital base with more than 22,475 talented and committed employees and infrastructure which helps the bank to connect more than 700 branches and head office organs.

In addition, CBE has reliable and long-standing relationships with many internationally distinguished Banks throughout the world and strong correspondent relationship with more than 50 prominent foreign banks and a SWIFT bilateral arrangement with 500 others.

V I S I O N OF CBE

To become a world class commercial bank by 2025

MISSION

We are committed to best realize stakeholders' needs through enhanced financial intermediation globally and supporting national development priorities, by deploying highly motivated, skilled and disciplined employees as well as state-of-the-art technology. We strongly believe that winning the public confidence is the basis of our success.

As stated in the strategic document of the bank in light of accelerating its transformation process the BSC model is chosen as strategy implementation tool. It is also stated that, the strategic issues provided the basis for identifying the main focus areas that the Bank should excel at to realize its vision the Strategic Themes and the result expected from the

implementation of the strategic themes. The document Identified: Business Growth (the expected result being Enhanced Role towards National Development); and Service Excellence (the expected result being Satisfied Stakeholders) as strategic objectives of the bank. In executing its activity all the employees of the bank are expected to adhere the following core values of the bank.

CORE VALUES

Corporate Citizenship;

Customer Satisfaction;

Quality Service;

Innovation;

Teamwork and Collaboration;

Integrity;

Employees;

Public Confidence.

The researcher consults the draft employee performance management policy of the bank. In its preamble the document states that, CBE is committed to fostering a high performance organization culture and will support this process by ensuring the continuing deployment of performance management system that encourages employee competency development and optimal job goal and target accomplishment. As stated in the document the focus of the system are employee competency development, identifying key roles and responsibilities as well as performance indicators, encouragement and employee support to achieve goals ,continuous monitoring and feedback and use of the balanced score card to align the organization objective and evaluate performance.

3.2. Study site

Commercial Bank of Ethiopia has four districts under Addis Ababa which are North, South, East and South. Among these districts there are 120 branches and the researcher selected 10 of them. The selection of branches was based on their convenience to the researcher.

Table 3.1 Study Site

Districts	No.	Branches
West Addis Districts	1.	Addis Ketema
	2.	Paulos
	3.	Sefere Selam
South Addis District	4.	Nifas Silk
	5.	Gofa Sefer
	6.	Populare
North Addis District	7.	Tewodros Square
	8.	Ferensay Legasiyon
East Addis District	9.	AfricaAvenue
	10.	24 Akababi

3.3. Research Design and Strategy

C.R. Kothari (2004) identified that to describe the characteristics of a particular Phenomena, descriptive research is preferable. It is concerned with specific predictions, with narration of facts and characteristics concerning individual, group or situation. According to (Best 1970), cited in Louis Cohen et al. (2007) descriptive research is concerned with: conditions or relationships that exist, practices that prevail, beliefs, points of views, or attitudes that are held, processes that are going on, effects that are being felt, or trends that are developing. By gathering data on a large group of people, descriptive research enables the researcher to describe the average member, or the average performance of a member, of the particular group being studied. Therefore, to describe the current practices of employee performance management process of CBE, descriptive research design was used.

3.4. Data Sources and Data Collection Instruments

For the purpose of the study, relevant information was collected from primary and secondary sources. The primary sources were managers and professional workers from selected branches. Secondary data source comprises: books, journals and CBE magazines. From primary sources of information was collected through questionnaire (closed-ended and open-ended). From employees, information about goal clarity, staff participation in performance planning, and the uses of performance appraisal was collected through five point rating-scale questionnaire.

3.5. Sampling Technique and Sample Size

In selecting the target respondents' random sampling was used. In distributing the questionnaires ten branches which are located in Addis Ababa city under the four districts were considered by taking the convenience of the researcher in collecting the data easily without delay because of transportation and time difficulty to collect the data from more branches and branches located out of Addis Ababa city. There are 439 employees working in selected branches. The researcher took 200 sample respondents from the population judgmentally and distributes the questionnaires proportionately to the employees of the selected branches randomly.

Sample = no of employees from branches /total population*sample size

- Addis Ketema = 68/438*200 = 31
- Paulos = 43/439*200 = 20
- Sefere Selam = 28/438*200 = 13
- Nifas Silk = 74/439*200 = 34
- Gofa Sefer = 51/439*200 = 23
- Populare = 25/439*200 = 11
- Tewodros Square = 37/439*200 = 17
- Ferensay Legasiyon = 31/439*200 = 14
- AfricaAvenue = 60/439*200 =27
- 24 Akababi = 22/439*200= 10

3.6. Data Analysis Techniques

After collecting all the necessary information about the issues under investigation, the data was organized, classified and analyzed in understandable form by the reader. According to Geoffrey Marczyk (2005) in purely descriptive studies precise and comprehensive description facts is the primary focus of the study. The data obtained through the questionnaires were analyzed descriptively by using frequencies, and percentile values and the results were presented in tables and analysis was done based on the results summarized in tables.

Chapter Four

Discussion and Analysis

This section deals with the presentation, analysis and interpretation of data collected from respondents through questionnaire conducted with the employees of the bank. As presented under the methodology part of the study well-designed questionnaires were prepared and distributed to the sampled employees of the bank in order to assess their perception regarding the EPM practices of the bank**.** Consequently, 200 questionnaires have been distributed and 193 (96.5%) employees filled the questionnaires properly and return them on time and the remaining 7 (3.5%) questionnaires discarded for their incompleteness. The data obtained from the completed and returned questionnaires is summarized and narrated here below.

4.1. General Profile of Respondents

This part is concerned with summarizing the biographic data of the respondent

Table 4.1 Demographic Characteristic of Respondents

Personal information		Responses	
		Frequency	Percent
Gender	Male	138	71.5
	Female	55	28.5
Job category	Managerial	33	17.10
	Non-managerial	160	82.90
Age	18-25	97	50.26
	26-30	45	23.32
	31-35	36	18.65
	36-40	3	1.55
	41-50	12	6.22
	Above50		
Educational level	High school certificate		
	Diploma	3	1.55
	First degree	178	92.23
	Second degree	12	6.22
Service year in CBE	1-2 years	59	30.57
	3-5 years	53	27.46
	6-10 years	63	32.65
	11-15 years	9	4.66
	16-20 years		
	21-25 years		
	Above 25	9	4.66

Out of the total respondents of the questionnaire, 55 (28.50%) were females and 138 (71.5%) were males. The ages of the majority of respondents ranged between 18 years and

35years (92.23 %). Regarding educational status of the respondents, most of the sample respondents (92.23 percent) (178) were first-degree holders, 6.22 percent (12) were second-degree holder and only 1.55 percent (3) have college diploma, and only. This reflects the recruitment policy of the bank. Regarding respondents service years in CBE, 90.68 percent of the samples 175 have been working in CBE for less than ten years and only the rest 9.32 percent (18) were working for more than eleven years.

4.2. Analysis of Questionnaire Responses

The second part is about performance planning where employees' response regarding their participation in performance planning, the existence of clear goals and other related variables were analyzed. For the purpose of reporting the findings the values of strongly agree and agree were added up to represent employees agreement for the statement and the values of strongly disagree and disagree together represent employees disagreement.

Table 4.2 the uses of performance management system

No	Item	Response										Total	
		SD		DA		UD		A		SA			
		C	%	C	%	c	%	C	%	C	%	c	%
1	The PMS of CBE identifies staff with high potential	105	54.40	45	23.32			28	14.51	15	7.77	193	100
2	The PMS of CBE indentify under performers	102	52.85	41	21.24			39	20.21	11	5.7	193	100
3	The PMS of CBE provide basis for personal development	93	48.19	52	26.94			33	17.10	15	7.77	193	100
4	The PMS of CBE enable people to know where they stand	89	46.11	61	31.61			29	15.03	14	7.25	193	100
5	The PMS of CBE is used for promotion	73	37.82	36	18.65	29	15.03	33	17.10	22	11.4	193	100
6	The PMS of CBE provide basis for pay decision	115	59.59	47	24.35			20	10.36	11	5.7	193	100
7	The PMS of CBE is simply a matter of formality	62	32.12	53	27.46	34	17.62	18	9.33	26	13.47	193	100
8	The PMS of CBE improve staff performance	113	58.55	36	18.65			32	16.58	12	6.22	193	100

To elicit the required information employees were asked to rate the above listed benefits of performance management on scale of five ranging from strongly disagree and to strongly agree. For item one 22.28 % of the respondents reflect their agreement and the majority (77.72 %) replied their disagreement to the statement. For the statement in item two 25.91 % of the sample replied positively and the rest 74.09% confirm their disagreement with the statement. In item three the statement was raised to know employees perception in relation

to PMS and personal development, and 24.87% were agree with the statement and 75.13% have negative response. For item four 22.28 %of the sample respondents have positive response and 77.72 % replied negatively. 28.5% of the respondents have positive reflection for item five, 15.03% are indifferent and the rest 56.47% have negative response. For the statement which discuss about the pay decision and PMS only 16.06% of the respondents replied positively and the majority (83.94%) replied negatively.

When employees do not perceive any attachment with the performance management process, employee commitment or motivation to achieve goals will lowered, most of the objectives would not be achieved and improvement in overall organizational performance may not be achieved. For the statement under item seven 22.8% reflect their agreement 17.62% are indifferent and 59.58% of the respondent did not think that PMS is a matter of formality. For item eight 22.8% of the respondents replied their agreement with the statement and the rest 77.2% have negative response. As indicated in the literature clear communication with regard to the benefit and outcome of the system will encourage employees to exert their maximum effort to boost their efficiency as well as execute the organizations objectives. For items discussed above most of the respondent have negative response and this may be the indication of the inefficient communication in the organization.

Table 4.3 Employees awareness of goals and objectives.

No	Item	Response										Total	
		SD		DA		UD		A		SA			
		C	%	C	%	c	%	C	%	C	%	c	%
1	I am clear about how my role fits in to the banks strategic goal	45	23.32	20	10.36			61	31.61	67	34.72	193	100
2	My supervisor clearly explains to me the standards that will be used to evaluate my work	62	32.12	47	24.35			53	27.46	31	16.06	193	100
3	I am clear on what my job responsibilities are	42	21.76	27	13.99			46	23.83	78	40.42	193	100
4	I know the strategic objectives of the bank are	43	22.28	29	15.03			46	23.83	75	38.86	193	100
5	My supervisor clearly explains to me what he or she expects from my performance	69	35.75	52	26.94			45	23.32	27	13.99	193	100
6	The process and objectives of performance management are described clearly to me	83	43.01	41	21.24			38	19.69	31	16.06	193	100

Employees were asked to express their view about their role in relation to the organizations objective 66.33% of them replied positively and 33.67% have negative response. To assess the

attempts made by the supervisors in explaining their performance expectations, employees were asked to indicate their level of agreement on whether supervisors clearly communicate their performance expectations. Accordingly, 37.31% agreed that supervisors explained their expectations, and 62.69% replied that their supervisors didn't explain what he /she expects from them. This indicates the absence of follow up and feedback mechanism which results in poor performance of employee and hampers the organizations achievement.

As shown on the above table, a significant number 64.25% of employees were agreed that they clearly know their job responsibilities, 35.75% were replied that they are not clear on what their job responsibilities are. Employees understanding of their main responsibilities are very essential in avoiding confusions and help employees focus on key activities rather than wasting time and energy on trivial activities. With regard to their knowledge of the bank's objectives 62.69% replied as they are familiar with the bank objective and 37.31% reflect as they are not clear to the banks objectives.

Participants of the study were also asked whether they reached an agreement with their supervisors on how their performance was measured (evaluated). On the same table item number two shows 43.52% of the respondents agreed on how their performance was measured, and the remaining 56.48% replied they didn't agreed up on how their performance was measured.

The last item in this table was used to measure employees' perception towards the management support in describing and elaborating the process and objective of PMS, accordingly 35.75% agreed in the existence of the process and the majority (64.25%) responded that, the management did not explain the process and objective of the PMS.

Table 4.4 Alignment of objectives

No	Item	Response										Total	
		SD		DA		UD		A		SA			
		C	%	C	%	c	%	C	%	C	%	c	%
1	Performance objectives of my branch are aligned with the banks goals.	36	18.65	35	18.14			47	24.35	75	38.86	193	100
2	The goals set for me supports the strategic objectives of the bank	37	19.17	51	26.43			42	21.76	63	32.64	193	100
3	The PMS of CBE align individual and organizational objective	49	25.38	35	18.14			37	19.17	72	37.31	193	100

Items in table 4.4 were designed to investigate whether the bank's goals are clearly cascaded down to sub- process, and individual level, and whether the individuals believe that they are contributing to the strategic objective of the bank.

Item number one is about whether unit goals as a whole reflect the bank's goals. In this regard, 63.21% responded that their department goals are congruent with the bank's goal 36.79% of the respondents replied there is no clear line of sight between department goals and bank goals. As indicated in literatures one of the aims of performance management is creating shared vision among the members of the organization. Though majority of the respondents have positive perception it needs attention to address the remaining significant number of employees feelings, so that all the members will be in reasonably similar level of understanding about the goals of their organization and focus on worthy activities.

As indicated on item two 54.40% of the respondents replied that their individual goals support the strategic objectives, and 45.6% affirmed that their individual goals do not support the strategic objectives. On item three respondents were asked about whether the roles they are playing fit into the organization's goals. Accordingly, 56.48% asserted their

role fit into the organization goals, 43.52% answered their role do not fit into the corporate goals.

As referred from the literature, alignment is the main focus of performance management, which could be achieved by ensuring that everyone is aware, of the organizational and departmental objectives and by helping employees know the objectives they agree for themselves are consistent with organizational goals. In light of though the employees' response is positive there should be an intervention to narrow the gap between the positive and negative respondents.

Table 4.5 Employees participation in performance planning

No	Item	Response										Total	
		SD		DA		UD		A		SA			
		C	%	c	%	c	%	C	%	C	%	c	%
1	My supervisor gives me a chance to participate in performance planning.	135	69.95	27	13.99			20	10.36	11	5.7	193	100
2	My supervisor reached an agreement with me on how my performance will be measured.	28	14.51	35	18.13			45	23.32	85	44.04	193	100
3	In CBE goal setting process is carried out jointly by the employee and their immediate supervisor	135	69.95	25	12.95			20	10.36	13	6.74	193	100

Regarding participation 16.06% agreed that they participate in performance planning, and the majority 83.94% indicated that they were not given opportunity to participate in performance planning. However, according to the literature performance planning is not an exclusive activity

of the supervisors rather, it is a process by which the manager and individual get together to discuss upon what the person will achieve over the next period and how the person will do the job.

Employees were asked their response to elicit information whether they reach performance agreement with their supervisor with regard to performance measurement 67.36% were replied positively and the rest 32.64 % give negative response for the enquiry.

To examine the role of employees in goal setting process and their participation in performance planning, respondents were asked to indicate their level of agreement regarding the extent to which goal setting process is carried out jointly by the employees and their supervisors and the degree of their participation in performance planning. With respect to joint goal setting process 17.10% of the respondents agreed that there is a joint goal setting process in the bank, and the remaining and alarming percent of the respondents (82.90%) replied that goals are not set jointly. According to literatures, employees' participation in goal setting will improve their performance by providing them with an increased understanding of the expectations and strategies for goal accomplishment.

Table 4.6 Management Support and Commitment

No	Item	Response										Total	
		SD		DA		UD		A		SA			
		c	%	c	%	c	%	C	%	C	%	c	%
1	My manager is committed to ensuring that I have the skills and knowledge I need to do my job properly	85	44.04	32	16.58			31	16.06	45	23.32	193	100
2	My training and development needs are provided for through the employee performance management process	112	58.03	35	18.14			26	13.47	20	10.36	193	100
3	Senior management is committed to the successful implementation of PMS	47	24.35	30	15.55	23	11.92	60	31.08	33	17.10	193	100

Item one in this table was forwarded for the employees to get their response about the management's commitment in developing the required skill 39.38% of them express their agreement and 60.62% respond that the management is not committed to develop the skill and ability of the employee which is crucial to meet the organizations objective. Item two deals with the development and PMS and 23.83% of the respondent agreed that their training development programs are derived from the PMS and the majority 76.17% replied the statement negatively. 48.18% of the employee believe that the senior management is committed for effective implementation of PMS and, 11.92 % of the respondents are indifferent for the statement and 39.90% are believe that the senior management lacks commitment in successful implementation of the performance management system.

Table 4.7 Whether or not goals are SMART

No	Item	Response										Total	
		SD		DA		UD		A		SA			
		c	%	C	%	c	%	c	%	c	%	c	%
1	My goals are specific and time related	92	47.67	37	19.17	30	15.54	23	11.92	11	5.7	193	100
2	My goals are challenging	75	38.86	45	23.32			34	17.61	39	20.21	193	100
3	My goals are realistic and attainable	95	49.22	53	27.46			31	16.06	14	7.25	193	100

To analyze the extent to which goals set in the bank are specific, measurable, attainable, realistic, time bound and challenging, respondents were asked to indicate their level of agreement on five point rating scale. Accordingly with respect to goal specificity and time relatedness 66.84% replied that the goals set in the institution are not specific and time bound, 15.54% of the respondents were neutral and the rest 17.62% agreed that goals are specific and time related. As shown on item two, 37.82% of the respondents answered that goals are challenging and 62.18% responded negatively. In addition respondents were asked their perception regarding the attainability of their goals, accordingly 23.31 percent of the respondents believe that their goals are realistic and attainable and the majority 76.69% provide with negative response. When employees perceive that, the goals assigned for them are difficult and unattainable it might result in frustration, early withdrawal from activities, absence of emotionally and develop negative attitude towards the organizations objectives.

As seen from literature, relatively challenging goals are necessary to create high performance culture and to encourage progress. In literatures suggest not setting unreachable goals to keep employees motivated, and also not to make things too simple so that it will be

achieved easily. As long as the objectives they set are reasonable and realistic, a reasonable level of challenge is good for their employee and their company as a whole.

Employees were asked to reveal whether their units have a success criterion (KPI) that helps them to keep track of the desired results and behaviors'. As the summary shows, 52.5% replied that success criteria were indicated, 13.5% were indifferent and 34% replied that success criteria were not indicated in performance planning of their department. An effective performance management program should assist in the establishment of key result indicators. This is because; they are the basis of performance monitoring and measurement system. For the question forwarded to assess employees perception on implementation of the system only 17.5% of the respondents replied that PMS was imposed by the management and the majority 82.5% reflect their disagreement for the statement PMS was imposed on employees by the top management. For the enquiring employees response with regard to the balance of financial and non financial targets significant number of (84.46%) reflect negatively and only 15.54% are agreed with the statement there is sufficient balance between financial and non financial contracts. This response shows majority of the sample respondents' believes that performance management system is good for the organization and it is derived from the business environment not by the dictation of the management. There for management can enhance this by using clear and precise communication mechanism to address the rest of the workforce and create agreement in the importance of the system throughout the organization.

Lastly an open ended question was provided to employees with regard to problem of PMS which is not addressed in questions discussed above. The following are summary of issues raised by most of the respondents. Most of the respondents from the sample believe that;

- There is lack of transparency in goal setting.
- Lack of proper follow up and support for under performers.
- Lack of uniformity in individual goal setting.
- Lack of automated system for data tracking.
- There is no mechanism to consider individual differences in skill and ability.
- Unfair measurement criteria; performers who achieve 60% of their target and 99% of target are rated equally.
- The rating for non financial target is not fair.

- The work load on managerial posts creates difficulty in coaching and employee follow up.
- Employees were not well aware during the implementation phase.
- Lack of clear information whether the system is attached to employee benefit.
- Lowered team work.

Chapter Five

Summary of Findings, Conclusion, and Recommendation

This chapter is devoted to the discussion of the research findings, summary of some important points of the study, and the possible remedies for the problems or gaps identified in the current performance management practices of the bank.

5.1. **Summary**

Based on the data analysis presented in chapter four, summary of different findings are presented in this part of the paper. Analysis of the data revealed both positive and negative findings. The positive findings (for example employee's awareness of the bank's goals, their responsibilities, their feeling that they are contributing to the objectives the bank, alignment of corporate and unit goals, agreement on performance measurement, top management commitment for the successful implementation of the system etc.) show the areas where the bank is doing well and expected to further strengthen them. The negative responses indicate the weak areas that need improvement. There for emphasis was given to summarize the weak areas as they deserve some possible recommendations.

More employees claimed that they were not aware of the objectives and the processes of performance management.

As seen from the analysis there is no employee participation in performance planning

Respondents also revealed that goal setting is not based on negotiation and they are not attainable

Employees claimed they are not getting clear explanation and support from their supervisors

Respondents affirmed that, they do not know the outcome of the performance evaluation.

Employees acknowledged that, the there is no sufficient balance between financial and non financial measures

More employees perceive that, the rating system is unfair

5.2. Conclusion

Performance management is a continuous process of identifying, measuring, and developing the performance of individuals and teams, in order to align them to the strategic goals of the organization. For any types of organizations effective implementation of performance management will result in various benefits like, facilitating promotion decision, encouraging performance improvement, align individual and organizational objectives develop a high-performance culture, providing basis for personal development, increase motivation and engagement, inform performance pay decisions etc. To get positive outcome from the system it must be well designed and communicated to the lower level performers and proper follow up should be implemented.

As discussed in the literature Performance management system has four stages and this study tries to assess some areas of the system namely, performance planning, assessment, and the uses of the outcome of the performance management system. The study was aimed to assess the practice of employee performance management system and its key components like participation of employees, agreement on performance standards, clarity of the organization objective etc.

As seen from the responses analysis there is no employee participation in performance planning. This entails the other gaps which employees responded negatively. When there is participation at the very beginning employees will become aware of the other aspects of the system which are very crucial to affect the objectives positively.

As mentioned under the scope and limitation of the study, giving generalization about the entire performance management system of the bank is beyond the scope of the study. But, the researcher believes that it is possible to predict the impact of these basic components on the total performance management system and failure in the planning stage will hamper the overall process.

5.3. Recommendation

To help employees understand the objectives and the processes of the performance management system, the bank in general and branches or units in particular should

communicate with employees about, why the system is needed, what purpose does it serve, and the management procedures followed throughout the cycle.

Employees' participation is a very important element for successful employee performance management process.

The organization should create a system through which employees participate in performance planning process and get informed for any issues they are concerned.

As seen from the document analysis and employees response Performance planning should not always be a sole activity of higher officials and cascaded downward, rather active involvement of the performer should be encouraged.

To perform with high motivation and develop belongingness employees should have an input during the planning process.

There must be a room for some goals to be set by negotiation with the performer. This is to mean employees must agree on the goals they are expected to accomplish.

The dually goal setting process helps employees to have clear information, focus their attention on their major roles and develop persistency to achieve their targets.

There must be clear and regular communication procedure and mechanism to fill skill gaps and address employees' concerns.

The impact of the lower performance on financial measures should be compensated by adjusting the rate assigned to some reasonably attained non financial targets so that the achievement gap between employees with financial targets and other internal business process targets will be minimized.

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Ababa University School of commerce

Masters of Human Resource Management Program

Dear Respondent

The purpose of this questionnaire is to collect primary data for a study on “Assessing Employee Performance Management Process Practice of the Commercial Bank of Ethiopia". This is undertaken as a partial fulfillment for the degree of Masters of art in Human Resource Management at Addis Ababa University School of commerce. In this regard I kindly ask you to provide me with reliable information to the best of your knowledge, so that the findings from the study would meet the intended purpose. I strongly assure you of confidentiality of the information you give me, and would like to extend my deepest gratitude in advance for being a volunteer to devote your valuable time in filling this questionnaire.

If you need any further information and clarification please do not hesitate to contact me through the address given below.

With Regards,

Yidnekachew Girma

TEL 0911 450173

Email ydnk2011@gmail.com

Directions

No need to write your name

Please tick (√) in the appropriate box

Please answer every item

Section A General Information

1. Your gender **Male** ☐ **Female** ☐

2. Job category Managerial ☐ Non Managerial ☐

3. Age 18-25 ☐ 31-3 ☐ 41-5 ☐ ☐

26-30 ☐ 36-40 ☐ above 50 ☐

4 .Your highest level of education

High school certificate ☐

Diploma ☐

First Degree ☐

Masters Degree ☐

Other, please specify_____

5. Work experience in the Commercial Bank of Ethiopia in years

1-2 ☐ 3-5 ☐ 6-10 ☐ 11 to15 ☐

16 to 20 ☐ 21 to 25 ☐ above 25 years of service ☐

B. Performance management process survey

Note: Performance management is also defined as a process of establishing shared understanding about what is to be achieved and how it is to be achieved, and an approach to managing and developing people that improves individual, team and organizational performance. Having this in mind, please indicate the extent to which you agree with the following statements by putting √ in the space provided.

SA= Strongly Agree A=Agree UD = Undecided DA= Dis Agree SD=Strongly Disagree

*PMS= performance management system

		SD	DA	UD	A	SA
1	Performance objectives of my branch are aligned with the bank's goals.					
2	The goals set for me supports the strategic objectives of the Bank					
3	I am clear about how my role fits into the banks (CBE) strategic goal					
4	My branch performance plan indicates success criteria (how the individual and the manager will know that the desired results have been achieved					
5	My supervisor clearly explains to me the standards that will be used to evaluate my work					
6	I am clear on what my job responsibilities are					
7	My supervisor clearly explains to me what he or she expects from my performance					
8	My supervisor reached an agreement with me on how my performance will be measured					
9	My supervisor gives me a chance to participate in performance planning.					
10	My goals are specific and time related					
11	My goals are challenging					
12	My goals are realistic and attainable					
13	My manager is committed to ensuring that I have the skills and knowledge I need to do my job properly					
14	My training and development needs are provided for through the employee performance management process					
15	I know what the strategic objectives of the bank are					
16	The process and objectives of performance management are described clearly to me.					
17	PMS was imposed on employees by management					

18	Senior management is committed to the successful implementation of PMS					
19	My performance contract has sufficient balance between financial and non financial measures					
20	In CBE goal setting process is carried out jointly by the employees and their immediate supervisor					
21	The PMS of CBE Identifies staff with high potential					
22	The PMS of CBE Identify under performers					
23	The PMS of CBE Align individual and organizational objectives					
24	The PMS of CBE Provide the basis for personal development					
25	The PMS of CBE enable people to know where they stand					
26	The PMS of CBE is Used for promotion					
27	The PMS of CBE Provide basis for pay decisions					
28	The PMS of CBE is simply a matter of formality					
29	PMS of CBE improve staff performance					

What specific employee performance management system problems do you observe in CBE----------
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What do you recommend to avoid the observed problems of the performance management systems of the organization? ----------
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Thank you!