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PERFORMANCE MAAGEMENT PRACTICE IN ETHIOPIAN COMMERCIAL BANKS

CASE OF OROMIA INTERNATIONAL BANK

BY KERIMU MOHAMMED AHMED

APPROVED BY: EXAMINING BOARD

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DECLARATION

I, Kerimu Mohammed Ahmed, hereby declare that the thesis work entitled "PERFORMANCE MANAGEMENT PRACTICE ETHIOPIAN COMMERCIAL BANKS" case of Oromia International Bank is my original work that all sources of material used for the work have been duly acknowledged.

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Kerimu Mohammed Ahmed (The Student Researcher)

DEDICATION

This work is dedicated to my Father, the late Mohammed Ahmed (who died in the middle of my writing-up stage and without whom I was very reluctant to start my kindergarten school in the first place).

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Acronyms

HRM – Human Resources Management

PMS- Performance Management System

OIB-Oromia International Bank

SPSS-Statistical Package for Social Science

HR- Human Resource

Abstract

The purpose of this study was to assess the practices of performance management system implemented in Oromia International Bank (OIB). The study tried to address the basic questions whether the purposes and concepts of PMS is well defined and communicated to employees, how the alignment is made between organizational goal and with that of the departmental and individual goal, how the planning, execution, assessment and review process was handled, how performance management system is integrated with reward and training and development and what are the challenges in implementing performance management system in OIB is covered in this study. To answer these questions descriptive survey research design has been deployed by using both quantitative and qualitative research approach. The total number of employees at OIB heads office and grade-3 branches is 630 and the sample size based on Robert & *Daryle* (1970) *is 240. For this study simple random sampling and purposive sampling techniques was used by taking 240 employees at all levels, managerial and non-managerial. Data collection instruments used for this study was questionnaires, interviews and document reviews. The data gathered from the questionnaire were compiled by using SPSS software. Descriptive statistics method was used for analyzing data obtained from questionnaire and the results were presented using tables. The data gathered from interview and document analysis were analyzed and organized as summary. In general the finding of the study revealed that the planning stage of performance management system at OIB is not participative one, no self assessment methods for employees, weak link between performance and reward and training and development, lack of regular feedback, limited sources while collecting information during performance assessment are the major findings that need improvement. order to fill the identified gap, recommendations were forwarded to improve manager's commitment, to improve the level of employee's participation in the PMS process, letting employees to assess their own performance using self-appraisal method, gather information about the performance of an employee from different sources , to structure PM as separate division in Oromia International Bank.*

Key words: Performance Management System, Human Resource management, Oromia International Bank, Performance management

CHAPTER ONE

1.1. Background of the Study

Among different resources found in every organization, human resources is one of the most important assets with the responsibility of managing other resources like financial, material, technological and other monetary or non-monetary resources. Therefore, the human resource can be said backbone of any organization in coordinating and controlling the whole activities of the organization directly or indirectly to ensure achievements of organizational goal. Unlike other resources, human resource can bring sustained competitive advantage by creating values which cannot be imitated by competitors (Tope Oni, 2016).

According to Armstrong (2006), "without good human resource, an organization cannot build a good team of working professionals and environment. Successful organizations do not owe their success solely to market realities and sustainable competitive advantages. Successful companies are those that consider their human capital as their most important asset. In the eyes of an organization employees are viewed as assets whose value is enhanced by development. For this reason, companies will engage in practice of human resource management to capitalize on those assets. The assumption supporting the practice of HRM is that people are the organization's major resource and organizational performance mostly depends on the employees. If, as a result, a suitable range of HR policies and processes are developed and carried out efficiently, then HR will make a significant impact on firm performance."

Performance Management System (PMS) is a process of setting objectives aligned to organizational goals, making plans to achieve those objectives and achieving those already set desired results (Ayesha & Sehrish, 2016). With all human resource practices, performance management ensures the proper flow of blood in every part of organization, which is human capital, and is globally recognized as an important human resource management process. In any organization, performance management has great importance for attaining competitive edge as it is considered the back bone of Human Resource Management (Farheen & Faiza, 2014).

Performance management consists of performance appraisal and performance development. Performance appraisal is one of the most widely used techniques of guarantying the value of employee performance. The achievement of performance appraisal depends on how effectively and efficiently it is implemented. It also depends on understanding of employee about the performance appraisal system and how positively employees are oriented towards the system (Ayesha, 2015).

It is imperative that businesses need to make sound management choices, one critical choice amongst which is the identification and use of appropriate performance measurement and management systems. There is a need to design and implement a performance management system that will take into consideration the competitive realities within which the organization operates. The measuring system should be holistic, comprehensive and versatile. Measuring and managing performance enhances the efficiency and effectiveness of organizations (William & Babu, 2015). In a developing economy with varying challenges, the need to adopt effective and efficient performance management and measurement systems is essential for growth, sustainability, and improvement in products, services and internal processes (William & Babu, 2015).

The business world is changing at an ever increasing pace. Just maintaining the current performance of the business is not enough to survive in the 21st century and beyond. Companies must consistently and critically review their performance management systems and take drastic action when necessary to address the identified deficiencies. Managing employee performance is an integral part of the work that companies need to monitor continuously and PMS has become more important in recent years because managers are under constant pressure to improve the performance of their organizations (Rankadimeng & Ogutu, 2014).

It is known fact that banking sector is a fast growing sector in Ethiopia. With expansion in the number of branches, banks are beginning to feel a new pressure on their organizational abilities i.e. the processes of recruitment, placement, training, promotion and appraisal, in order to ensure that the right number of staff with the right capacities is available at the right time and for the right places. Performance management is one of the key factors of organizational ability which is also the focus of this study.

1.2. Statement of Problem

Each organization has its unique mission, vision, goals and objectives. To accomplish these goals and objectives it is necessary to make plans and strategies. The most important thing is to measure and evaluate the performance of employees so that it can be notified whether these goals are achieving according to defined strategies or not (Farheen & Faiza, 2014). Performance management has great importance for attaining competitive edge as it is considered the back bone of Human Resource Management (HRM). There are no sound facts about the actual emergence of performance management and its review techniques. However according to Armstrong & Barron (2006) the first PM was introduced before World War I for scoring the performance of army officers (Armstrong & Baron, 2005).

Implementing a well-designed PMS has many advantages. From perspective of employees, a good system increases motivation and self-esteem, helps improve performance, clarifies job tasks and duties, provides self-insight and development opportunities, and clarifies supervisors' expectations. From the perspective of managers, good systems allow them to gain insight about employees, allow for more fair and appropriate personnel actions, help them to communicate organizational goals more clearly, let them differentiate good and poor performers, and help drive organizational change (Cooper, 2008).

However, the implementation and design of proper performance management system is a challenging task due to a number of causes such as the lack of real commitment to the PM process by organization managers, lack of reward for good performance, absence of training, highly bureaucratic management systems, poor information system, subjective human judgments and so on (Karuhanga & Werner, 2013).

The global performance management survey (2013) stressed in its report that establishing an effective performance management system is a major challenge for most organization, making performance management hot topic among HR managers. In addition, other problems facing organizations in PM implementation, such as unclear strategy, failure to appropriately plan PMS, lack of a performance measurement culture, organizational instability, and the low priority accorded to the PMS (De Waal & Counet, 2008).

Many organizations install Performance Management Systems (PMS) formally and informally with the motivation to achieve better organizational results. However, organizations have difficulty in implementing a performance management system because its different dimensions are not taken into considerations enough (Jawaria et al, 2010). Similarly, organizations have poor reputation with the implementation of performance management system because of non-serious attitude of top management (Muhammad et al**).**

On the other hand, Pace (2011) argues that most critical performance management implementation challenges are related to poor executive engagement. He further states that organizations will have better business results when senior management / leaders hold direct reports responsible for supporting their employees during implementation of the system.

A research paper prepared by Deirdre Kelly (2012) indicated that the weakness in a PMS arise primarily because the system was poorly designed, training and communication has not been transferred into the organization to support its implementation, weak link between reward and performance, its different dimensions are not taken into considerations and lack of commitment of top management (Watkins & Leigh, 2012).

Implementation of a well designed performance management (PM) system can strengthen an organization in numerous ways. Through the alignment of individual and organizational goals, PM systems can advance strategic organizational objectives. High quality PM systems also improve work contributions of employees by offering increased opportunity and guidance for growth and development (Alison, Carr & Kelsey, 2016). When PM is done well, it leads to many desirable results. However, poorly designed PM systems can easily cause more harm than good.

A thoughtfully designed and implemented PM system allows for competitive advantages, from the maintenance of a committed, strategically aligned, and well-developed talent pipeline to the ability to make legally defensible and data-driven human capital decisions (Alison & Kelsey, 2016)

Even though every financial institute wants to gain competitive advantage through the skills and knowledge of its employees, poor design and implementation of PMS can negatively affect the whole plan. In developing economy with varying challenges, the need to adopt effective and efficient PMS is essential for growth, sustainability and improvement in products, services and internal process (William, 2015).

During this uncertain and turbulent knowledge-oriented era, performance management strategy becomes more important. Therefore, organizations need to design effective PMS that will take into consideration the competitive realities into which the organization operates (William & Babu, 2015). This will enhance the understandings and implementation of PMS in the organizations and enable them to consider performance management as strategy to compete with rivals.

According to global performance management survey report (2013), while there are some notable differences in PMS practices across the countries, globally, the overall design of the process looks nearly the same. Despite the communalities in PMS design around the world, very few companies reported that their performance management system delivers exceptional value and effective in its implementation**.**

Oromia International Bank S.C. (OIB) is one of the commercial banks in Ethiopia established in accordance with the pertinent laws, regulations and the 1960 Commercial Code of Ethiopia, by the Monetary and Banking Proclamation No. 83/1994 and by the Licensing and Supervision of Banking Proclamation. The Bank has been in operation for over the last eight years with the vision of “to be the Bank of your first choice” and is committed to providing full-fledged and best quality commercial banking services within the pertinent regulatory requirement with due diligence to sustainable business while empowering the missing middle and discharging social responsibility by engaging highly qualified, skilled, motivated and disciplined employees and state-of-the- art information technology, adding real value to the shareholders interest and win the public trust.” As per of 2015/16 OIB’s report, the bank’s total branches reached 200 and the total staff strength of the Bank during the period under review reached 3718. Human resource development has been also one of the prime focuses of the Bank since its inception. To this end, during the 2015/16 financial year, a total of 3,718 employees were trained on a number of topics to cope up with the ever changing business environment as well as to provide efficient banking services to the customers.

According to Oromia International bank (2016) annual bulletin, Ethiopian Banking Industry is becoming the most challenging than ever before from within and external factors. Therefore, with the objectives of achieving its establishment mission and vision primarily, and to withstand the challenging working environment the board and management have drawn basic and important lessons. However this is impossible without having an effect performance management system.

Having these concepts in mind, it is heard that performance planning, assessment, execution and review are devised in some way as part of performance management system, the integration between performance and reward, benefits and training and development is weak, performance appraisal is not fair in OIB. The HRM structure of the bank also shows that there is no separate structure for PMS in OIB and attention is not given to its implementation as it can also been evidenced from employees complain. The researcher believed that though many studies have been made on performance appraisal, studies on performance management are only few and it is not sufficiently investigated and in particular, there are no empirical studies conducted on OIB performance management system, which were published research. Therefore, the study was conducted on the performance management practices of OIB. This study investigated how performance management is practiced in the bank with more emphasis given to performance management strategies, performance planning, performance assessment, execution and review and challenges of performance management implementation and finally recommendations that are believed to solve any flaws encountered in the system were proposed.

Since human resources and their performance management system have recently been viewed as vital in the attainment of sustainable competitive advantage, it is important to conduct further assessments and studies in depth about performance management practices in Oromia international bank.

This research tried to assess the existing PM practices at OIB, compare it with benchmark systems found in the literature review, analyzes it, identifies the weak areas and recommended some ways of improvements for successful implementation of performance management system in OIB.

1.3. Research Questions

This study tried to look for answers to the following research questions in the process of performance management systems.

1. How Performance management strategies are implemented in OIB?
2. How performance planning and execution implemented in OIB? \
3. How the assessment and review phase of performance management implemented in OIB?
4. How the strategic missions of OIB align with individual performance objectives?
5. How performance management system integrated with other HR functions?
6. What are the main challenges that hinder in implementing performance management system at OIB?

1.4. Objectives of the Study

1.4.1. General Objectives

The main objective of this study is to assess performance management practices in Oromia International Bank.

1.4.2. Specific objectives.

2. To assess whether performance management strategies are implemented in OIB.
3. To evaluate how performance planning and execution phases are implemented in OIB.
4. To evaluate how assessment and review phase of performance management implemented in OIB.
5. To evaluate whether the strategic missions of OIB align with individual performance objectives.
6. To evaluate whether performance management system is integrated with other HR functions.
7. To assess the main challenges that hinder in implementing performance management system at OIB?

1.5. Operational definitions of Variable:

This research tried to find answer for the above questions based on variables performance management strategies, alignment of performance management, performance planning and execution, performance assessment and review, Integration of PMS with other HR functions and purposes of PMS.

Performance Management Strategies: refers to the degree of knowledge participants have about performance management and how vision, mission, purposes and strategic objective are clearly defined, and are linked to their individual performance goals and objectives.

Alignment with Corporate Strategic Objectives: refers to positioning of expectations and employee goals with organization's strategic direction and corporate objectives (Armstrong & Baron, 2006)

Performance planning: performance planning a process that include setting of performance standards and accepted behaviors or it is participative goal setting between managers and employees (London et al, (2004)

Performance execution: is implementation of performance planning and to monitor continuously where employees fails to meet the already set standards and giving feedback to them to get them back on track through updating employees with information and providing them with resources and opportunities (Smither & London , 2009).

Integration of Performance management system with other HR: linking different aspects of human resource management, especially learning and development, and reward, to achieve a coherent approach to the management and development of people; and organization (David, 2004:5).

Assessment: The performance assessment phase is a stage where both the employee and the manager are responsible for evaluating the degree to which the desired behaviors have been displayed, and whether the predefined results have been achieved by using different techniques (for example, peers or subordinates, 30degree feedback (Smither and London 2009).

Review: a stage at which employee and manager discuss about the assessment and get its feedback on his performance and leads to performance improvement (Chen & Kinshuk, 2008).

Challenge implementing Performance management: is the major factor that its existence or its absence leads to failure in implementing performance management system.

1.6. Significance of the study

This study will help the reader to critically analyze the improvements in performance management practices and will show practical implications of recommended practices in actual business situations, OIB. Furthermore, the study will explore the issues (weaknesses) related with performance management practices in OIB and will provide recommendations and suggestions so that other organizations will get the directions and guidelines to improve the performance management. Moreover, the study will also help researchers in provision of information as secondary data for future use in the academic area.

1.7. Scope of the Study

The study is limited to assess the performance management practices implemented in OIB located in Addis Ababa due to accessibility and by taking sample from head offices and grade three branches. The reason behind selecting head office and grade three branches is that there is relatively large and experienced number of employees located in these branches than other branches.

1.8. Limitations of the Study

The study was concentrated only in assessing the existing performance management practices in OIB. The impact of performance management system on the banks productivity and profitability is not covered. As the study was done on sample basis and considers only head offices and grade 'three' branches located in Addis Ababa, some percentage of employees may not be addressed methodologically. Moreover, the study was facing a problem of getting enough literature available especially in the context of this country. This may limit the depth of literature review conducted in the study and forced to depend on foreign literature.

1.9. Organization of the study

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

CHAPTER TWO

REVIEW OF RELATED LITRATURES

2.1. Introduction

This chapter comprises in depth discussions on Performance Management Systems (PMS) and related knowledge produced by researchers in the field. In addition to generic materials on the subject, efforts have been made to study the available materials on the PMS of financial sectors. This will help to convey the reader what all knowledge, ideas, principles and models have been established on topic and what are their strengths and weaknesses.

2.2. Definition and Concept of Performance Management

Different authors in management science and human resource management, as well as the careful review of related literatures provide various definitions for PMS. In this section, definitions are expressed as sample and the general concepts of PMS are explained in detail. Performance management is a systematic approach to the process of setting strategic goals, measuring, collecting, analyzing, reviewing and reporting performance data and finally applying the results of performance to improve the performance of performers (Yavari & Zahedan, 2013). Performance management involves discussions between managers and staff in relation to expectations, performance evaluation, performance feedback, development & training and the followed up system (Sheikh, 2009).

PMS can be defined by interrelated performance management elements that influence one another so as to enhance both employee and organizational performance in order to ultimately increase organizational effectiveness and productivity. Each of the elements of PM can be present alone and considered as performance management (Tung & Baird, 2011). PM can also be defined as the process through which supervisors and employees gain a shared understanding of work expectations and goals, exchange performance feedback, identify learning and development opportunities, and evaluate performance results which enable organizations to create and sustain a workplace environment that values continuous improvement, adapts well to change, strives to attain ambitious goals, encourages creativity, promotes learning and professional development and rewarding for employees (Shrivastava & Purang, 2011).

Performance management is a systematic way or approach through which organizations set their strategic goals, evaluate performance of their employees and apply results to improve the performance of poor performers and to reward good performers (Rafi-Zadeh, 2009). Performance management defined by Armstrong (2009) as "a means of getting better results from the whole organization or teams or individuals within it, by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements." PMS also taken as dynamic and balanced system which helps in the process of decision making by collecting, analyzing and monitoring information related to performance (Neely, Gregory, & Platts, 2005).

Performance Management has developed as a strategic process which incorporates goal-setting, performance appraisal and development into a unified and coherent framework with the specific aim of aligning individual goals with the organization's wider objectives and therefore concerned with how employees are managed and developed to improve their performance and maximize their contribution to the organization. (Fryer, Antony, & Ogden, 2009).

2.3. Characteristics of Performance management system

According to Farheen & Faiza (2014), there are some characteristics of performance management due to which an organization achieve its objectives:

- **Strategic Congruence/Integrity:** Performance management system should be designed and implemented in such a way that there is alignment of unit goals with organizational goals. The integration of organizational and individual and team objectives is often referred to as a process of 'cascading objectives'. However, cascading should not be regarded as just a top-down process. Integration is 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.

- **Thoroughness or Completeness:** This means, PMS should be complete in its design such that it can evaluate all employees including managers as well as able to evaluate all job responsibilities and need to review the whole organization and ultimately provide feedback for improvement purpose.

- **Practicality***:* *PMS* should be least expensive, less complicated and less time consuming; otherwise it will not give better and fair results. This type of system gives more benefits to those who take decision on the basis of information obtained from this system. Performance management system provides the benefits of performance enhancement, job satisfaction and motivation so it can provide its results in productivity, output and profits.

- **Meaningfulness***:* Performance management system should be understandable and should meet the standard of system while implementing it. Evaluation during implementation should be relevant and specific.
- **Specificity***:* It means system should provide brief but complete information about performance evaluation and measurement**.** It should provide complete guidance about the expectations of managers from employees.

2.4. Poor implementation of Performance Management System

It's in the hands of line manager whether PMS will be successful or not and how they interpret or implement the processes. Supervisors are consequently crucial in recent PMS and decisive in motivating employees and their "flexible behavior". Consistently cascading to the line manager within an organization the execution implementation of a performance management system is directed (Currie and Procter 2001, Whittaker and Marchington, 2003, Harrison, 2005). Poorly implemented PMS can result in fake and misleading information, wastage of time and money, broken relationship, job firastration, dissatisfaction etc.

2.5. Purposes of the Performance Management System

The purpose of performance management system reflects the main objectives and guiding principles an organization has for the system to help it gain a competitive advantage. Most commonly, organizations use performance management systems for three main purposes: to achieve desired results, to develop employees and to accomplish administrative purposes. Performance management systems with a results oriented purpose focus on performance outcomes and view employees as a means to achieve organizational goals, such as increasing revenue or company sales (Farheen & Faiza, 2014).

Firstly, it is a strategic process in that it is aligned to the organization's wider objectives and long-term direction. Secondly, it is integrative in nature, not only aligning organizational objectives with individual objectives but also linking together different aspects of human resource management such as human resource development, employee reward and organizational development, into a coherent approach to people management and development. Thirdly, it is concerned with performance enhancement in order to achieve both individual and organizational effectiveness. Performance enhancement is underpinned by two further principles: the ideas that employee effort should be goal-directed and that performance improvement must be supported by the development of employees' capability. A further feature relates to communication and understanding and the fact that performance management is based on an agreement between a manager and an individual, a shared understanding of and continuing dialogue about an individual's goals and the standards expected and the competencies needed, together with an appreciation of the organization's wider mission, values and objectives.

2.6. Performance Management Process

The performance management process provides a vehicle through which employees and their supervisors collaborate to enhance work results and satisfaction. This process is most effective when both the employee and the supervisor take an active role and work together (Osabiya, 2014). According to Aguinis (2007) the components in the performance management process follows the following stages (1) pre - requisites, (2) Performance planning, (3) performance execution, (4) performance assessment, (5) performance review, and (6) performance renewal and re contracting. To enable the researcher in assessing the current practices of Performance management each of the phases are discussed at some length.

2.6.1. Prerequisites for Proficient Performance Management Systems

According to Soltani (2006), there are some important prerequisites that are needed to be in track, before a performance management system can successfully be implemented. If there is a lack of clarity regarding these factors, there will be a lack of clarity how to develop PMS in that organization. These prerequisites discussed in detail as follows;

Integration with other HR systems

Before HR managers embark on the development of a new performance management system, they should take a moment to consider whether or not their organization has HR management practices in place to support the performance management process. In developing a performance management system, it is important to ensure that it can be aligned with other HR systems in the organization. For example, competencies or corporate values used as the basis for performance management should be the same as those used for recruitment, staffing and training. This not only ensures that employees are being hired, trained and appraised on a consistent set of critical job requirements, but it also sends a strong message, internally and externally, about what is valued by the organization (Armstrong & Baron, 2005)

Fitting with the Corporate Culture

Many companies are becoming advocates of values-based performance management where they integrate their core value as a framework on which their performance management system is built on. In order to be effective, performance management system have to fit into the organization culture of the financial institution. The more HR managers know about their institution's organization culture, the better the PMS can be designed.

Alignment with Corporate Strategic Objectives

Expectations and employee goals should be clearly tied to the organization's strategic direction and corporate objectives. In some situations, it is difficult to see direct relationships between organizational goals and what a particular individual can achieve in his or her job. To remedy this, organizational goals need to be translated and cascaded into more refined goals and expectations at the unit, team and individual levels. The highest-level executives first develop division goals that align with the organizational goals. Then, the mid-level managers develop unit goals that align with the division goals, followed by managers developing group goals that align with unit goals and so on until the organizational goals are cascaded down to individuals. The most effective practice is to establish a hierarchy of goals where each level supports goals directly relevant to the next level, ultimately working toward the organization's strategic direction and critical priorities (Gliddon, 2004).

According to Armstrong(2006) organizations use the following 'SMART' mnemonic to summarize the characteristics of good performance objectives:

S = Specific/stretching – clear, unambiguous, straightforward, understandable and challenging.

M= Measurable – quantity, quality, time, money.

A = Achievable – challenging but within the reach of a competent and committed person.

R = Relevant – relevant to the objectives of the organization so that the goal
of the individual is aligned to corporate goals.

T = Time framed – to be completed within an agreed timescale.

Qualified and motivated assessors

Performance management is usually carried out by line managers rather than HR professionals, therefore it is important that they understand their role in managing performance and how performance measurement contributes to the overall aims of performance management. Line managers must manage employee performance well in order to achieve their missions and reach their goals. Accordingly, performance management is one the most important parts of a line manager´s or supervisor's job and qualified and motivated assessors are an absolute necessary prerequisite for an effective PMS.

Top management commitment

The global performance management survey report (2013) states that companies reporting higher level of executive commitment are likely to report effectiveness in their performance management system. Starting at the top and getting the commitment of upper management to make performance management a priority is an important prerequisite for success. In order for any performance management system to be effective, organizational members must be motivated to use it properly. The stronger the commitment, the greater the potential for program success is. Without top management support the system will fail. Top management support means that the highest level managers follow all parameters of the system themselves and establish expectations for their direct reports to do so as well by including performance management as a critical aspect of their evaluations (Bayazi, Aghili, & Abadi, 2009).

Result-orientated job descriptions

Another important prerequisite to implement a high-quality PMS is that at all organizational levels, there are job descriptions already worked out and periodically up-dated. A job description should be a comprehensive statement of all that the job includes. A results-oriented job description does more than describe what a person does (the tasks); it also describes what a person accomplishes (the results). Result-oriented job positions are defined working situations where value is created for the organization. Every position has its own internal and external customers to whom unique results are delivered (Sadat, 2008).

Clear Reporting Lines and Relationships

The reporting structure defines how power and control is cascaded throughout the organization and is usually represented in a chart, showing how the lines of control reach the various functional areas. Reporting relationships must be clear so all members of the organization understand what their responsibilities are and know to whom they are accountable. These clear relationships make it easier for managers to supervise those in lower organization levels. Each employee benefits by knowing whom they can consult for direction or help. Furthermore, managers are aware of who is outside the scope of their authority, so they do not surpass their limits and interfere with another manager's responsibilities.

2.6.2. Performance Planning Phase

The first step of performance management process is to examine prerequisites for performance planning. Prerequisites include knowledge of the vision and mission statement of an organization and knowledge of the job followed by job analysis and job description. Next step is performance planning that include setting performance standard and accepted behaviors (Armstrong, 2009). London et al (2004) argue that pre-requisites and pre-planning is very important in terms of mutually agreed participative goal setting. If this process is participative or two way then the performance is always improved rather than assigning goals to subordinates without any participation. Performance is measured on the basis of two things: results output oriented measurement and behavior based measurement. Performance management system helps organization in developing such processes that build up desired behaviors in human resource thus growing the preferred culture within an organization. This will ultimately assist an organization in achieving human capital advantage (Armstrong & Baron, 2005). During this planning phase, supervisors and employees work together to establish mutually agreed performance goals. This includes developing job objectives and identifying contributing factors which are attributed behaviors in the job objectives to be established.

During the planning phase, managers need to ensure that the job descriptions and objectives are aligned with the organization's strategic objectives. Objectives should be based on the individual's job description and should be achievable, with expected outcomes, performance standards and time-scales linked to each objective. In setting objectives, it is important for the supervisor and the employee to understand key characteristics of objectives (Rankadimeng, Job, & Ogutu, 2014).

2.6.3. Performance Execution phase

The second phase of performance management process is the execution and implementation of performance planning and to monitor continuously where employees fails to meet the already set standards and giving feedback to them to get them back on track. It is the responsibility of subordinate to execute the plan which has been decided in previous agreed phase. Here the supervisor is responsible for observing the performance standards for the employee and providing timely feedback and coaching (Armstrong & Baron, 2005).

According to Smither & London (2009), in this stage the employee strives to produce the results and display the behaviors established earlier as well as to work on development needs and supervisors have responsibilities over the following issues:

- **Careful observation and documentation:** here supervisors are required to keep records of objective examples of both good and poor performance

- **Updates:** When organization's goals change, it is required to update objectives, standards, expectations as the organization's change, It is important to update primary objectives, standards, and key accountabilities and competency areas.
- **Feedback:** on progression toward goals and coaching to improve performance should be given on an ongoing basis, and before the review cycle is done.
- **Resources:** Supervisors should check and provide employees resources and opportunities to involve in development activities
- **Reinforcement** Supervisors must let employees know that their outstanding performance is observed by reinforcing effective behaviors and progress toward goals Performance problems should be identified early, and proper steps must be taken as soon as the problem is revealed.

2.6.4. Performance Assessment

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

According to Armstrong (2006) individuals/employees should assess their own performance using a structured approach as the basis for discussions with their managers in review meetings. Self appraisals can minimize conflict between appraise and appraiser and enhance the employee's satisfaction and perception so as to increase acceptance of the system.

360-degreefeedback also referred to as multi-rater or multi-source feedback– is the process whereby individuals receive feedback from a variety of stakeholders about the way they carry out their jobs. Performance feedback is typically collected from colleagues, direct reports, line managers, internal and external customers, as well as the individual. The rationale behind such multiple evaluations is that an individual obtains a breadth of information on his/her performance and behaviors (van der Heijden and Nijhof, 2004).

According to Morgeson, et, al (2005) 360-feedback **is** a method of collecting information and behaviors about an individual from different groups specially on performance dimensions that need improvement. The information obtained from 360 feedbacks is used to prepare a developmental plan for employees. Management by Objectives (MBO) specifies the performance goals that an individual and manager identify together. Each manager sets objectives derived from the overall goals and objectives of the organization. It should not be a disguised means for a superior to dictate the objectives of individual managers or employees (Mathis & Jackson 2009:345).

2.6.5. Performance review

This is a stage at which employee and manager discuss about the assessment. It is important as it is a formal review at which employee get its feedback on his performance and leads to performance improvement (Chen & Kinshuk, 2008). Grossman and Parkinson, (2002) forwarded recommendation for conducting effective performance reviews:

- Appreciate what the employee has done well and refer negative behaviors.
- Give chance to your employee to explain about these behaviors.
- Clarify the implications of improving or not improving the behaviors
- Explain to the employee how skills used in past achievements can help him or her overcome any current performance problems.
- Agree on an action plan.

Some structural characteristics of a performance management system include the number of formal and informal performance reviews. Formal performance reviews refer to planned face-to face meetings between employees and their supervisors to discuss the employee's job performance or development. Formal performance reviews serve as a medium to inform employees about how their performance has been evaluated. On the other hand, informal performance reviews are unplanned encounters between a supervisor and his or her employee to discuss the employee's job performance and provide feedback that helps the employee meet performance expectations set in formal performance reviews (Dewettinck & Dijk, 2013).

According to Gabriela, Silva, & Hutu (2016) the following are the key elements of performance review process.

- Performance Measurement*: review whether* assessing performance is taken according to agreed objectives and assessing employee behaviors and attitudes to their values;
- Performance Feedback*:* informing the employees on their achieved levels of performance, while mentioning the issues which should be enhanced;
- Positive reinforcement*:* giving constructive criticism on what should be improved;
- Exchange of views*:* Providing a discussion on work results and how employees should be supported by managers to achieve their aspirations in relation to their future career;
- Agreement: achieving a common agreement between managers and employees on what needs to be done to improve and sustain performance

For many organizations, the necessary steps to PMS will be familiar as shown in Figure 1 below.

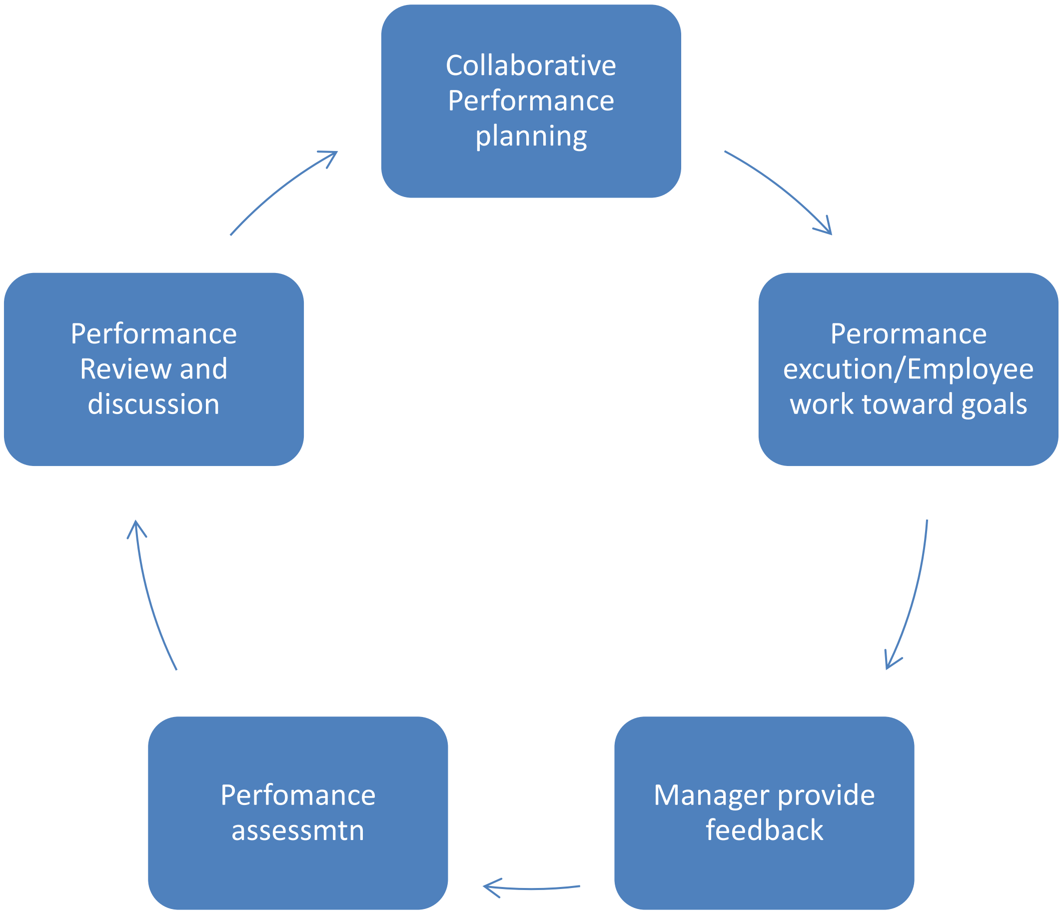

Figure 2.1. The Performance Management Process (developed from Aguinis, 2009)

The figure above depicts effective performance goals flow from and support the mission, vision, and goals of the team, department, and the organization through collaborative planning between employee and top management so as to have excellent execution of the system. The manager or supervisor should give continuous feedback before the regular annual or semi-annual assessment is taken. That means discuss performance on a regular basis (not just during formal reviews). Share feedback about the employee’s successes and areas needing improvement. Seek employee input about the work process and results.

2.7. PMS-A cyclic Process

A performance management system operates as continuous and self rewarding cycle which begins with planning and setting the goals which are mutually agreed upon by appraise and his/her manager. This step requires understanding of employees and managers otherwise it will adversely affects overall activities of the process (Fletcher, 2001). In this standard model, there are five main components; Role definition, Performance agreement (Plan), Personal development planning (Act), Performance (Monitor) and Performance review (Review).

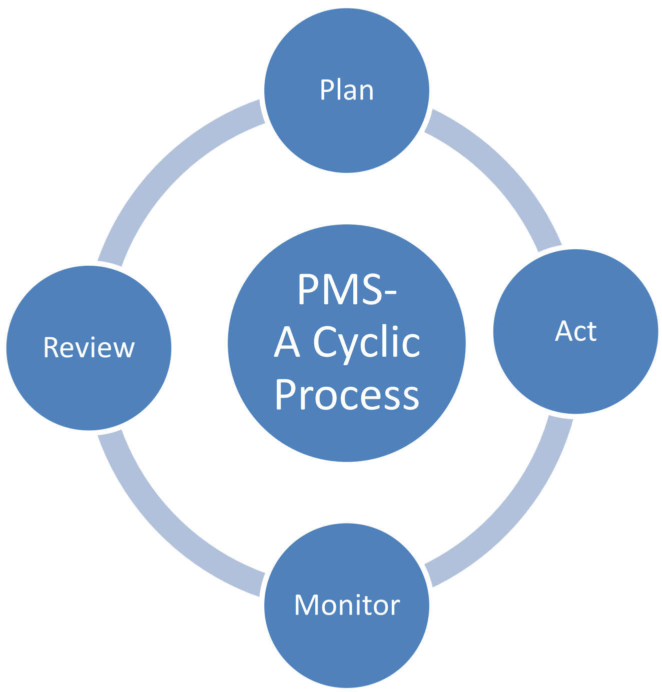

Figure 2.2. Performance management process (Armstrong, 2003, 2006)

In role definition the purpose of the role, key result areas that present the major responsibilities of the role holder in terms of output and Key competencies in terms of qualification, skills, or behavior required to perform the job are identified and established. In the second stage of PMS, performance agreements or contracts are established. Expectations from human resources are ascertained, i.e. what an individual has to attain in the form of objectives, how their performance will be measured and competences needed to deliver the required consequences. Armstrong

(2001) encompasses elements of performance agreements or contracts as a combination of objectives and standard of performance. Performance measures and indicators, competence assessment and core values or operational requirements. The next stage of PMS is the personal development plan. At this stage actions are designed to develop individuals in order to broaden their knowledge and expertise, amplify their levels of proficiency and to advance their performance in particular area. Once agreements are accomplished between the stakeholders, dynamics of the PMS have been identified and agreed upon with mutual consensus and consultations, training have been imparted to the concerned, and the required developmental activities identified than its time for the actual Performance of agreed upon jobs. Actions are taken in accordance with the practice of the performance agreement, and personal agreement plan as individuals keep on with their daily work and their intended learning activities; it also includes providing an uninterrupted feedback on performance, conducting informal performance reviews, updated objectives and dealing with performance problems and counseling (Armstrong, 2001).

2.8. Components of PM

According to Prasad (2005) performance management is the systematic process of planning and appraising performance by providing timely feedback and guidelines to employees for the enhancement of their performance. And the performance appraisal is the crucial part of performance management. Performance management is the process of enhancing the performance of organization through individual and team performance (Armstrong 2006). The basic purpose of performance management is to align the individual performance with organizational goals and objectives (Desselor 2008). From the last fifteen years, the organizations mostly call their appraisal system as performance management system (Pareek and Rao, 2006).

Performance management system has two components performance appraisal and performance development. Performance management is a dynamic, nonstop process and is to enhance organizational effectiveness. On the other hand performance appraisal is periodic event after a specific time period. Formal appraise and review are the last phase in performance management process (Ayesha, 2015).

2.8.1. Performance appraisal

Performance appraisal includes all formal procedures used to evaluate personalities, contributions & potentials of group members in a working organization. It is a continuous process to secure information necessary for making correct and objective decisions. In simple words, performance appraisal is the systematic evaluation of the individual with respect to his performance on the job and his potential for development. (Pallavee & Usha, 2012).

Performance appraisal system helps to promote better understanding of an employee's role and clarity about his or her functions, give a better understanding of personal strengths and weaknesses in relation to expected roles and functions, identify development needs of an employee, establish common ground between the employee and the supervisor, increase communication, provide an employee with the opportunity for self-reflection and individual goal setting, help an employee internalize the culture, norms and values of the organization. This helps develop an identity with and commitment to the organization and prepares an employee for higher-level positions in the hierarchy and also assist in a variety of personnel decisions (Pallavee & Usha, 2012).

Performance appraisal usually reviews past behavior and so provides an opportunity to reflect on past performance. But to be successful they should also be used as a basis for making development and improvement plans and reaching agreement about what should be done in the future to enhance the bank's effect and effectiveness. Performance appraisal is often the central pillar of performance management to keep the motivation of the employees high. (Shrivastava & Purang, 2011).

Performance appraisal serves as a management information system for organizations; it provides a feedback to the employee about his/her performance and therefore can be said to have been generally accepted as a logical means to evaluate, analyze and effectively utilize the abilities and knowledge of employees at all organizational levels. By this, there is a responsibility on management to provide systematic procedures for reviewing and appraising the contributions of personnel to the organization's objectives (Osabiya, 2014)

According to Stone (2002), for an organization to decide which performance appraisal method is required they need to choose a practice which best fits the culture of the organization. It must also consider the strategic reasoning behind putting the appraisal system into use and how it will measure performance. The following are considered by Stone (2002: 286-289) as the various methods to be considered:

- Ranking' - This is the 'oldest and simplest form of rating' and is used to compare each individual performance to enable the manager to position the individual to distinguish between who is best and worst. In order to rank employees, managers must comprehend the roles of the individuals and can therefore simultaneously compare their performance.
- Grading' - This can be used to compare the employee's performance utilizing specific grade definitions such as superior, good, acceptable, marginal and
- Graphic Scales' - Can be utilized by measuring the individual's performance with specific characteristics that are established around their subjective characters i.e. 'initiative and dependability' or objective characters such as quality and quantity of work'.
- Critical incidents' - This occurs when the manager records specific incidents which stipulate an employee acting in an incorrect way. They are generally recorded around when they occur and will be used against measuring an employee's performance.
- Management by objectives' - This involves the manager and individual compromising on the same targets. The performance of the individual can be determined by the job at hand in which they have compromised and undertaken on. These tasks are then reviewed at regular periods with regards to the achievement that has been made.

While some people use performance appraisal and performance management interchangeably, there is a thin but significant line of difference between the two. Performance appraisal describes the process of evaluation or rating of the performance of a staff over a given period of time, leading to the placement of the staff within an overall rating category. Performance Management on the other hand encompasses both the rating process as well as what the organization does with the outcome of that rating to enhance the composite productivity of its staff and the whole organization. An organization that effectively manages performance does not stop at rating or evaluation of staff (Alo & Oni, 2016).

2.9. Roles players in performance management

The previous section focused on how to manage the outcomes of performance management irrespective of whether they are positive or negative. This section consider the role of managers/supervisors, subordinates and human resource units in the implementation of performance management.

Managerial Roles in Performance Management

Line managers accomplish and bring together Performance Management. Armstrong and Baron (2005:17-19) state that line managers can be assisted in providing Performance Management through the following:

- Applying Performance Management into the organization with the participation of the line managers in becoming involved in experimental research,
- Utilizing a 360 degree feedback process to measure whether line managers are implementing the Performance Management system correctly in terms of how they deal with their employees and if there is a need for development of the line managers.
- Performing reviews with employees to see how they react to how the line managers implementing the Performance Management system and if there is a need for areas of improvement.
- Provide formal training for the line managers in the abilities that are required of them to carry out the Performance Management system. If new systems are being introduced then training should be provided in order for the line managers to progress further. Formal training is highly important where new managers are concerned.
- Individuals who are HR knowledgeable or competent line managers should provide one to one training for other line managers this will contribute towards the formal training that is already established.
- The human resource department should work with the line managers and highlight to them the importance of Performance Management for both managers and employees.

Supervisor’s role

The Supervisor’s role in the performance management system firstly, involves making ratings at the end of an appraisal period. Secondly, counsels, mentor, coach, and judge performance. Thirdly, they commit to and understand the performance management system, and skills in setting expectations, standards, and goals. Fourthly, they should be skilled in communication, listening, and providing goals. Fifthly, they should be firm when required and emphatic when required; and, finally, management must provide role models for others, taking time and effort to make the system work (Carroll 1982:234-235). This is underscored by Walters (1995:69), who states that the role of the supervisor in performance management as the host of the meeting, therefore he or she should prepare the meeting place, ensure that there are no physical barriers to the discussions and also to appropriately position the participants during the meeting. According to Leonard & Hilgert (2007:375-377,) the supervisor is responsible for firstly, evaluating the subordinate, as he or she is in the best position to observe and judge how well the subordinate has performed the job. Secondly, he/she should establish performance expectations on standards. Thirdly, he/she should provide regular feedback on employee performance and, fourthly, keep accurate record of the subordinate’s performance.

Employees’ role

According to Carroll (2000:235) employees should understand and support the performance management system by:

- willing to participate in the setting of performance expectations on standards.
- being reasonable in their acceptance of performance feedback from their superiors and should assess themselves realistically.
- call attention to biases, inaccuracies, and job changes that signal changes in the system;
- articulate their views clearly and take responsibility for performance improvement.

2.10. Alignment and Integration of PMS with other HR functions

As Aguinis (2007) states performance management is basically related with finding out weaknesses their improvement and establishment of performance of individual. He also states that this process includes the alignment of vital goals with individual performance and proper feedback. Performance management provides the way to managers to overcome and improve the sudden changes very soon.

Nzuve and Njeru (2013) argues that an effective performance management system define expectations and align individual performance goals with those of an organization. One of the most fundamental purposes of performance management is to align individual and organizational objectives. Alignment can be gained through cascading process so that objectives flow down from the top. But it should also be a bottom-up process, individuals and teams being given the chance to prepare their own objectives 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 (Armstrong, 2006).

According to Armstrong (2009), performance management is integrated in four senses:

- Vertical integration – linking or aligning business, team and individual objectives;
- Functional integration – linking functional strategies in different parts of the business;
- HRM integration – linking different aspects of human resource management, especially organizational development, human capital management, talent management, learning and development, and reward, to achieve a coherent approach to the management and development of people; and
- The integration of individual needs with those of the organization, as far as this is possible

2.11. Human Resource Development and Performance Management

According to Sari (2009), training and development is seen as one of the key practices of HRM and it refers to the programs designed to teach the employees about the company specifics, educate them on the general rules of an organization, to provide them technical knowledge which is considered important to complete the job tasks effectively and to eradicate the probable imperfections at work. The conceptualization of HRD by the various scholars point out the fact that it is a medium by which employees in an organization are transformed from their present state, to a desired state of affairs in the area of improved skills and knowledge through training (capacity building) ability for the purpose of achieving enhanced performance of organizational workforce. This means that an organization that lacks the ability to improve its employees in the area of training for required skills and knowledge through the adoption of the strategy of HRD is more likely not to have in its employment the competent manpower needed to achieve its goals of enhanced products/service delivery for profit maximization (Eseme, 2012)

2.12. Performance management and Reward system

It is now obvious that compensation both financial and otherwise is of importance to both the employees and employers. Compensation is the major element to influence organization's staff. When workers are properly and fairly compensated, the more they will perform better at the same time, organizational performance will increase. When workers are adequately compensated, the better they perform. Compensation is a core motivational tool for employees and this motivation is defiantly going to reflect on the organizational performance. (Bilal and Raja, 2011: pp 907-913).

Compensation and reward is the remuneration received by an employee in return for his/her contribution to the organization that is performance. It is organized practice that involves the work-employee relationship by providing monetary and non monetary benefits to employees (Malhotra, Budhwar, & Prowse, 2007). It is an integrated part of HRM which help in motivating the employees and ensuring long term retention of employees. While employers pay more attention toward optimum performance and generate greater profit, they also expect to have faire share in the business process. Therefore a fair and equity based compensation system is must for every business organization (Mujtaba & Shuaib, 2010).

Reward management is one of the strategies used by human resource managers for attracting and retaining suitable employees as well as facilitating them to improve their performance through motivation and to comply with employment legislation and regulation. As a result of these pressures, HR managers seek to design reward structures that facilitate the organizations strategic goals and the goals of individual employees. (Maund, 2001). Compensation and reward systems are directly linked with the overall performance management systems. During the performance appraisal cycle, the supervisor is responsible for monitoring and evaluating an employee performance, identifies the specific outcome and behavior that deserves to be compensated and finally recommended appropriate rewards that match performance at the end of each appraising period as per of company policy (Onge, & Teh, 2012). The rewarding system can also act as a tool of positive reinforcement for desired behavior to be reapted and play an important role in total reward system in which each reward element is linked together and treated as integrated and coherent whole. These elements comprises base pay, contingent pay, employee benefits, and non financial rewards which include intrinsic rewards form the work itself (Niki, Nili, & Nilipour, 2012).

It is sometimes assumed that the main purpose of performance management is to generate rating to inform contribution or performance related pay decision and it will provide rating for the whole range of rewards in order to encourage job engagement and promote commitment. Sound compensation system is a hallmark of organization's success which the success is due to high performance of its employees. The success and stability of the business is measured the pay package it provides to its employees (San, Theen, & Heng, 2012).

As dictated by Houldsworth and Jirasinghe (2006), the following are the types of rewards which can be linked to the performance of individuals:

- Base salary progression - Increases in pay linked to performance are within a set pay range. This type of reward is used for all employees in the organization linked to their performance during the year.
- Annual performance incentives - This pay is related to a set of objectives being satisfactorily completed by managers and employees with personal responsibility given for completion.
- Annual bonuses - These are not incentives for goals given but are remunerated for levels of achievement.
- Long-term incentives - Rewards are held off until all goals set are completed and remuneration mirrors continuous performance. Usually given over a 3-5 year time scale and are provided to upper management who have authority over organizational accomplishments.
- Team awards - Reward mirrors that of team performance input and devotion by team members consistent over a period of time.
- Profit shares/gain sharing - Shared rewards are provided for accomplishment, this is a good way of stipulating how the organization is performing overall.
- Recognition awards - These types of rewards are given to the individuals whose performance in the organization is exceptional. The culture of the organization should be embedded in these accomplishments.

2.13. Implementation challenges of PMS

According to De Waal and Counet (2008: 368-372) there are various problems which can be identified with the practice of Performance Management systems (PMS) -

- There are insufficient resources and capacity available for implementation, In order to implement PMS into an organization it would require focus and time. The organisation may aspire to implement the PMS but may not have the appropriate resources, time and amount of people to carry it out; this will result in an impediment in utilising Performance Management.
- Lack of management commitment' - If management demonstrate a lack of commitment to the implementation the employees will also not take it serious. Line managers need to show a real sense of ownership during implementation of PMS.

- Organizational members are not adopting the right management style' - If the PMS is used by management in an in appropriate manner to punish individuals instead of educating and progressing them, then members of the organization will dislike the PMS resulting in its information being misused.
- There is a lack of knowledge and skills in regard to the PMS'- The PMS will not perform accordingly if the members of the organization do not know what is required of them with the system - this can stem from a lack of training with the PMS.
- There is an insufficient link between the PMS and the reward system' - If there is no connection or a deficient connection between the PMS and the reward system, the members in the organization will not be appraised or rewarded in relation to work carried out with the key performance indicators and the critical success factors. This will lead to the members focusing on other issues and not comprehending the importance of the PMS.
- 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 area.

It is important to periodically monitor the system, revise portions of it when necessary, and refresh people’s interest in the system. Too often, organizations ignore the system and then are faced with completely dismantling it after the system has become out of step with the times, or employees mistrust its use. (Bourne et al., 2000). In addition, De Waal and Counet (2008) highlighted other problems facing organizations in PM implementation, such as unclear strategy, lack of a performance measurement culture, organizational instability, and the low priority accorded to the PMS.

2.15. Conceptual framework of performance Management

After thorough review of related literatures in the areas of PMS, the researcher was able to draw the conceptual framework. The proposed framework tries to look the general aspects of PMS, the planning, assessment and reviewing phases of PMS, and the link between PMS and other HR functions (reward, learning and development). These key elements are taken as the operational variables for this study as depicted in the below figure.

Figure 2.4. Conceptual Framework of PMS: Source: Literature review

CHAPTER THREE

METHODOLOGY

3.1. Chapter Overview

This chapter mainly deals about the methodological framework of the study that the research employed to gather relevant data, to analyze the collected data and to present output of the findings and to draw conclusions and recommendations as per the research findings of the study. Methodology can be defined as the theory of how research should be undertaken and it is the methods different practices and techniques used to gather and examine the information. This will derive of questionnaires, observation and interviews as well as both quantitative (statistical) and qualitative (non statistical) analysis techniques (Saunders et al., 2009: 3). According to Singh (2006), research design is essentially a statement of logical strategies for collecting the evidences, analyzing the evidences and reporting the findings.

3.2. Research Approach:

A mixed research approach was used. This is because by combing both qualitative and quantitative methods, it is possible to obtain desired results and to explore detailed evidence about the problems. In addition, as suggested by Creswell (2003) to better understand a research problem, it is advisable to combine both numeric values from quantitative research and the details of qualitative research by eliminating the gap due to applying any one of the approach. Hughes and Tight (2001) suggest that a quantitative approach is used to measure how individuals feel, think or act in a specific way usually using structured interviews and closed questionnaires mainly with the sample size generally being a large size, usually over fifty. On the other hand, qualitative research method is a more explorative design gaining insight into such things as people's attitudes, behaviors, motivations and concerns and is usually based on a small sample size (Malhotra & Birks, 2003).

In this study descriptive survey research design was used. This design was particularly important for the study because it helps to describe and interpret the actual events that exist now and existed in the past and that have influences on the present performance management system of OIB. According to

Kohtari (2004), the major purpose of descriptive research is description of the state of affairs, as it exists at present. According to Cohen, Anion & Morrison (2005), descriptive research design is used to collect numerical data from large population. In addition to this, by using descriptive research method, it is easy to use various forms of data as well as incorporating human experience which enabled the researcher to look the study in so many various aspects and can provide bigger overview about the subject matter. It also gives room to use both quantitative and qualitative data in order to find solution to the specific study. This in turn can help to describe and give an answer to certain life experiences.

3.3. Sampling Design

3.3.1. Total Population

The total population for the study was the entire permanent employees of OIB head office and grade "three" branches which are located in Addis Ababa. As per the data from OIB HR department, the total number of permanent employees at head office grade three branches is 630.

3.3.2. The Sampling Frame

Selection criteria were set for the sampling frame from which to select the sample. For this study, OIB banks' head office and all grade "three" branches which are located in Addis Ababa were selected. The main reason behind the choice of criteria set was accessibility, and large number as well as more experienced permanent employees are working there compared to other branches. Though including all employees' idea on the analysis can better generate better conclusion and findings, it is more difficult to contact all employees in the research. Furthermore, as the objective of the study was to assess the performance management practices implemented in OIB, taking a respective sample of from head office and experienced branches has found to be feasible.

3.3.3. Sample size and Sampling Technique

The population for the study consists of all managerial, and non managerial employees of OIB working at head office and grade "three" branches. The sampling technique used for this study is simple random sampling by taking staffs that work in all divisions of selected branches and head office of the organization. This method was used to give equal chance to the population to make sure the representativeness of the data and also to ensure the representative of all characteristics of the population. In addition, purposive sampling technique was implemented for those who are directly responsible with performance management system and to screen those who are less likely understand efficiently understand PMS of the company as the researchers need. When one wishes to select a biased group or inappropriate group for screening purposes or when one wishes to select an appropriate group for inclusion purpose, purposive sampling method is a good choice (John, Hafiz, Robert, & David, 2007, P.90). Accordingly, three managers (two from head office and one from branch managers) were selected for interview purpose because they are likely more close and aware to the bank's performance management practice and policy. On the other hand, non-clerical employees were not considered as the researcher judge they were less likely understand efficiently the performance management practices of the bank. In addition, it is the researcher's view that they are less likely to understand the questionnaires desired by the researcher as their educational status can reasonably judged. Therefore this method will enable to have in-depth knowledge from those who are in a position to give about the practice of performance management system at OIB.

According to the data from OIB human resource division, the total population of all OIB employees under consideration was 630. Therefore the desired sample size is 240 which is based on sample size determining method developed by Robert & Daryle (1970).

Table.3.1. Sample Size determination

	Branch	Level of Branch	Population(N)	Sample Size(S)
1	Head office	Head office	563	213
2	Waddessa Branch	Grade-3	25	10
3	Bole Branch	Grade-3	19	8
4	Finfinne Branch	Grade-3	23	9
Total			**630**	**240**

Source: Survey Questionnaire 2017.

3.4. Source and Type of Data Collection

The data for this research was obtained from primary and secondary sources .The primary data was gathered through questionnaires and semi structured interviews. Secondary data are collected form published and unpublished documents, manuals, reports, websites etc.

3.5. Data Collection Instruments

Data collection instruments are the tools used to collect information as part of a research. The validity and reliability of data collection and instruments is of extreme importance to any sample survey. It is therefore essential to properly design data collection instruments so as to reach reliable and valid conclusions.

The questionnaires used in this study were compiled from those already used by other researchers in assessing performance management practices of different organizations (Rafik, 2013, Deirdre, 2012, Nkwane, 2012) after modified to fit for this particular study. Questionnaires have the advantage of securing relevant information effectively about phenomena that is not directly observable. It is also an efficient and effective method in reaching a larger group. For the purpose of this study, two sets of structured questionnaire consisting of close-ended questions organized into four sections were used to collect primary data from employees. Section one is about questions on the personal details such as age, sex, educational qualification, company information and years of experience within the organizations. Section two was designed to test PM practices implemented in OIB regarding (Nature and Purpose of PMS, performance management planning, performance assessment and review, link of PMS with other HR functions). A four point Likert scale ranging from (4 - strongly agree, 3- agree, 2 disagree, and 1 – strongly disagree) was used to assess the performance management practices of the bank under the study. A four point Likert's scale was selected by the researcher over a five point Likert's scale to eliminate the undecided response from participants as the sampling frame was carefully designed and the participants are likely aware of the performance management system of their organization(OIB). The semi structured interview were designed to gather information from managers about the performance management practices implemented in OIB.

3.6. Data Analysis Techniques

Data collected from the completed questionnaires were inspected first of all, cleaned, transformed and collated into useful information for easy comprehension. After that the data were modeled into coded categories to facilitate analysis. The researcher, with the aid of Statistical Package for Social Sciences (SPSS) version 20, and presented the final data in tables. The SPSS was used to obtain frequencies and percentages of close ended responses. The qualitative data obtained interviews and document analysis will be analyzed qualitatively and presented in the form of a summary. On the other hand, the quantitative data obtained through the questionnaires will be analyzed descriptively in terms of frequencies; results will be presented in tables. Then, the findings will be interpreted and discussed in relation to the research questions, literature review and the theoretical framework regarding effective PMS. Therefore, more of quantitative procedures combined with some qualitative procedures will be used to analyses the data collected for this study.

3.7. Test of the Soundness of the Measurement Used

As (Kothari, 2004) stated, a sound measurement must meet the test of validity and reliability. Both of them should use in evaluating a measurement to in this study.

3.8. Validity

Validity refers to the extent to which a test measures what we actually wish to measure" (Kothari, 2004). It involves the degree to which you are measuring what you are supposed to, more simply, the accuracy of your measurement. It is believed that validity is more important than reliability because if an instrument does not accurately measure what it is supposed to, there is no reason to use it even if it measures consistently. First, the researcher examine that the underling theory of the study has a strong conceptual basis and be based on well-validated constructs.

- Consulting subject matter experts in the area like research advisor and course instructors
- Feedback collected from the selected friends by the sample of questionnaire distributed to check the validity.
- The instrument used is almost standardized as adopted from other researchers in the field.

3.9. Reliability

Reliability has to do with the accuracy and precision of a measurement procedure (Kothari, 2004). That is if we measure something many times and the result is always the same, then we can say that our measurement is reliable. To measure the reliability of the constructs the researcher conducts internal consistency reliability using Cronbach alpha. Internal consistency reliability is a measure of consistency between different items of the same construct. The Cronbach alpha coefficient of the factors is displayed in the following table. The result shows that there is high internal consistency among the variables as Cronbach's Alpha is obove 70%.

Table 3.2. Results of reliability analysis

Factors	Cronbach's Alpha	No of Items
Performance Management Strategy	**.876**	**7**
Performance planning &Execution	**.805**	**5**
Performance Assessment & Review	**.767**	**8**
Integration of PMS with other HR functions	**.705**	**6**
Total No of items		**27**

3.10. Ethical consideration

Respondents who have completed the questionnaire were informed about the data collected and purposes of the study. Respondent's privacy and dignity highly maintained and any confidential information of the bank has never been disclosed the purpose of the data collected was for study only.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF FINDINGS

Introduction

The previous chapter discussed the research methodology used by the researcher during this study. It formed the theoretical basis of the study and assisted the researcher with the formulation of the questionnaire, unstructured interviews and document analysis used to collect the data from Oromia International Bank (OIB). The objective of this chapter is to assess the performance management system used by OIB.

Among the total 250 distributed questionnaires, 235 have been collected and this makes the response rate 94%. The remaining 15 were not returned. However, ten questionnaires were distributed as a contingent; only five questionnaires were not returned from the desired sample size which is 240. CPUT's in-house statistician confirmed that the response rate was satisfactory (Uys, 2013). In order to increase the validity of the information obtained, interview was made with division managers and branch manager. The basic reason for using interview is to have clear information and to triangulate the data gathered through questionnaire. The purpose of triangulation is to increase the creditability of collected data.

4.1. Demographic Information of Respondents

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

Table 4.1.1. The percentage and frequency distribution of demographic characteristic of Respondent's at OIB.

Gender				
	Frequency	**Percent**	**Valid Percent**	**Cumulative percent**
Male	**187**	**79.6**	**79.6**	**79.6**
Female	**48**	**20.4**	**20.4**	**100**

Total	**235**	**100**	**100**	
Age Group				
20 -25	**13**	**5.5**	**5.5**	**5.5**
26-30	**95**	**40.4**	**40.4**	**46**
31-40	**109**	**46.4**	**46.4**	**92.3**
41-50	**18**	**7.7**	**7.7**	**100**
Position at OIB				
Managerial	**57**	**24.3**	**24.3**	**24.3**
Non-managerial	**178**	**75.7**	**75.7**	**100**
Total	**235**	**100**	**100**	
Educational Status				
Master	**19**	**8.1**	**8.1**	**8.1**
Degree	**195**	**83**	**83**	**90.1**
Diploma	**21**	**8.9**	**8.9**	**100**
Total	**235**			
Years of Service at OIB				
0-2	**38**	**16.2**	**16.2**	**16.2**
3-4	**97**	**41.3**	**41.3**	**57.5**
4-6	**64**	**27.2**	**27.2**	**84.7**
Above 6	**36**	**15.3**	**15.3**	**100**
Total	**235**	**100**	**100**	

Source: SPSS OUTPUT

4.2. Analysis and Interpretation of Implementation of PMS in OIB

4.2.1. Performance management strategies

Strategic management can be defined as the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objective (David, 2004:5). Therefore the main purpose of performance management is to contribute to the achievement of high performance by the organization and its employees. As a result, it is important for the department as a whole from the highest level to lowest level of employee to know exactly what the end results needed to be achieved are. Top management is thus responsible for developing these innovative strategies to achieve the end results. Once the strategic objectives are set for the department, they need to be filtered down into the various units of the department. The purpose of this particular section is to determine the degree of knowledge participants have about performance management system of OIB, to assess whether vision, mission and strategic objective are clearly defined, and how they are linked to their individual performance goals and objectives. Furthermore, this section tries to look whether the concepts and purpose of performance management is clearly defined and same is communicated to employees in OIB.

Table 4.2.1. Performance Management Strategies factors

No		SD		D		A		SA	
		F	%	F	%	F	%	F	%
1	PMS is clearly defined at OIB	3	1.2	17	6.8	180	72	34	13.6
2	Senior managers are committed for effective implementation of PMS	34	14.5	170	72.3	27	11.5	4	1.7
3	Purposes of PMS is efficiently communicated to employees at OIB	1	.4	20	8.5	174	74	40	17
4	PMS was viewed by employees as valuable tool to achieve objective	41	17.4	43	18.3	162	68.9	7	3
5	PMS of the company is a valid source of information for basis of decision making such	5	2.1	182	77.4	31	13.2	17	7.2

	as salary adjustment, promotion or termination.								
6	Organizational goal is aligned with individual goal at OIB	6	2.6	23	9.8	171	72	35	14.9
7	Employees aware efficiently about their duties and responsibilities and how it related with PMS	6	2.6	22	9.4	163	69.4	44	18.7

SD = Strongly Disagree, D = Disagree, A = Agree, SA = Strongly Agree

Table 4.2.1. Above shows that from the total respondents, the majority 214(91.06%) agreed or strongly agreed that performance management was clearly defined in OIB. On the other hand, there are 21 (8.94%) respondents disagreed or strongly disagree respectively that PMS was clear for them in OIB. From this we can say that OIB make its employees aware of what PMS means.

Concerning the commitment of senior managers of OIB for the effective implementation of PMS, the majority 204(86.8%) disagreed that senior managers are committed to the effective implementation of the system. Only 31(13.2%) agreed or strongly disagreed on the issue. We can say from this that OIB focuses on implementing performance management as the managers are committed for the system.

The above table also shows the respondent's response on the question forwarded whether employees are well aware of the purpose of performance management system in OIB. The result of the analysis indicates majority of the employees know and aware about the purpose of performance management. Numerically, 214(91.06%) agreed or strongly agreed that the purpose of PMS was clearly communicated. On the other hand, 21(8.94%) disagreed or strongly disagreed that the purpose of PM was clearly communicated to the employees in OIB. According to Farris et. al. (2010) PMS of the company should be clearly stated, broadly defined and all staff members should have clear understanding of the system, thus made know objectives to be achieved by the organization in which they work, in a given year. According to Fletcher (2001) performance management system, to be implemented, requires efficient understanding of employees and managers at all level, otherwise it will adversely affects overall activities of the process. This implies that OIB the purpose of PM was clear to employees in OIB.

Table 4.2.1. Shows that the majority, 169(71.9) of the participants agreed or strongly agreed that PMS is a valuable tool to employee performance in OIB while 66(28.1%) disagreed or strongly disagreed on the question forwarded. This can implies that even though performance management is viewed by majority employees as a valuable tool to manage their performance, the number of respondents disagreed and strongly disagreed cannot be ignored and OIB should do more to aware all the employees about the importance of performance management system for employees to achieve their objective.

Respondents were also asked to express their level of agreement on the question forwarded that PMS is a valuable source of information at OIB for decision making like salary adjustment, promotion, termination etc. Accordingly, 187(79.57%) disagreed or strongly disagreed that PMS is used by the OIB as a source of information for decision making such as salary adjustment, promotion, deployment or termination while 48(20.43%) of the respondents agreed or strongly agreed that PMS is a valid a source of information for such decision making process in OIB. One of the major purposes of performance management is to develop employee after ascertaining the gap between the existing and desired standards. As a result of careful monitoring of employee's performance during appraisal cycle, the manager can easily identify developmental needs and recommend appropriate measures to fill the gap by using PMS as valuable source of information for such decisions like training program, promotion and deployment or termination (Saadat, 2012). Therefore literatures shows that PMS helps employee to improve their performance and is a valuable tool to identify their skill and behavioral

Concerning the alignment of organization and individual goals, respondents were asked about their level of agreement. Accordingly, 206 (87.66%) of the respondents agreed or strongly agreed that their departmental goal is cascaded from the organizational goal. On the other hand

296 (12.34%) of respondents disagreed or strongly disagreed on the issue. As pointed out in the literature, alignment is a major concern of performance management which could be achieved by ensuring that everyone is aware of the organizational and departmental objectives and by helping employees to know the objectives they agree of themselves are consistent with the organizational goals. Nzuve and Njeru (2013) argues that an effective performance management system define expectations and align individual performance goals with those of an organization. One of the most fundamental purposes of performance management is to align individual and organizational objectives.

Form the total respondents, 207(88.09%) which represents the majority of participants in this study agreed that they know what their role is in their department and how they fit it into the department's annual performance plan. On the other hand 6(11.91%) disagreed or strongly disagreed that they know their role and how it fit with annual performance. Armstrong and Baron (2005) states that performance management is largely about managing expectations. These are defined and agreed to in the form of role profiles which set out what are, in effect, ongoing objectives in the shape of definitions of what is required in each major aspect of the role. Therefore, the above analysis indicates that the majority of participants are in line with Armstrong and Baron's (2005) contentions. Hence

4.2.2. Performance Planning & Execution

Performance Planning is a stage where the supervisor and the employee meet together to discuss and agree on what will be done for the future and how it should be done and Performance Execution is getting the job done by achieving the objectives. The objective of this section is to assess the performance planning system of OIB, to analyze whether performance goals are set jointly, and to assess the availability of sufficient resources to execute the system.

Table 4.2.2. Performance Planning and Execution

No		SD		D		A		SA	
		F	%	F	%	F	%	F	%

1	Performance goals are mutually developed with employees	21	8.9	180	76.6	29	12.3	5	2.1
2	performance goals are SMART(Specific, measurable, Attainable and Time bounded) and challenging	35	14.9	88	37.44	101	42.9	11	4.7
3	Department's performance plan indicates success criteria/Key Performance Indicator/KPI	3	1.3	47	20	165	70.2	20	8.5
4	Sufficient resources provided to execute PMS	1	.4	16	6.8	178	75.7	40	17
6	Employees updated with sufficient information about change in the organizational goals.	3	1.3	18	7.7	175	74.5	39	16.6

Respondents were asked about the practice of performance goal setting in OIB. Accordingly, the largest share which is 201(85.53%) disagreed or strongly disagreed that employees are participated during performance goal setting while 34(14.47%) agreed or strongly agreed on the issue. According to Aguinis (2009) performance planning is a process by which the manager and the employee get together for a discussion to set a goal which will be performed by the employee with a specific period of time. This implies that the performance goal setting of OIB is not participative one.

Regarding the question forwarded for respondents of OIB whether employees consider performance standards SMART. Accordingly, smaller majority 112(47.66%) agreed or strongly agreed that goals are smart. On the other hand,123(52.34%) of the respondents disagreed or strongly disagreed that performance goals set by OIB are SMART. According to Armstrong

(2006:56) a good performance objective one that is specific, measurable, attainable, relevant and time bounded. Qorbanzadeh (2013) a performance goal that is unattainable creates stress to employees, increase dissatisfaction of employees and finally increase employee turnover. From this we can say that, even though many employees believes that goals are SMART in OIB, there a slight majority believe that it is not. This implies that there is some problem in the goal that the bank set that may need revision.

The above table 4.2.2. Clearly shows that majority, 185(78.72%) of the respondents agreed or strongly agreed that department's performance plan indicates success criteria/Key Performance Indicator/KPI and 50(21.28%) disagreed or strongly disagreed on the issue.

On the same table, respondents asked to rate their level of agreement whether sufficient resources are available. Most respondents 218 (92.77%) agreed or strongly agreed that sufficient resources are provided for the employees for the execution of performance management in OIB. On the other hand, 17(7.23%) disagreed and strongly disagreed that sufficient resources are available for the system to be implemented in the bank. This indicates that resources are provided tor employees so that it can help performance management implementation in the bank.

The last question respondents asked in the planning and execution is whether employees in OIB updated with information in case there is change of goals at OIB. Accordingly, most of the respondents, 214(91.06%) agreed or strongly agreed that OIB updage them with information in case there is change in the bank. The rest, 21(8.94%) disagreed or strongly disagreed that employees are updated with timely information about change in OIB. Literatures argue that companies that ignore their employee to update with timely information faced difficulty in implementing any strategy which is even smart. This implies that OIB communicate with employees as it makes any goal change it in the bank.

4.2.3. Performance Assessment and Review

Performance Assessment is conducted with the interaction of employee and supervisor for evaluating the extent to which the desired behavior and results are met during the specific period of performance review. Based on these purposes respondents were asked to rate their level of agreement and the analysis is as shown below.

Table 4.2.3. Performance Assessment and Review

No		SD		D		A		SA	
		F	%	F	%	F	%	F	%
1	Performance is measured against the factors previously agreed upon	10	4.3	193	82.1	29	12.3	3	1.3
2	Many sources are used to collect performance information(e.g. peers, subordinates, customers/360- degree	6	2.6	168	71.45	59	25.12	2	.9
3	Supervisors are fair during performance assessment	3	1.3	108	45.9	112	47.7	12	5.1
4	Employees have given chance to assess their own performance using self assessment form.	8	4.3	187	79.6	36	15.3	4	1.7
5	Continuous feedback besides midyear and annual feedback about performance achievements in relation to standards were regularly given.	21	8.9	183	77.9	28	11.9	3	1.3
6	Employees have necessary skills and	-	-			192	81.7	43	18.3

	competences to perform their job.								
7	Outcomes of performance review are directly recorded in their HR system(for example, reward, training and development)	2	.9	31	13.2	199	84.7	3	5.1.3
8	Managers have the right skill to assess manage employees performance	-	-	2	.9	25	87.23	28	11.87

SD = Strongly Disagree, D = Disagree, A = Agree, SA = Strongly Agree

The result of Table 4.2.3. Above shows, majority of respondents, 203(86.38%) disagreed or strongly disagreed that performance is measured against factors previously agreed up on. On the other hand, 32(13.62%) and 3(1.3%) agreed or strongly agreed that performance is measured on standards already agreed upon in OIB. Various literatures indicates that performance management is a regular evaluation of the performance of an employee on the basis of his job descriptions, key performance indicators and the organization's core values, and the use of the composite result for key HR decisions in the organization agreed upon in advance to performance assessment. In this regard, OIB is not performing in line with literatures. This indicates that there is no negotiation on standards by which employees' performance is measured in the bank.

The same table also indicates that most respondents, 174(74.04 %) disagreed or strongly disagreed that many sources used to collect information about employees in OIB while 61(25.96%) agreed or strongly agreed on the issue. According to Stone (2002) for an organization to decide appraisal they need to have various and sufficient information. According to Sunlin (2008) the accuracy of performance evaluation is dependent on the quality of the data gathered. Various information is obtained through observations of behaviors or, less ideally, by inferring behaviors through knowledge of results. This implies that OIB uses single rating method as per of the evidence from respondents response. The result therefore can imply that limited sources of information, or we can say that direct supervision is a practice that is mostly used as a source of information during appraisal.

Respondents were asked whether supervisors are fair during assessment. The result shows that a slight majority, 124(52.8%) of respondents agreed or strongly agreed that supervisors are fair during assessment. The rest 111(47.2%) disagree or strongly disagree on the issue. Literatures show that supervisors seem to favor some employees over the other by giving certain employees higher rating which may cause dissatisfaction on good performers. There should be check and balance or an appeal system to minimize the possible subjectivity of the evaluation process (Sibiya, 2010). In this regard, the result from the above table implies below average respondents agree that supervisors are fair during evaluation. The result implies that even though slight majority of respondents believe supervisors are fair during assessment, the result also shows as there is problem between supervisors and employees during assessment on the assessment's fairness in the bank.

Regarding the question whether there is self-assessment methods at OIB, majority of respondents, 195(82.98%) disagree or strongly disagree that employees have given chance to assess their own performance. On the other hand, 40(17.02%) agreed or strongly agreed that there is chance for employees to assess their own performance using self assessment form. According to Armstrong (2006) individuals/employees should assess their own performance using a structured approach as the basis for discussions with their managers in review meetings. Self-appraisals can minimize conflict between appraise and appraiser and enhance the employee's satisfaction and perception so as to increase acceptance of the system. Smither & London (2009) stated the importance of self-assessment by stating that the manager fills out his or her appraisal form, and the employee should also fill out his or her form which will provide good information to be used in the review phase.

The respondents were asked whether there is regular feedback on performances given by the bank besides the mid-year and annual performance evaluation feedback. Accordingly, the result shows that most respondents, 204(86.8%) disagree or strongly disagree that there is regular feedback. On the other hand 31(13.2 %) of the respondents agreed or strongly agreed that there is regular feedback given to employees besides the regular midyear feedback. Literatures shows that formal performance reviews serve as a medium to inform employees about how their performance has been evaluated and give feedback both on strength and weaknesses in the past, however, it is important to give employees regular feedback and review at which employee get instant support on his performance and leads to performance improvement (Dewettinck & Dijk, 2013). From this we can say that OIB less focus in providing regular feedback and focus on formal and periodic performance review.

As shown on the table 4.2.3. Above, the other question forwarded to the respondents are whether employees possess necessary skills and competences to perform their job. The result show that 235(100%) of the respondents agreed or strongly agreed that employees have the required skills and competencies to perform the company's job.

According to the result from table 4.2.3. Above, majority of respondents, 202(85.96%) agreed or strongly agreed that the outcome of performance review is directly recorded on the HR system of the bank. On the other hand, 33(14.04%) disagree or strongly disagree on the issue. Alo & Oni (2016) argued that an organization that effectively manages performance does not stop at rating or evaluation of staff, but uses the result for such human resource management processes as training and development, succession planning, compensation and reward management, staff placement and redeployment, career management and exit management. This is only possible if the outcomes of performance were recorded in the HR system of the company. From the result of the data we can say that, OIB is doing well and focus on the recording outcome of performance of the employee on the employees HR system.

Respondents were asked whether senior managers have the right skills to conduct assessments. Accordingly, almost all, 232(98.7%) of the respondents agreed that senior managers at OIB have necessary skills to mange employee performance. Only 3(1.3%) disagree that senior managers lack skill to conduct and manage performance of employees at OIB.

Table 4.2.4; Integration of PMS with other HR functions.

No		SD		D		A		SA		Mean	STD
		F	**%**	**F**	**%**	**F**	**%**	**F**	**%**		
1	PMS is used as one of employee motivation tool at OIB	17	7.2	115	48.9	84	35.7	19	8.1	2.45	.746
2	The PMS facilitates the implementation of strategy by attracting and retaining the right kind of people through reward system	30	12.76	143	60.9	54	22.94	8	3.4	2.92	.632
3	Reward is strictly related with performance	3	1.3	127	54.3	18	7.7	86	36.8	2.23	.654
5	Supervisors identify developmental needs to assist subordinates grow	5	2.1	49	20.9	149	63.4	32	13.6	2.89	.647
6	Full support and encourage of top management is provided for conducting training and development	7	3	38	16.2	154	65.5	36	15.3	2.93	.657

According to table 4.2.4. Above, majority respondents, 132(56.17%) disagreed or strongly disagreed thatt OIB uses performance management as motivation tool. While the rest 103(48. 83%) agreed or strongly agreed that PMS is one of motivational tool in the bank. According to Oyadirn (2010) performance management can fulfill its purpose of progressively enhancing organization's performance if and only if it produce evident staff development and used as the main tool to of employee motivation and development. Therefore this implies that OIB's performance management is now not at a stage that employees believe, the system is one of a motivation tool.

The other question forward to the respondents is whether OIB uses PMS in such a way that it helps to attract and retain talents through reward system. Accordingly the large portion of respondents, 173(73.62%) disagree or strongly disagreed that OIB uses PMS to attract and retain talents. On the other hand 62(26.38%) of the respondents agreed or strongly agreed on the issue. According to Ready, Hill & Conger, (2008) employees today are increasingly likely to follow self-guided career paths not organizationally bound career paths. Thus, in addition to providing a competitive advantage in market performance, effectively designed and implemented PM systems can offer organizations competitive advantages in terms of attracting and retaining top industry talent (Ready, Hill, & Conger, 2008). OIB, in conformity with literatures, give attention in linking performance with reward. Thus, this implies that OIB does not use performance management at this stage.

The above table 2.4.4 also reflects the respondents level of agreement on the question forwarded that reward in OIB strictly related with performance. Most respondents, 130(55.32%) disagreed or strongly disagreed that reward is strictly related with performance while the rest 105 (44.68%) of the respondents agree and strongly agreed that reward at OIB is fairly given as per of performance of employees. According to Markus (2004), there must be a transparent and systematic means of differentially rewarding top performers if they are not to be disillusioned and there should be strong relationship between reward and performance. The result can imply that, the link between performance and reward is not strong at OIB.

The analysis of the above data on table 2, 4.4 revealed majority of respondents, 181(77%) agreed or strongly agreed that supervisors identify development needs of subordinates to grow while the rest 54(23%) disagreed or strongly disagreed on the issue. According to Leonard & Hilgert (2007) the supervisors are responsible for evaluating the subordinate, as he or she is in the best position to observe and judge how well the subordinate has performed the job and should establish performance expectations on standards. In case of OIB, the result implies that supervisors do so as the majority confirmed by agreeing on the question forwarded.

Most respondents, 190(80.85%) agreed or strongly agreed on the question forwarded whether there is top management's support in providing training and development while 45(19.15%) disagreed or strongly disagreed that there is top management's support toward training and development in OIB. Literature suggested that without top management full support, training and development cannot be actualized. Top management support means that the highest level managers follow all parameters of the system themselves and establish expectations for their direct reports to do so as well by including performance management as a critical aspect of their evaluations (Bayazi, Aghili, & Abadi, 2009). In this regard, OIB top management, as in line with literatures suggestion, provides their full support to training and development.

4.3. Analysis of Semi structured Interview findings

1. The Performance Management systems that is mainly implemented at OIB.

The first question posed to a division manager at head office of OIB human resource department regarding the performance management systems which was mainly utilized in OIB. The system which mainly in use, according to his response, is a performance assessment and reviews that is carried out periodically on semi-annual basis. There are also planning and execution systems, but once the planning is prepared, the execution is getting the job done by achieving the objectives. For that matter, all are implemented in our bank (OIB) with different degree of focuses.

2. If Performance management planning is Participative at OIB

The second question forwarded to the same manager is whether the performance planning is participative one? Do employees negotiate on standards/ objectives/ upon which evaluation is made? The respective manager responded to the question that performance planning is made just by participating managers, not all employees. Once objectives and standard are set at company level with participation of managers, it is cascaded dawn accordingly to all employees for its implementation. From this we can imply that, performance standard planning is not participative one at OIB as it is also expressed in the previous findings.

3. Performance management process that is most challenging at OIB

The other manager at staffing division (head office) asked which performance management process is the challenging one. Accordingly, he responded that, performance assessment and review phase is the difficult part for line managers as there is sometimes disagreement between appraise and appraiser. In addition, it can be very time consuming and managers can be under pressure to complete a certain amount of performance reviews within a specific time frame and this is highly challenging. Furthermore, performance management need continuous follow up, managers and employees commitment, rewarding employees as per of their performance in which you cannot do so without some limitations and that is the challenging sides of performance management system. From the response of respective manager we can say that the difficult part is the part that OIB is also not successful based on previous findings obtained by questionnaire analysis.

4. **If Performance management is effective at OIB; and did you recommend for performance management to be effective?**

The same manager is asked whether OIB is effective in performance management. He responded that even though OIB is among younger commercial banks in Ethiopia, our performance management system can be said satisfactory, but a lot of room for improvement.

5. **What did you recommend for performance management to be effective?**

The same manager is asked what is to be done so that PMS is effective. He believes that performance management is effective if bonus, reward and promotion are associated with the system, in order for the employees to be enticed by it.

6. **The type of performance based benefits OIB given to its employees?**

the question forwarded to one of the branch manager to state the types of performance related benefits. Accordingly, he responded that during bonus and promotion performance of employee may benefit the individual.

7. **Whether performance management strictly linked to reward and benefit and training and development. And the integration of PMS with other HR functions like training and development?**

The same branch manager responded that there is a link but the link is not as such strong. For example, bonus for bottom performers is different from others, top and satisfactory performers. During promotion the performance outcome credits the candidate even though experience and qualification very outperform performance outcome. The link between training and performance is not as such strong. The manager's response indicates that even though the link among performance management system and other HR functions, the integration it is not strong. The link between reward and performance is also not too strict as only bottom perfomers are considered to make bonus share among employees. There is also no other benefits and rewards that are clearly stated in relation to performance.

8. If there is a special training program for bottom/underperformers.

The same branch manager responded to the question that training is given on planned way and it is planned at the beginning of the year on different functional areas of the bank. There is no special training that the bank prepares for poor performers. However, support from peers and advice from supervisors provided for the employee.

4.4. Document Analysis

This section aims to represent the PMS document analysis of OIB. The purpose is basically to confirm whether there is objective evidences showing the actual implementation of performance management practices at Oromia International Bank, to assess the top managements philosophy toward HR and PMS and to identify how PMS is structured in the bank. Studies have shown that for any organization to achieve enhanced service delivery and profitability competent employees are required. In this regard, performance management could be seen as strategy to improve the performance of employees, bring about organizational Commitment and promote employee performance.

According to the Oromia International bank annual bulletin (2016) human resource has been one of the prime focuses of the Bank since its inception. To enhance the performance, employees were trained on a number of topics to cope up with the ever changing business environment as well as to provide efficient banking services to the customers. The selected senior management of the Bank has also got an exposure of oversee trainings during the reporting year.

The document analysis also indicates that PMS of the company is not separately structured. However the work is actively done under the human resource division with close follow up of the vice president. According to the unpublished appraisal manual of OIB, performance assessment at head office level is conducted by respective department's division managers, that evaluate employees under his/her department; submit the result human resource manager for approval and finally recorded in the HR profile of the employee. At OIB's branches level, managers at branch evaluate employees under their respective branch, submit it to district managers for approval, then recorded it in the HR profile of the employee. The branch managers are evaluated by district managers, being approved by vice president, recorded in the employee profile. Finally, the vice presidents are evaluated by president and approved by boards of directors and record to the profile of the employee. Finally the presidents are evaluated by boards of directors.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter summarizes the major findings of the research questions, the conclusion and recommendation forwarded by the researcher based on the results obtained and are being analyzed on chapter four of this study.

5.1. Summary of findings

This section summarizes the major findings the researcher identified during the study.

- The results analysis on the planning phase of OIB's performance management process indicates that employees are not well participated in setting performance goals and standards. This indicates that even though the purpose and concepts of PMS is well known by employees, they are not participated during its planning and they are informed through different mechanisms by the bank for implementation.

- Senior managers are not committed for the effective implementation of PMS in OIB.

- Concerning the performance assessment and reviews, the analysis in the table 4.2.3. Clearly shows that performance is measured not by factors mutually developed. This implies that employees were not well informed and discuss with managers in advance about the criteria or the standard of evaluation, the quality required, the timeframe of evaluation are negotiated with managers at the beginning of the year or mid-year before evaluation.

- Concerning whether there is self assessment practice for employees, majority of participants confirmed that there is no such method of assessment used at OIB. They also indicate that the feedback is given periodically not continuously.

- Moreover, the result of analysis form collected questionnaires also revealed that limited sources are used to collect individual’s performance information. Methods like 360-degree was not implemented at OIB.
- Supervisors are not fair during performance evaluation/assessment.
- Majority of the participants disagreed that reward is strictly related with performance. This implies that the link between reward and performance and with other HR functions is not strong at OIB.
- The analysis from semi structured interview with one manger at OIB about implementation challenges of performance management system indicated that the main challenge lies on performance assessment and review phase of the system. The responses show that, the assessment of employees and providing them timely feedback is challenging task for managers while it is very important. However he believes that OIB is relatively effective or satisfactory, taking into account the age of the bank, even though a lot of room for improvements in front.
- As the analysis of interview shows that there is no special training program for poor performer’s alone. Training is given on planned base for selected areas of functions by collecting training need assessment at the beginning of budget year.
- There is no separate structure for PMS in OIB

5.2. Conclusion

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

The main objective of this study is to assess and investigate the existing practice of performance management system in OIB, particularly to find out the performance management strategies, performance management planning and execution, performance assessment and review, the integration between performance management and other HR are carried out by properly designing the following specific questions; what does the process performance management system of OIB look like? Whether there is alignment specifically between the performance planning and the bank's over all goals? Do staffs participate in the entire process; is there integration between performance management and human resource functions of OIB? What are the major challenges in implementing performance management at OIB?

In order to address the above questions, descriptive survey research design was employed comprises both quantitative and qualitative methods of data gathering. Data was gathered through questionnaire, and interviews. To collect representative data, 250 questionnaires are distributed using simple random sampling technique. Out of 250 respondents, 235 of the questionnaires are collected. Furthermore, the semi-structured interviews which the researcher carried out with the managers were done using qualitative approach with interview guide questions that were analyzed to develop an in depth review for variables that are not incorporated in the questionnaire for complementing each other and to triangulate the data gathered through questionnaires.

The data collected from respondents using questionnaire is summarized by using SPSS software. Here, data obtained from questionnaires are analyzed and interpreted.

From this study, it has been noted that OIB gives less attention toward the importance of collaborative performance planning. Based on the evidences obtained from the analysis respondents they are not participated in performance planning. In addition respondents did not have a chance to jointly agree on the standards of performance measures with their supervisors and lack of setting an individual development plan are problems in the planning process. Hence, making employees to participate in performance planning and setting goal will increase their performance because they will develop a sense of ownership for the work they have agreed on. Concerning the commitment of senior managers toward the implementation of PMS, the finding shows that, they are less committed in OIB. Even though majority or respondents believe that goals are SMART, the number of respondents that disagree on the issue cannot be ignored that shows there is problem in goal setting in OIB.

Concerning the practice of performance assessment in OIB, the result of respondents analysis shows the existence of problems like assessing with standard that is they were not involved in during setting this standards, the subjectivity of supervisors and the absence of self assessment method, and limited rating methods, focusing on formal feedback than continuous feedback on performance, were identified as a major gaps at OIB.

Regarding the integration of performance manage system with other human resources functions, the evidence from questionnaires and interview analysis shows that the link between performance management system and other HR functions is not strong.. Training is prepared in general for a selected area of bank's activity identified at the beginning of the budget year and no unique training is designed for poor or good performance alone. Furthermore, PMS of OIB is not used as a valid source of information for decision making such as salary adjustment, promotion, or termination

Regardless of the above cited weak points remaining areas such as well defined mission, vision and core values, alignment of corporate goals with individual goals, well defined performance management system, clearly communicated strategy, ongoing semi-annual base evaluation, top management support toward training and development of employees, presence of skilled managers in the bank, recording outcome of performance in the HR system of employees, availability of sufficient resources for implementation of the system, updating employees with timely information, are some among the strong sides of OIB's accomplishment and it is according to the building and implementing guide set by different authors on performance management system.
As a result, considering the fact that regardless of the type, age, size and objective of an organization, performance management system is a globally contemporary practice all over the world which helps the organization, team and individual to be more effective in their day to day activities to bring about the desired objective and for the successful growth and development of each, one can conclude that even though OIB has some good qualities in implementing performance management system but a lot should be made in making the performance management system to be more useful for the organization.

5.3 Recommendations

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

- There should be mutual performance planning and standard setting in OIB. This can be done by giving chance to employees to discuss and contribute their input during performance planning phase of the company. Performance planning should not be always a sole activity of supervisors and higher officials but include the active involvement of employees during the design and implementation of the plan as it is a crucial element of performance management system to ensure success. The act of jointly setting goals and standards will provide a clear direction and sense of ownership toward the plan, increases effort towards goal accomplishment and have some motivational benefits.
- To enhance the commitment of senior managers, OIB should have a regular evaluation and assessment of the company's level of PM implementation. This can be done by establishing PM implementation and senior manager's commitment evaluation committee, so that one can identify why and where PMS of the company is failed.
- By preparing self assessment form with employees, the bank should apply self assessment methods so that it can reduce the disagreements that will arise between supervisors and employees during performance assessment.
- It is very important to fully implement the practice of self 360-degree methods across of performance assessment that can enable the bank to have performance information of an individual from many sources. Literatures suggested that it is good to have multiple of sources to gain accurate information about an employee's performance rather than sticking only with supervisor's feedback while rating. This will help the organization to have more sources of information about an employee performance to build on the strength and compensating for the observed weaknesses and there should be continuous feedback on performances.
- To reduce employee complain on fairness of evaluation by supervisors, an appeal system should be implemented by OIB.

- There should be both financial and non financial rewards system based on performance of employees rather than simple traditional methods.
- There should be a system by OIB through which employees with low performance express their skills as well as knowledge gaps so that they should be encouraged and trained to improve their performance.
- The integration of performance management system with other human resource function has to be improved to achieve a coherent approach to the management and development of people and the organization.
- OIB have to separately structure PMS so that it can get more attention.

In general, it is advisable for OIB to sustain all its current strengths, and improve its limitations mentioned above in order to cope up with to challenge future uncertainties.

5.4. Future Research Directions

Consequently, this study adds more empirical evidence that supports studies in the employee performance management system, process and purpose.

- Considering the limitations of this study in only one bank, further research should be carried out in other similar banks can be carried out in-depth using different mathematical models to further primary data collection method to collect raw data .Other researchers may have better ways of addressing the same questions or other issues related to performance management system.
- The questionnaire used in this study could be expanded and modified to further study issues such as feedback, coaching, learning and development plans and managing team performance.

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APPENDIXES

ADDIS ABABA UNIVERSITY,

COLLEGE OF BUSINESS AND ECONOMICS,

REASERCH TOPIC: PERFORMANCE MANEGMENT PRACTICES IN ETHIOPIAN FINANCIAL SECTORS

MBA PROGRAM

Survey Questionnaire

Thank you for participating in the process the implementation of Performance management System (PMS) in Ethiopian financial markets. The researcher is undertaking this study to assess the existing PMS implemented in Ethiopian financial sectors, compare it with benchmark systems found in the related literatures review, analyze it, identify weak areas, and recommend some remedial measures. Your responses will be strictly confidential and will only be used for academic purposes**.**

General Direction: You are not required to write your name. Please answer the questions by putting (√**) mark** to indicate your level of agreement where necessary.

- **Biographical Data**
  - Gender

    1.1. Male
    1.2. Female

  - Age

2.1. (20-25) years	2.4. (41-50) years
2.2. (26-30) years	2.5 (51- 60) years
2.3. (31-40) years	2.6. Above (60) years

3. Your Role/Position in the organization.

   3.1. Managerial 3.2. Non- Managerial

4. Your Educational Status

4.1. (PhD)	4.4. (Diploma)
4.2. (Master)	4.5. Other------------

4.3. (Degree)

5. Your Service Year in OIB the organization

5.1. Below 0-2 years 5.2. (3-4) years 5.3. Above (4-6) years

Key: 1= Strongly Disagree, 2= Disagree, , 3= Agree and 4= Strongly Agree	Likert's Scale			
	Strongly Disagree	**Disagree**	**Agree**	**Strongly Agree**
Statements				
NATURE OF PMS				
• Purpose of PMS is clearly defined at OIB	1	2	3	4
• Senior managers are committed for effective implementation of PMS	1	2	3	4
• Purposes of PMS is defiantly communicated to employees at OIB	1	2	3	4
• PMS is viewed by employees as valuable tool for managing employee performance	1	2	3	4
• PMS of the company is a valid source of information for basis of decision making such as salary adjustment, promotion or termination.	1	2	3	4
• Organizational goal is aligned with individual goal at OIB	1	2	3	4

• Employees aware efficiently about their duties and responsibilities and how it related with PMS	1	2	3	4
PERFORMANCE PLANNING ASPECTS				
• Performance goals are mutually developed with employees	1	2	3	4
• performance goals are SMART(Specific, measurable, Attainable and Time bounded) and challenging	1	2	3	4
• Department's performance plan indicates success criteria/Key Performance Indicator/KPI	1	2	3	4
• Sufficient resources provided to execute PMS	1	2	3	4
• Employees updated with sufficient information about change in the organizational goals.	1	2	3	4
• Performance goals are mutually developed with employees				
PERFOMANCE ASSESSMENT ASPECT				
Performance is measured against the factors previously agreed upon	1	2	3	4
Many sources are used to collect performance information(e.g. peers,	1	2	3	4

subordinates, customers/360- degree				
Supervisors are fair during performance assessment	1	2	3	4
Employees have given chance to assess their own performance using self assessment form.	1	2	3	4
Continuous feedback rather than midyear and annual feedback about performance achievements in relation to standards were regularly given.	1	2	3	4
Employees have necessary skills and competences to perform their job.	1	2	3	4
Outcomes of performance review are directly recorded in their HR system(for example, reward, training and development)	1	2	3	4
Managers have the right skill to assess manage employees performance	1	2	3	4
PMS –Integration with other HR				
PMS is used as one of employee motivation tool at OIB	1	2	3	4
The PMS facilitates the implementation of strategy by attracting and retaining the right kind of people through reward system	1	2	3	4
Reward is fairly related with performance	1	2	3	4

Supervisors identify developmental needs to assist subordinates grow	1	2	3	4
Full support and encourage of top management is provided for conducting training and development	1	2	3	4
PMS is clearly used as a tool to develop employees	1	2	3	4
PMS is used as one of employee motivation tool at OIB	1	2	3	4

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MBA PROGRAM

- The Performance Management systems that is mainly implemented at OIB.
- If Performance management planning is Participative at OIB
- Performance management process that is most challenging at OIB
- If Performance management is effective at OIB; and did you recommend for performance management to be effective?
- What did you recommend for performance management to be effective?
- The type of performance based benefits OIB given to its employees?
- If reward is fairly distributed,