



**Addis Ababa University
School of Commerce**

**THE EFFECT OF PERFORMANCE MANAGEMENT SYSTEM
ON EMPLOYEES' MOTIVATION: THE CASE OF AWASH
INSURANCE COMPANY S.C**

**By
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Advisor: Abdurazak Mohammed (PhD)

**October, 2020
Addis Ababa, Ethiopia**

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**A THESIS SUBMITTED TO SCHOOL OF COMMERCE, ADDIS ABABA
UNIVERSITY IN PARTIAL FULFILMENT OF THE REQUIEMENT
FOR AWARD OF MASTER'S DEGREE IN HUMAN RESOURCE
MANAGMETN**

**October, 2020
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CANDIDATE’S DECLARATION

I do hereby declare to the senate of Addis Ababa University School of Commerce that the work which is being presented in this thesis entitled “The Effect of Performance Management System on Employees’ Motivation: The Case of Awash Insurance Share Company” is original work of my own, has not been presented for a degree of any other university and that all sources of material used for the thesis have been duly acknowledged.

Menbere Tamiru

(Candidate)

Date

This is to certify that the above declaration made by the candidate is correct to the best of my knowledge.

Abdurazak Mohammed (PhD)

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ACKNOWLEDGMENT

It is with great pleasure that I acknowledge the assistance I have received from many individuals. I owe a special recognition and appreciation to my research advisor, Abdurazak Mohammed (PhD). I thank my advisor Addis Ababa University School of Commerce for his valuable advice and suggestions. Also, sincere thanks go to Awash Insurance official executives and employees who provided their thoughts and shared their academic knowledge and practices and needs. I also thank to my family and friends for their usual support and assistant.

ACRONYMS/ABBERIVATIONS

AIC	Awash Insurance Company
HR	Human Resources
HRD	Human Resources Development
HRM	Human Resources Management
PA	Performance Appraisal
PMS	Performance Management System

TABLE OF CONTENT

Candidate’s Declaration.....	I
Acknowledgment	II
Acronyms/Abberivations	III
Table of Content	IV
List of Tables	VI
List of Figure.....	VII
Abstract.....	VIII
Chapter One: Introduction	1
1.1 Background of the Study	1
1.2 Problem Statement	2
1.3 Research Question	3
1.4 Objective of the Study	4
1.5 Significance of the Study	4
1.6 Scope of the Study	5
1.7 Operational Definitions and Basic Terms.....	6
1.8 Organization of the Thesis	7
chapter Two: Literature Review	8
2.1 Introduction	8
2.2 Theoretical Literature Review.....	8
2.3 Empirical literature Review	19
2.4 Research Gap.....	21
2.5 Conceptual Framework	22
2.6 Research Hypothesis	23
chapter Three: Research Methodology	27
3.1 Introduction	27
3.2 Description of the Study Area	27
3.3 Research Approach	27
3.4 Research Design.....	28
3.5 Unit of Analysis	28
3.6 Data Type and Sources.....	29
3.7 Population and Sampling	29

3.8	Data Collection Procedures and Instruments	30
3.9	The Credibility of the Research	32
3.10	Ethical Consideration	33
3.11	Data Analysis	33
Chapter Four: Data Analysis, Presentation and Interpretition		35
4.1	Introduction	35
4.2	Response Rate	35
4.3	Respondents' Profile	35
4.4	Response Analysis.....	38
4.5	Analysis Using Inferential Statistics	42
Chapter Five : Summary, Conclusionand Recommendation		53
5.1	Introduction.....	53
5.2	Summary of Findings.....	53
5.3	Conclusion	54
5.4	Recommendations	54
REFERENCE.....		58
APPENDIX.....		I
Appendix I Questionnaire		I
Appendix II- Interview Checklist		VI

LIST OF TABLES

Table 3.1 : Sample Size Determination

Table 3.2 : Cronbach Alpha Test Result

Table 4.1: Participants' Profile

Table 4.2 : Response Analysis Using Descriptive Statistics

Table 4.3: Correlation Analysis

Table 4.4: Heteroscedasticity Test

Table 4.5: Multicollinearity Test

Table 4.6 : Regression Analysis Results

Table 4.7 : Chi Square Results

Table 4.8 Summary of Hypothesis Testing

LIST OF FIGURE

Figure 2.1 Flow of the performance Management Process

Figure 2.2 : Conceptual Framework

Figure 4.1: Respondents Profile gender and marital status

Figure 4.2 Response Analysis Grand Mean

Figure 4.3 Histogram and Normal P-P Plot

Figure 4.4 Scatter Plot

ABSTRACT

This study aimed to investigate the effect of performance management system on employees' motivation in case of Awash Insurance Share Company. The study attended 87 % response rate as it collected 192 questionnaires (main data collection method) from 220 sample size. Using descriptive ad explanatory research design, the study found that the surveyed company performance management system has not been systematically integrated its key component of an organization's' activities; the mean responses for agreement level have been declined gradually across to its performance management sprocess. The study also revealed that there is a positive and significant effect between prerequisite, planning, execution, assessment, and review and employee motivation using the correlation and multiple regression analyses. In addition, there is no difference between female and male employees, different age, education level and work experience in performance and motivational situation. However, there is a significant difference among married, single and other employees with their motivational status; no difference existed in their work performance using chi square. It can be concluded prerequisite, planning, execution, assessment, and review are very important for employee motivation. Accordingly, the surveyed firm and others may holistically integrated interconnected activities and to use an organization's approach to managing performance through people and developing the skills and capabilities of its human capital. As a result, the study recommends the organization may effectively ensure the proper implementation of performance management system and align performance with the strategic goals of the organization.

Key Words: Insurance, Motivation, Performance

CHAPTER ONE: INTRODUCTION

This chapter presents the background of the study which is ultimately on performance management system. It also presents statement of the problem, research questions and objectives of the study with significant, scope and limitation of the study. Further, it includes operational definitions and key terms and organization of the study.

1.1 Background of the Study

In the present competitive scenario, organizations have to ensure optimum performance of their employees continuously in order to compete effectively. If any organization wishes to be successful in whatever it intended to perform and stay competitive in the market share, it has to have motivated, capable, innovative and committed human resource. It is one of the most relevant aspects of the human resource management in an organizational context. It is also a process of advancing the performance of the organization to the higher expectation by developing performance of individuals and teams in a systematic way (Armstrong, 2009).

Developing an effective and efficient performance management system is essential for any organization especially which are working in current dynamic and technological environments (Johnson, 2000). This is due to a fact that it is a continuous process of finding, measuring and developing the performance of individual and teams and aligning performance with the strategic goals of the organization (Aguinis, 2013). According to this statement the nature of performance management is a continuous process between supervisors and the employee they manage based on goal achievement, performance analysis and constructive feedback. On other hand, performance appraisal (PA) is an important part of performance management; in itself it is not performance management: rather, it is one of tools that can be used to manage performance (Heneman, Greenberger and Strasser, 2008). Actually, PA does not usually include strategic consideration; do not include extensive and ongoing feedback that an employee can use to improve performance in future, whereas performance management is a year round way of managing business driven by the organization. Performance management, therefore, is a significant human resource function, which provides management with a systematic basis for effectively identifying and evaluating the present potential capabilities of human resource.

In addition, DeCenzo and Robbins (2010) described performance management as a process i.e. it is a result of series of actions of which seeks to find ways to get the best performance from all to motivate and to achieve the organization's objectives. As performance

management impacts employee motivation, the continuously question is involved in how it impacts motivation of employees. Often, the impact depends on how performance itself is managed. An employee who receives constructive criticism mixed with praise and receives assistance when strategizing for performance improvement is more likely to become motivated(Heneman, *et al.*, 2008).

In line with this, it is crucial to know how well the system is evaluating employee's performance. Parallel to this, employees' motivation due to performance management system is the other thing that should be given great concern. In this regard, the perception of employees toward the performance management system has significant impact on the successfulness of the system that in turn affects their motivation and job performance. As a consequence, this study aimed to determine the effect of performance Management system on employees' motivation in the case of Awash Insurance Company Share Company with more emphasis given to performance management process; prerequisites, planning, assessment, execution, renewal and re-contracting and finally recommendation were proposed.

1.2 Problem Statement

An effective Performance Management process establishes the groundwork for excellence by linking individual employee objectives with the organization's mission and strategic plans or outcomes (Dick, 2002). The employee has a clear concept on how they contribute to the achievement the overall business objective. Supervisors need to conduct regular discussions throughout the performance cycle which include coaching, mentoring, feedback and assessment (Lee, 2009). Performance appraisal properly describes a process of judging past performance and not measuring that performance against clear and agreed objectives. Performance Management shifts the focus away from just an annual event to an on-going process (Pulakos, 2009).

The researcher had made informal discussion with few AIC staff about the perception of employees about their overall feelings on the existed performance management practice of Company, from discussion it was observed the current Performance Management focusing only on the performance evaluation, corporate objectives and goals are not aligned with individual objectives, organization objectives are not cascaded to individual level, employees are not participated in objective setting, bias of the raters, lack of continuous communication, lack of trust in the supervisor, lack of clear performance outcomes. Most managers do perceive a performance management as an annual routine exercise. This has made employees

attach no value they think performance evaluation done only for the sake of organizational obligation and for paper work and nothing else. To the performance appraisal system, thus take it as an organizational routine activity.

Most of the studies reviewed performance management practice and challenges including Abebe (2017) reviewed the role of performance management practice on employee motivation in Commercial Bank of Ethiopia and Hamid (2017) assessed the role of performance management practice in East Africa Bottling Share Company. Even almost all studies focused on performance management with job performance like Belly (2012) inspected the effect of motivation on job performance and Victoria (2012) tested the effect of performance appraisal on employee job satisfaction in Kenya. Most studies ignored the effect of performance management system on employee's motivation, in insurance sector. In light of the above, the stated point initiated the research to further investigate employees' perception towards the prevailing performance management practice of Awash Insurance Share Company and to examine its effect on employees' motivation, in light of recognizing whether there is a relationship between performance management system and motivation of employees at their job. Therefore, this study was intended to review employees' cognitions of the performance management system used by Awash Insurance Company S.C and to find out how employees see, make sense of and interpret their everyday experiences with such a system and its values to company with the aim of developing a suitable improved performance management system.

1.3 Research Question

1.3.1 Main Research Question

- To what extent performance management system influence employees' motivation in the case of Awash insurance Share Company?

1.3.2 Specific Research Questions

- To what extent does a performance pre- requisite influence employees' motivation in the case of Awash insurance Share Company?
- To what level does performance planning influence employees' motivation in the case of Awash insurance Share Company?
- To what level does performance execution influence employees' motivation in the case of Awash insurance Share Company?

- What is the level of performance evaluation influence employees' motivation in the case of Awash insurance Share Company?
- What is the level of performance review influence employees' motivation in the case of Awash insurance Share Company?
- What is the level of performance and motivations vary according to demographic variables?

1.4 Objective of the Study

1.4.1 General Objectives of the study

- This study aimed to determine the effect of performance management system on employees' motivation in case of Awash Insurance Share Company.

1.4.2 Specific Objectives of the study

- To evaluate the effect of performance pre- requisite on employees' motivation in the case of Awash insurance Share Company
- To assess the effect of performance planning on employees' motivation in the case of Awash insurance Share Company
- To examine the effect of performance execution on employees' motivation in the case of Awash insurance Share Company
- To evaluate the level of performance evaluation that affects employees' motivation in the case of Awash insurance Share Company
- To investigate the level of performance review that affects employees' motivation in the case of Awash insurance Share Company
- To test if the level of performance and motivations vary according to demographic variables

1.5 Significance of the Study

Contribution of the study is believed to appear in following various ways to different participants. Primarily, it will help AIC to reassess its existing practice with a view to minimize its weakness and maximize its benefit. Also it is expected to add additional knowledge to the existing performance management. This study helps to encourage companies to conduct periodic performance review and to avoid mismanagement and misconduct which among others include to reduce evaluation costs, concentrate on core performance activities, enhance employees motivation level, integrate the entire human

resource management activities, reduce conflict and reciprocate on mutual goal-related matters, increase efficiency, increase productivity, reduce risk, improve expertise, create a competitive advantage, reduce workforces and equipment costs.

It also helps insurance companies to improve their business and human resource management functions to provide effective customer service within competitive advantage. The findings and recommendations of this study will support other financial firms such as banks and commodity exchange to provide value added services to their customers because performance effectiveness can build competitive advantages by providing excellent service to customers, even a value-added service capability. They will also help to understand the human performance measurement and facilitate knowledge of cost, speed, risk and flexibility and others. Additionally, the study will give insights on areas that require additional resources in order to improve the performance and motivation of employees to provide effective service delivery. Overall, it helps firms to formulate policies and operational planning that will aid effective service delivery for a better and pronounced performance.

Moreover, the study assists the government to have the holistic approach of ensuring growth and development of share companies and to review its labour law. The study also provides relevant data and information that helps the government and other regulatory bodies to formulate and implement such policies that would facilitate effective labor management. The findings of this study will support the policy makers to review and develop policies that guide insurance companies in Ethiopia. Finally, it will be used as reference material for the students and other interested parties who may want to undertake similar study.

1.6 Scope of the Study

Due to time and other constraints, the scope of the study was delimited in three ways, i.e., geographically, conceptually, and methodologically. Geographical, this study focused on employees working in the head office of Awash Insurance Share Company and Branches located in the city of Addis Ababa.

In addition, though the performance Management is a very wide concept, this study attempted to address the factors of performance management system affecting employees' motivation. It focused on performance pre- requisite, performance planning, performance execution, performance evaluation, performance review and employees' motivation in the case of Awash insurance company Share Company.

Finally, the research was based on descriptive and explanatory research design. Descriptive analysis was displayed by employing mean and standard deviation while inferential analysis was used multiple regression and chi square. In conducting this research, both secondary and primary sources of data were suitably used. The researcher obtained data and information from primary sources through self-administered questionnaires and direct personal interviews with key informants. Furthermore, the study uses an explanatory research design that was suitable to achieve an answer for the proposed research questions.

1.7 Operational Definitions and Basic Terms

1.7.1 Key Terms

- **Performance** can be regarded as a record of an outcome or accomplishment achieved by a person or a team (Armstrong 2009).
- **Performance Management** refer to a process of identifying, measuring and developing performance in organizations by linking each individual's performance and objectives to the organization's overall mission and goals (Aguinis, 2009).

1.7.2 Operational Definitions

- **Performance Pre- Requisite includes** knowing organization's vision, mission and values, support objectives and strategic goals and objectives and clear with duties and job responsibilities (Dencenzo& Stephen, 2010).
- **Performance Planning** – participating in setting goals, objectives and measurement standards of the job, alignment of strategic goals and standards both behavioral and result expected to evaluate job that are clearly explained to by supervisors (Belly, 2012).
- **Performance Execution** - understating the purpose of the existing performance management system, getting ongoing feedback, fairly included job related contents, the performance appraisal form, and sing similar format and technique evaluate all jobs in similar grades and levels (Dencenzo& Stephen, 2010).
- **Performance Evaluation** – including fair, objective and reasonable evaluation process, participation of supervisors, peers and customers participate in evaluation process and it emphasizes on functions that are under the control of the employee.
- **Performance Review including renewal & re-contracting and** assessing performance before performance review meeting, existing two way communication,

reward and recognition for good performers and a developmental training for poor performers (Colquitt, 2014).

- **Employees' Motivation** -is reflection of the level of energy, commitment, and creativity that a company' workers bring to their jobs (Belly, 2012).

1.8 Organization of the Thesis

This study is organized into five main chapters. Chapter one deals with introduction of the study. While chapter two the study will discuss on the theoretical and empirical literatures and conceptual frameworks. The third chapter deals with research methodology, research design, sampling technique, size and method of data analysis techniques. The research results and discussion will be presented in chapter four. The last chapter will includes the conclusion and recommendation part of the study based on the findings obtained from the analysis.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter focuses on review of related literature on performance management system. The chapter briefly discusses an overview of definition of performance management, followed by process, purpose, challenges and finally the relationship between performance management and employees' motivation are addressed.

2.2 Theoretical Literature Review

2.2.1 Theories of Performance Management and Motivation

2.2.1.1 Underpinning Theories of Performance Management

The following three theories underpinned performance management such as goal theory, control theory and social cognitive theory.

2.2.1.1.1 Goal Theory

Noe (2016) stated that Goal setting theory developed by Latham and Lock (1979) and highlights four mechanisms that connect goal to performance outcomes. These include direct attention to priorities, stimulate effort, challenge people to bring their knowledge and skills to bear to increase their chances of success and the more challenging the goal, the more people will draw on their full repertoire of skills. The reason that the researcher selected goal theory, it is considered to be the most important theory for performance measurement. This theory supports the emphasis in performance management on setting and agreeing objectives against which performance can be measured and managed.

2.2.1.1.2 Control Theory

Control theory focuses on feedback as means of shaping behavior. Morgeson, Reider& Campion (2005) depicted that people receive feedback on their behavior they appreciate the discrepancy between what they are doing and what they are expected to do and take corrective action to overcome it. Feedback recognized as crucial part of performance management (Noe, 2016). The intention that the researcher selected control theory; it is reflected to be the most important theory for performance and control measurement. It explains the major purpose of performance management process is which is related with this theory. Studies found that giving people performance feedback—whether real or fake— influenced their mood, which then influenced their motivation (Morgeson *et al.*, 2005).

2.2.1.1.3 Social Cognitive Theory

Morgeson *et al.*, (2005) cited Bandura (1986) as a founder of social cognitive theory based on his central concept of self-efficacy. This suggests that what people believe that they can or cannot do par completely impacts on their performance. Developing and strengthening positive self-belief in employees is therefore an important performance management objective. Theory relates self-perception with the action and performance of the employees is related to perform and achieve performance target. Thus, this theory was selected in this study as it theory suggests that, what people believe that they can or cannot do powerfully impacts on their performance. Developing and strengthening positive self-belief in employees is therefore an important performance management practice. Basically, this theory suggested that self-efficiency or one's belief in his or her own ability to do a job, anticipated outcomes, goal setting and reinforcements operate together to help individuals reach performance goals (Noe, 2016).

2.2.1.2 Motivation Theories

Motivation theory tries to explain why people at work behave the way they do in terms of their efforts and strive for achievement. Theories of motivation stress different factors that contribute to job satisfaction. Both intrinsic and extrinsic motivated behavior reflects the various theories that can be adopted in an attempt to understand motivation behavior. There are different categories of motivation theories, but for this research purpose the researcher try to summarize two categories of motivational theories namely; content theories (Need-based theories) and process theories Morgeson *et al.*, (2005).

2.2.1.2.1 Content Theory of Motivation

The Content theories of motivation are based on identifying specific human needs and describing the circumstances under which these needs activate behavior. Amongst these, Maslow and Herzberg are the most famous and still cited in most of the motivation literature. The basis of this theory is the belief that an unsatisfied need creates tension and disequilibrium. To restore the balance a goal is identified that will satisfy the need, and a behaviour pathway is selected that will lead to the achievement of the goal. All behavior is therefore motivated by unsatisfied needs. Not all needs are equally important to a person at any one time (Armstrong, 2007). As a consequence, this theory is vital as it focuses on the content of motivation. It states that motivation is essentially about taking action to satisfy needs, and identifies the main needs that influence behavior.

2.2.1.2.2 Process or Cognitive Theories

Process theories of motivation focus on the ways that people think through motivation issues and how they determine whether their actions were successful. As stated by Armstrong (2007), these theories are known as process theories because they describe the psychological processes or forces that affect motivation, as well as basic needs. The term ‘cognitive theory’ is used because it refers to people’s perception of their working environment and the ways in which they interpret and understand it. Process theory can be more useful to managers than needs theory because it provides more realistic guidance on motivation techniques. The processes covered by the most relevant theories are: Expectations (Expectancy Theory), Goal achievement (Goal Theory) and Feelings about equity (Equity Theory).

2.2.1.2.2.1 Expectancy Theory

Expectancy theory was developed by Canadian professor of psychology, Victor Vroom, in 1964. This theory is about work motivation that focuses on how workers make choices among alternative behaviors and level of efforts. It tries to explain how and why people choose a particular behavior over an alternative. The theory argues that the strength of a tendency to act in a specific way depends on the strength of an expectation that the act will be followed by a given outcome; and on the attractiveness of that outcome to the individual to make this simple (Dick, 2009). Expectancy theory says that an employee can be motivated to perform better when there is a belief that the better performance will lead to good performance appraisal and that this shall result into realization of personal goal in the form of some reward. Therefore an employee is $Motivation = Valence \times Expectancy$. ‘Expectancy’ is the belief that one's effort will result in attainment of desired performance goals. It is generally about what employees expect from their own efforts in relation to good performance (Heneman, et al., 2008). In further arguments, it is the belief that increased effort will lead to increased performance. ‘Instrumentality’, is the belief that, the awards are contingent upon effective performance. In other words, a person will obtain a reward if the performance expectation is met. The degree to which, a first level outcome will lead to the second level outcome. i.e., if someone does a good job, there is something in return. Valence is the value an individual places on the rewards of an outcome. It is the importance that the individual places upon the expected outcome. As it is known, value is based on employees’ own basic needs. To summarize, motivation depends on two things: how much an individual desires a particular goal and how likely he thinks he can get it.

2.2.1.2.2.2 Goal Achievement Theory

Reiss (2004) indicated that goal theory created by Latham and Locke (1979) stated that people perform better when they have specific and challenging but reachable goals. This theory is based on the notion that individuals sometimes have a drive to reach a clearly defined end state. Often, this end state is a reward in itself. A goal's efficiency is affected by three features: proximity, difficulty and specificity. Acceptance of goals is achieved when people perceive the goals as fair and reasonable and trust their managers. There are arrangements for individuals to participate in goal setting. Support is provided by the supervisor. A supportive supervisor does not use goals to threaten subordinates but rather to clarify what is expected of them. People are provided with the resources required to achieve their goals. Success is achieved in reaching goals that reinforces acceptance of future goals (Noe, 2016).

According to Locke and Latham (1990), specific and challenging goals lead to higher performance than no goals or generalized goals, such as 'try your best'. Also people who participate in setting their own goals are likely to set more difficult goals than others will set for them, and goal difficulty leads to increased commitment to achieving the goals. Instead of giving vague tasks to people, specific and pronounced objectives help in achieving them faster. As the clarity is high, a goal orientation also avoids any misunderstandings in the work of the employees. The goal setting theory states that when the goals to be achieved are set at a higher standard, then in that case employees are motivated to perform better and put in maximum effort. It revolves around the concept of "self-efficacy" that is individual's belief that he or she is capable of performing a hard task (Reiss, 2004).

2.2.1.2.2.3 Equity Theory

Equity theory as described by Adams (1965) states that people will be better motivated if they are treated equitably and demotivated if they are treated inequitably. It is concerned with people's perceptions of how they are being treated in relation to others. To be dealt with equitably is to be treated fairly in comparison with another group of people (a reference group) or a relevant other person. People have a tendency to use subjective judgment to balance the outcomes and inputs in the relationship for comparisons between different individuals. If people feel that they are not equally rewarded they either reduce the quantity or quality of work or migrate to some other organization. However, if people perceive that they are rewarded higher, they may be motivated to work harder (Reiss, 2004).

2.2.2 Concepts and Definitions of Performance Management

Different scholars in the area of performance management have provided different definitions of performance management. Some of the definitions are presented and discussed in the following paragraphs. According to Aguinis (2009) performance management is “a continuous process of identifying, measuring and developing the performance of individuals by linking individual performance and objectives to the organizations overall mission and goals. The core components of this definition are the major building blocks of the concept of performance management hence; performance management is an ongoing; it involves continuous process of setting goals and objectives, observing performance and receiving ongoing coaching and feedback and alignment with strategic goals; meaning that Performance management is not separated from the long term strategic goals of the organization.

The above definition entail that performance management is not alienated from the strategic goal of the organization because performance management contributes a lot to the organization by developing and improving individual, team and organization performance. He further adds that this continuous capacity building needs clear objectives, observing and measuring performance and giving regular feedback. Performance management is the process through which managers ensure that employee’s activities and outputs contribute to the organization’s goals. This process requires knowing what activities and outputs are desired, observing whether they occur, and providing feedback to help employees meet expectations. In the course of providing feedback, managers and employees may identify performance problems and establish ways to resolve those problems (Raymond *et al.*, 2011).

Armstrong (2009) viewed performance management as it is a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements. Therefore performance management is one of the core items in the achievement of organizational objectives.

Performance management has been studied though-out years and there was confusion about its meaning. The concept had various meanings. Some people understood the term as an appraisal others as performance related pay and some defined as training and development (Aguinis, 2007). Performance management system and performance appraisal are interlinked

with each other. However, performance management system is the broader one which identifies measure, manage and develop performance of the human resource in an organization whereas performance appraisal is the sub set of performance management system in which we use it for evaluating the competence of employees (Lee, 2009).

On this theme Armstrong (2009) advocates that performance management is a 'systematic process' for improving organizational performance, via the development of the performance of individuals and teams. That is, within an agreed framework of planned goals, standards and competency requirements it is a means of getting better results, as one manages performance in a manner which focuses on future Performance planning and improvement. This process entails the provision of feedback and the assessment of an employee's progress and achievements, so that action plans can be prepared.

2.2.3 Motivation

According to Armstrong (2006), motivation is concerned with the factors that influence people to behave in certain ways, and hence, motivating people is about getting them to move in the direction we want them to go in order to achieve a result. Similarly, Dick (2009) defined motivation as the force that stimulates behavior, provide direction to behavior, and underlies the tendency to prevail. It is also a procedure that begins through a physiological or psychological need that stimulates a performance set by an objective. Motivation is considered as an internal drive to satisfy an unsatisfied need and to achieve a certain goal.

2.2.3.1 Types of Motivation

According to Armstrong (2010), motivation can be categorized in to two types: extrinsic motivation and intrinsic motivation. First extrinsic motivation occurs when things are done to or for people to motivate them. These include rewards, such as incentives, increased pay, praise, or promotion, and punishments. Second, intrinsic motivation is provided by the work itself. For example one can feel that his work is important and feel responsibility; then he feels that he can develop skills and abilities that can have opportunities for advancement and this intrinsic motivation tend to have better effect in the long run as the motivation come from inside and is not created or forced from outside(Heneman, et al., 2008).Among the factors that may create intrinsic motivation, belongingness, learning opportunities and meaningful job are included.

2.2.4 Performance Management Process

The performance management process is the process by which the company manages its performance in line with its corporate and functional strategies and objectives. According to Aguinis (2013) the performance management process follows the following stages including pre - requisites, performance planning, performance execution, performance assessment, performance review, and performance renewal and re contracting. The flow of the performance management process is depicted graphically in the figure, below.

Figure 1.1 Flow of the Performance Management Process.

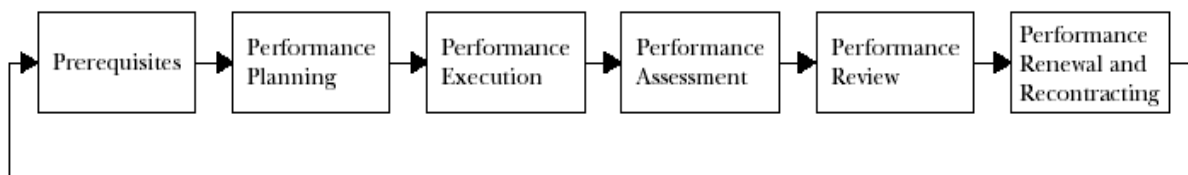


Figure 2.1 Flow of the performance Management Process. Source: Aguinis (2009)

2.2.4.1 Prerequisites

There are two important prerequisites that are needed before a performance management system is implemented knowledge of the organization's mission and strategic goals and knowledge of the job in question. There will be a lack of clarity regarding what each employee needs to do and achieve to help the organization get there, if there is a lack of clarity regarding where the organization wants to go, or the relationship between the organization's mission and strategies and each of its unit's mission and strategies is not clear, (Heneman, *et al.*, 2008).

2.2.4.2 Performance Planning

The performance planning stage has the goal for employees to have a thorough knowledge of the performance management system. In actual fact, at the beginning of each performance cycle, the supervisor and the employee meet to explain and discuss, and agree on, what needs to be done and how it should be done. This performance planning discussion includes a consideration of results, behaviors, and development plan. By the way, results refer to what

needs to be done or the outcomes an employee must produce. A consideration of results needs to include the key accountabilities, or broad areas of a job for which the employee is responsible for producing results. A discussion of results also includes specific objectives that the employee will achieve as part of each accountability. Objectives are statements of important and measurable outcomes. Finally, discussing results also means discussing performance standards (Noe, 2016).

2.2.4.3 Performance Execution

Once the review cycle begins, the employee strives to produce the results and display the behaviors agreed on earlier as well as to work on development needs. The employee has primary responsibility and ownership of this process. Employee participation does not begin at the performance execution stage, however. As noted earlier, employees need to have active input in the development of the job descriptions, performance standards, and the creation of the rating form. Supervisors have primary responsibility over the following issues like Observation and documentation (Lee, 2009). In addition, they must observe and document performance on a daily basis. It is important to keep track of examples of both good and poor performance. In addition, it contains updates; it is important to update and revise initial objectives, standards, and key accountabilities (in the case of results) and competency areas (Noe, 2016). Moreover, it looks feedback that toward goals and coaching to improve performance should be provided on a regular basis, and certainly before the review cycle is over. It includes resources on that they must provide employees with resources and opportunities to participate in development activities. In consequence, they should encourage (and sponsor) participation in training, classes, and special assignments. Overall, supervisors have a responsibility to ensure that the employee has the necessary supplies and funding to perform the job properly (Aguinis, 2013). As a final point, reinforcement comes lastly on that they must let employees identify that their outstanding performance is noticed by reinforcing effective behaviors and progress toward goals. Furthermore, they ought to provide feedback regarding negative performance and how to remedy the observed problem. Observation and communication are not sufficient. Performance problems should be identified early and appropriate steps must be taken as soon as the problem is discovered (Aguinis, 2009).

2.2.4.4 Performance Assessment

Both the employee and the manager are responsible for evaluating the extent to which the desired behaviors have been displayed, and whether the desired results have been achieved in

the assessment phase. Although many sources can be used to collect performance information (for example, peers or subordinates), in most cases the direct supervisor provides the information. This also includes an evaluation of the extent to which the goals stated in the development plan have been achieved(Heneman, *et al.*, 2008).

It is important that both the employee and the manager take ownership of the assessment process. The manager fills out his or her appraisal form, and the employee should also fill out his or her form. In this regard, both parties are involved in the assessment provides good information to be used in the review phase. When both the employee and the supervisor are active participants in the evaluation process, there is a greater likelihood that the information will be used productively in the future(Lee, 2009).

2.2.4.5 Performance Review

The performance review stage starts from the meeting between the employee and the manager to review their assessments. This meeting is usually called the appraisal meeting or discussion. The appraisal meeting is vital because it provides a formal setting in which the employee receives feedback on his or her performance. The appraisal meeting is often regarded as the “Achilles’ heel of the entire process” in spite of its importance in performance management(Pulakos, 2009). It also includes performance Renewal and Re-contracting that is the final stage in the performance process is renewal and re-contracting. Basically, this is identical to the performance planning component. The main difference is that the renewal and re-contracting stage uses the insights and information gained from the other phases (Noe, 2016).

2.2.5 Alignment and Integration in Performance Management

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 & Baron (1998), Performance Management is integrated in four senses: First, vertical integration which aligning objectives at organizational, individual and team levels and integrating them for effective performance. The individuals and teams agree upon to a

dialogue to work within the broad framework of organizational goals and values. Second, functional Integration – it deals with focusing several functional energies, plans, policies and strategies onto tasks in different levels and parts of the organization. Third, human resource integration ensures effective combination of different subsystems of HRM to achieve organizational goals with optimum performance. These subsystems include people management, task monitoring, job design, motivation, appraisal and reward systems, and training and empowerment. Finally, goal integration focuses on arriving at congruence between the needs, aspirations and goals of the employees with that of the goals and objectives of the organization.

2.2.6 Employee Participation in Performance Management

Every employee, from the top to the bottom of an organization, is subject to performance management even if this is not necessarily a formal process. Their pay and future is affected by it and in the more formal schemes they take part in formulating performance agreements and measuring and reviewing performance. They may be asked to prepare for review meetings formally or take part in 360-degree assessment schemes. They will participate in objective setting and discussing roles and competence requirements (Armstrong, 2006). Employee participation is very important element for successful performance evaluation systems. Employees must play key roles, participating in everything from writing job descriptions, to identifying their own goals and standards, to assessing how well they have performed (Grote, 2002). Employee involvement in the process has the following results enhance ownership and acceptance, reminds about results employees delivered and how they are achieved, employee generated accomplishment can be included in the formal appraisal, employee input increases communication and understanding and employee accomplishment can be retained.

2.2.7 Relationship of Motivation and Performance Management System

DeCenzo and Robbins (2010) have clearly indicated that a performance management system must be able to convey to employees how well they have performed on established goals. It's also anticipated to have such goals and performance measures mutually set between the employee and the supervisor. Without proper two-way feedback about an employee's effort and its effect on performance, we run the risk of decreasing his or her motivation. When employees have goals, they tend to be more motivated if they also receive feedback about their progress. Although performance management systems can be quite effective in

motivating employees and resolving performance problems, in reality, only a small number of organizations use the performance appraisal process to its full potential. In many companies, a performance management system takes the form of a strict activity that is mutually despised by employees and managers. The problems a poor performance management system process can create may be so severe that many experts have recommended eliminating the system altogether.

According to Noe (2016) effective performance management system has a developmental purpose, meaning that it serves as a basis for motivating employees to improve their knowledge and skills. Even employees who are meeting expectations can become more valuable when they hear and discuss performance feedback. Effective performance feedback makes employees aware of their strengths and of the areas in which they can improve. In summary, the relationship between motivation and performance is dynamic and complex, depending on how performance is defined, the nature of the task, how performance feedback is interpreted, and the extent to which environmental factors may limit performance accomplishments.

2.2.8 Effect of Performance Management System on Motivation

Since performance management is planned, it deals with measuring outcomes in the form of performance against expectations. It is characterized by setting for ongoing dialogues about performance. It is continuous and flexible process that involves managers and those whom they manage acting as partners within a framework. Thus, Abebe (2017) concluded that the effect of performance management practice on employee motivation and Belly (2012) inspected the effect of motivation on job performance and obtained a positive result. This is because performance management system relies on consensus and cooperation rather than control or coercion. Performance planning and improvement and personal development it enhances teams and individual capacities (Armstrong, 2009).

Accordingly, more specifically it is concerned with aligning individual objectives to organizational objectives and encouraging individuals to uphold corporate core values; enabling expectations to be defined and agreed in terms of role responsibilities and accountabilities (expected to do), skills (expected to have) and behaviors (expected to be); providing opportunities for individuals to identify their own goals and develop their skills and competencies and motivating people by providing them with recognition and the opportunity to use and develop their skills and abilities (Heneman, *et al.*, 2008).Robins (2007) assured that

performance system motivated employees as it created a shared vision of the purpose and aims of the organization. This emphasizes that there has to be organization, team and individual agreement on goal. As stated in the performance management the contribution of each individual and group in the organization will result in the attainment of strategic goals. Their contribution begins from understanding the vision, mission and goals of the organization and aligning these with individual goals. In addition, Noe (2016) indicated that effective performance management system put basis for motivating employees to improve their knowledge and skills. This is because it makes employees aware of their strong point and of the areas in which they can improve. Armstrong (2009) suggests the following action plan for effective performance management development of the strategic plan which is linked to an annual action plan, ensuring all employees are involved in the whole process to increase buy-in, and regular on job training. The organization must plan for a training program that ensures employees are involved in decision making.

In summary, previous study found that there is a positive effect of performance system on motivation. Recommendations included setting of clear, realistic goals as a team, having regular review discussions on performance with employees, providing regular constructive feedback and reward system should be linked to the results of the appraisal which is just and fair. In addition, managers must acknowledge that effective communication between them and staff is an effective tool for performance. Non-monetary incentive system may also be introduced along monetary incentives to encourage improved employee productivity. Performance management is intended to enhance job satisfaction for the staffs with the hope that their satisfaction would lead to improved work productivity.

2.3 Empirical Literature Review

2.3.1 Evidences from Global Studies

A number of studies have been conducted on evaluating the relationship between Performance Management and Employee Motivation and there exist a large number of studies in the literature describing effect of performance Management system on employee motivation. Accordingly, Dixit (2007) studied on Indian best practices and found that effective practice of performance management can start with clarification of organization goal. It will be translated to program, department, teams and individual goals once the organizational goal is communicated. In conclusion, this goal improves performance and brings the organization success. Superiors ought to depend on consensus and cooperation

rather than controlling or coercion in performance management. He found that superiors should promote self-management of individual's performance and encourage an open and truthful leadership style which makes two way communications between the manager and employee very smooth. It confirms continuous feedback that enables the experience and knowledge gained on the job by individuals and teams to influence organizational objectives. Krishnan (2013) mentioned the performance management system and tools must fit with the specific needs of the organization. It cannot be a doubling of a system designed and implemented in another organization, even an organization in the same industry or the same business group. T assumed that employer trust is an absolute necessity for the success of the system and intense consultation with various stakeholders and users of the system is essential. Importantly, according to Boipono (2014) a study made on implementation of performance management system (PMS) in Schools states that, though PMS is faced with implementation challenges, participants interviewed appreciated the need for a system like PMS that could be used to measure their performance. However, the system should be reshaped to suit the context of environment and not the current one size fit all approach. Effective communication and timely feedback are also important success factors for a performance management system like PMS.

2.3.2 Evidences from African Studies

Among those studies, we can site a research by Florance and George (2013) analyzed the performance management on employee motivation in Kenya. Based on the findings, the study revealed that performance management is a key driver to employee motivation and there is a positive relationship between performance management and employees' motivation, and this relationship has its own effect on employees' consistency in achieving higher performance, increased cooperation among the staffs, employees' willingness to accept a challenging work and increased responsibility. According to a study from South Africa, Matlala (2011) found that employees at the organization have a negative perception of the fairness of their organization's performance management system. However, since this study has made on in South Africa the context might differ and the researcher has to be investigate the study.

On other hand, Jawaria, Asad, Ziaand Bilal (2010) stated that a good performance management system works towards the improvement of the overall organizational performance by managing the performances of teams and individuals for ensuring the achievement of the overall organizational ambitions and goals. An effective performance management system can play a very crucial role in managing the performance in an

organization by ensuring that the employees understand the importance of their contributions to the organizational goals and objectives (prerequisite), understands what is expected from them and equally ascertaining whether the employees possess the required skills and support for fulfilling such expectations (planning), proper aligning or linking of objectives and facilitating effective communication throughout the organization (execution and assessment) and a cordial and a harmonious relationship between an individual employee and the line manager based on trust and empowerment (review).

2.3.3 Evidences from Ethiopian Studies

Thitina (2016) assessed the effectiveness of performance management system of Nile Insurance Company (NIC) with the major themes of the study being the performance management process and use/purpose of the system. Using descriptive research methods, she found that the performance management practice is implemented with some gaps like: lack of adequate knowledge of employees on PMS, weak feedback and coaching practice, lack of adequate training and development and lack of ownership of the system by line managers. In addition, challenges like absence of training and development caused by lack of budget, subjective decision of evaluators, inappropriate employee perception towards the system and inadequate commitment from the Human Resource department and the management was pointed out. Abebe (2017) studied on the role of performance management practice on employee motivation in the case of commercial bank of Ethiopia. He concluded that Performance Management System is positively associated to employee's motivation. Hamid Abdurehim (2017) had studied the role of performance management practice on employee productivity in and found out that the performance management practice of the company has a significant role on employee productivity. Regarding its relationship with employee productivity, it has positive and significantly high correlation and it has also positive and significant effect on employee productivity.

2.4 Research Gap

Various studies conducted on effectiveness and the relationship between performance management and employee motivation. For instance, Dixit (2007) studied on best practices and effective practice of performance management, Krishnan (2013) mentioned the performance management system and tools, Boipono (2014) on implementation of PMS and Florance and George (2013) on employees' consistency in achieving higher performance, increased cooperation among the staffs, employees' willingness to accept a challenging work

and increased responsibility. Others, like Matlala (2011) on fairness of their organization’s performance management system and Jawaria et al., (2010) studied on performance management system in relation to teams and individuals for ensuring the achievement of the overall organizational ambitions and goals.

On other hand, Thitina (2016) assessed the effectiveness of performance management system of Nile Insurance Company (NIC) with the major themes of the study being the performance management process and use/purpose of the system. Abebe (2017) also studied on the role of performance management practice and Hamid (2017) similarly studied on the role of performance management practice on employee productivity. This shows that most studies ignored the performance management process as effective means for employees’ motivation. The success of the process depends on the supervisor's willingness, employee's willingness to respond to constructive suggestions and to work with the supervisor to reach future goals (Victoria, 2012). This process begins with the establishing of performance standards, and these standards are usually articulated in an integrated and continuous task. In addition, the majority of the above studies used descriptive research methods. Thus, this study focused on the effect of performance management system as independent variable on insurance employee’s motivation as dependent variable using both descriptive and explanatory research design.

2.5 Conceptual Framework

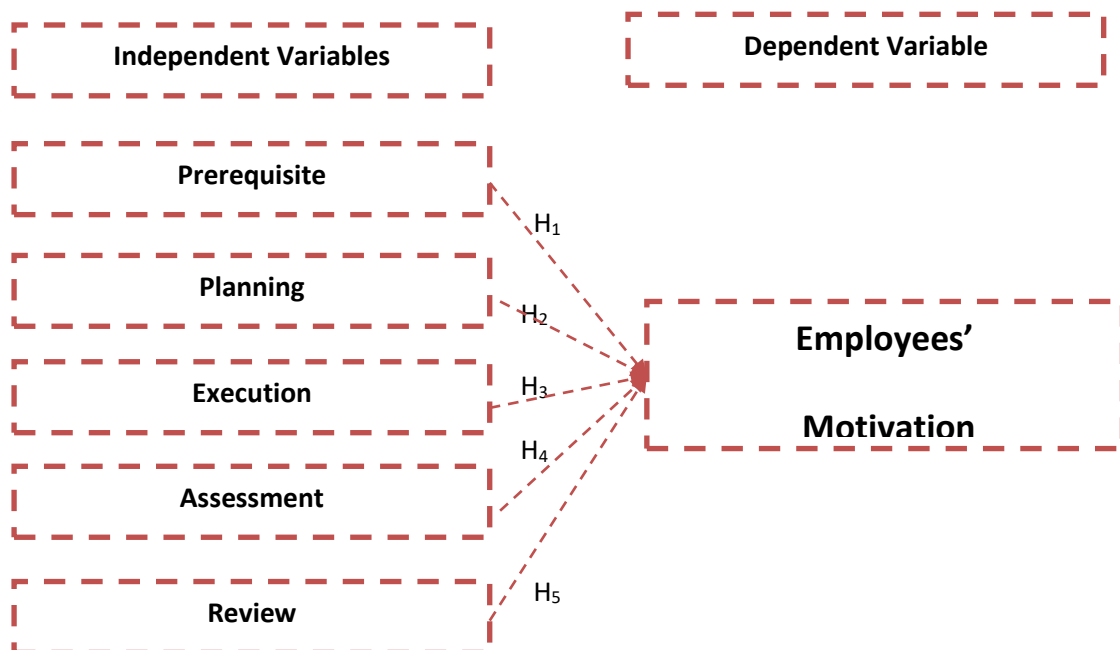


Figure 2.2 : Conceptual Framework Adapted from Dick, 2009.

Based on the literatures reviewed by the researcher, the below conceptual framework is developed. This framework attempts to determine the effect of Performance Management System on employees' motivation, in case of Awash Insurance Share Company. The model is limited only to factors related to performance management process and motivation variables. In this model, the factors that influence the effectiveness of performance management process/system are categorized as independent variable while motivation is considered a dependent variable.

2.6 Research Hypothesis

The purpose of this study is to examine whether there is any relationship between Performance Management and employees' motivation. In this regard, the hypothesis of the study was as follows:

2.6.1 Prerequisites

An organization's mission and strategic goals allows an organization to clearly define its purpose or reason for existing, where it wants to be in the future, the goals it wants to achieve, and the strategies it will use to attain these goals. Once the goals for the entire organization have been established, similar goals cascade downward, with departments setting objectives to support the organization's overall mission and objectives (Armstrong, 2010). The other important prerequisite before a performance management system is implemented is to understand the job in question. Job analysis is a process of determining the key components of a particular job, including activities, tasks, products, services, and processes (Aguinis, 2013). Motivation is not just what employee's exhibits but a collection of environmental issues surrounding the job. it has been proposed that one's performance in an organization is a functions of two factors; ability and willingness to do a job. Thus from a performance perspective, employees need the appropriate skills and abilities to adequately do the job (Dencenzo& Stephen, 2010).

H₁ : There is a positive and significant relationship and effect between performance prerequisite and employee motivation.

2.6.2 Performance Planning

The performance planning is related to the goal for employees to have a thorough knowledge of the performance management system. Effective performance management system provides behavioral standards that describe what is expected of employees in key competency areas.

Discussing competencies, which are measurable cluster of knowledge, skill and attitude that are critical in determining how result will be achieved are a consideration of behavior that should be included. In addition, development plan usually includes both result and behavior (Colquitt, 2014). Belay (2012) revealed that perceived adequacy of supervision and guidance to accomplish tasks successfully and congenial working conditions, and recognition of good work by supervisors and serving community, and chances of fair promotion to higher positions and degree of involvement in planning, implementation and evaluation of programs. His result implies that when job satisfaction, perceived adequacy of supervision and guidance, favorable of working conditions, recognition from supervisors. The degree of involvement in planning, implementation and evaluation of programs and projects are basic factors that significantly contributing to work motivation.

H₂ : There is a positive and significant relationship and effect between performance planning and employee motivation.

2.6.3 Performance Execution

Employees who are active participants in the evaluation process in that they provide a self - assessment and the performance review interview is a two - way communication process. Although the employee has responsibilities for performance execution, the supervisor also needs to do his or her share of the work. Supervisors have primary responsibility over the following issues (Dencenzo& Stephen, 2010). Belay (2012) stated that Money organization today reorganize that motivating employees requires a level of respect between management and the workers. This respect can be seen as involving employees in decisions that affect them, listening to employees in, and their performance implementing with their suggestions where appropriate. This is related to their work motivation function as it is one of the most important yet probably the least understood aspects of the human resource management (HRM) process.

H₃ : There is a positive and significant relationship and effect between performance pxecution and employee motivation.

2.6.4 Performance Assessment

The inclusion of self - ratings helps emphasize possible discrepancies between self - views and the views that important others (that is, supervisors) have are included in the assessment phase. It is the discrepancy between these two views that is most likely to trigger

development efforts, particularly when feedback from the supervisor is more negative than are employee self - evaluations. The inclusion of self - appraisals is also beneficial regarding important additional factors. Self - appraisals can lessen an employee's defensiveness during an appraisal meeting and increase the employee's satisfaction with the performance management system, as well as enhance perceptions of accuracy and fairness and therefore acceptance of the system (Colquitt, 2014).

H₄ : There is a positive and significant relationship and effect between performance assesment and employee motivation.

2.6.5 Performance Review

This stage is related to revising the performance as many managers are uncomfortable providing performance feedback, particularly when performance is deficient (Heneman *et al.*, 2008). This high level of discomfort, which often translates into anxiety and the avoidance of the appraisal interview, can be mitigated through training those responsible for providing feedback. Since providing feedback in an effective manner is extremely important, it leads not only to performance improvement but also to employee satisfaction with the system (Denci, 2016). The performance management process starts with prerequisites and ends with performance renewal and re-contracting. The cycle is not over after the renewal and re-contracting stage. In fact, the process starts all over again that needs to be a discussion of prerequisites, including the organization's mission and strategic goals and the job's KSAs. This is because it needs to continuously monitor the prerequisites so that performance planning, and all the subsequent stages, is consistent with the organization's strategic objectives (Colquitt, 2014).

H₅ : There is a positive and significant relationship and effect between performance review and employee motivation.

Employees who are motivated intrinsically enjoy performing job – related tasks, such as influencing customers and learning about the company. Loyalty from management includes treating all employees equally and fairly regardless of their status. Position and other demographic factors and applying organizational policies, procedures in a good manner. Bohlander and Snell (2007) sees performance appraisal as an annual regular undertaking developed to assist employees in understanding their roles, objectives, expectations and performance success conducted by a supervisor to a subordinate. The emphasis of performance management system is on continuously improving organizational performance,

and this is achieved through improved individual employee performance (Heneman, et al, 2008). Similarly from the suggestion of Hamid (2017), the objectives often include, motivating performance, helping individuals develop their skills, building a performance culture, determining who should be promoted, eliminating individuals who are poor performers, and helping implement business strategies. Thus, there are individual differences among employee's demographic characteristics on motivation and performance appraisal.

- **H₆ : There is a difference among the level of performance and motivations and demographic variables like age, gender, education**

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section looks at the methods to be used in order to achieve the objectives of the study. It highlights research design, data source and the methods uses in data collection for the research. It also identifies the target population for the study, the sample size and frame, sampling technique and other method of study.

3.2 Description of the Study Area

This research aimed to examine the effect of performance management system on employees' motivation in the case of Awash Insurance Share Company located at Addis Ababa, Ethiopia. Awash Insurance Share Company (AIC) is one of the first few pioneer private insurance companies in Ethiopia, which was founded on October 1, 1994, with the mission of providing diversified general and long-term insurance services to its esteemed customers with great excellence, profitably and ethically through the application of a state-of-the-art technology. AIC has started its operation since January 2, 1995 and continues to be profitable throughout its 25 years of service, with a remarkable investment return. It has a vision of being the leading and the best insurance service provider.

3.3 Research Approach

Research can be approached as qualitative and quantitative or mixed when approach to research has been considered as the criterion of classification. Qualitative research is more subjective in nature than quantitative research and involves examining and reflecting on the less tangible aspects of a research subject, e.g. values, attitudes, perceptions. Whereas, the emphasis of quantitative research is on collecting and analyzing numerical data; it concentrates on measuring the scale, range, frequency etc. of phenomena (Marczyk and Festinger, 2005). Besides, mixed method integrates quantitative and qualitative data collection and analysis in a single study or a program of enquiry (Creswell, 2009).

This study collected and analyzed numerical data and attempted to concentrates on measuring the scale, range, frequency etc. of phenomena. The study is highly detailed and structured and results can be easily collected and presented statistically. On other hand, this study depends on careful definition of the meaning of performance management system & employees' motivation and its associated factors. It appropriately develops the concepts and variables of performance management system & employees' motivation, and the plotting of

interrelationships between them. Performance management system & process including prerequisites, planning, execution, review and assessment and employees' motivational factors are included. Overall, the study employed both methods and it can be said that it is a mixed research approach.

3.4 Research Design

The research design can be classified using a variety of ways, such as the methods of data collection, time dimension, researcher participation and the purpose of the study. Instead, the most widely-used classification is the one based on the purpose of the study. There are three types of research design based on the study's purpose: exploratory, descriptive and causal (Creswell, 2009). The exploratory study provides more insight and ideas to discover the real nature of the issue under investigation. Descriptive study stems from prior knowledge and is concerned with describing specific phenomena; it is a means to an end rather than an end, since it encourages future explanation. Causal or explanatory research explains causal relationships between variables. These three basic designs are interrelated, and the research can combine more than purpose.

This study tried to examine the relationship between the two variables (investigate factors affect appropriate cause-and-effect relationships), i.e., performance management system & employees' motivation. Because the research was conducted to test the factors affecting performance management system and explain the relationships between the studies constructs in insurance company. The study explained causal relationships among factors performance management system & employees to facilitate generalization and to predict the future. In addition, it employed mathematical models and theories pertaining to employee performance and motivation. Besides, the study provided a complete picture of human recourse management in insurance companies Ethiopia and explained the performance management system of employees that is the essential task of human resource manager under modern management. In addition, it described various aspects about labour management in Ethiopia with its perceived strategic human recourse management. Thus, this study appropriately employed descriptive study and explanatory research.

3.5 Unit of Analysis

The study unit of analysis was individuals namely employees motivational and performance management of the Awash insurance company in Addis Ababa.

3.6 Data Type and Sources

The researcher used both primary and secondary data. The primary data were collected through questionnaire to collect primary data. These data were collected from interview checklist, articles and journals. Primary data are originated by the researcher for the specific purpose of addressing the problem at hand. Thus, the primary data was originated by the researcher for the specific purpose of addressing the problem that was indicated in the first chapter. In this study, a primary data sources were collected from employees of the Awash insurance company in Addis Ababa. Even if obtaining can be expensive and time consuming, primary data for this study was gathered through structured questionnaires and interview. The main advantage with this type of data was supposed to collect data with the research's purpose in mind. It implies that the information resulting from it was more consistent with the research questions and objectives.

In this study, the secondary data for this particular study was collected from the company annual report, and reports. Thus, the secondary data was collected from existing reports and statistics by government agencies and authorities. The secondary data for this particular study was collected from human resource journals and other existing reports.

3.7 Population and Sampling

3.7.1 Target Population

As population is the broader group of people to whom we intend to generalize the results of our study, the total of population in this study were employees of Awash Insurance Share Company, in both head quarter and all branches of the company located at Addis Ababa. Awash Insurance Share Company has 35 branches in Addis Ababa, which embraces 239 employees. Added to 251 employees in its head quarter, the total employees working in Awash Insurance Company S.C were 490 as of December 31, 2019 Company's record.

3.7.2 Sample Frame

The sample framework was obtained from the current (2019/2020) employees payroll, and some variables were used as controlling variables, for establishing differences within groups. These were clerical employees and non- clerical employees, gender, age, occupation and job level. The sample was drawn from Addis Ababa branches and head office.

3.7.3 Sample Size

Out of the total population of 490, 216 sample sizes was selected for the survey as per the sampling technique based on the following formula Israel:

$$n = \frac{N}{1+N(e)^2} \quad n = \frac{490}{1+490(0.05)^2} = 220$$

Where n = the sample size

N = size of population

e = the level of accuracy ($e = 0.05$)

Table 3.1 : Sample Size Determination

No	Sub city	Population	Proportion	Sample Size
1	Head Office	251	0.4489796	113
2	Branches	239	0.4489796	107
Total		490		220

Survey result, 2020

3.7.4 Sampling Procedure

In order to collect the data from the target population, stratified proportion sampling which as on the basis of their location was used to get information from Awash insurance employees. This technique is preferred because it is used to assist in minimizing bias when dealing with the population. With this technique, the sampling frame can be organized into relatively homogeneous groups (strata) before selecting elements for the sample. In this study the total population of the study was 220 formally permanent employees of Awash insurance in those two offices (branches and head) were obtained.

3.8 Data Collection Procedures and Instruments

3.8.1 Data Collection Instruments

Primary data were collected using a semi- structured questionnaire which had both open and close-ended questions; assuming that the open-ended questions provided additional information that was not captured in the close- ended questions. The rationale behind selecting questioner as a data collection instrument was to get information from large

audiences in a short period of time. There were two types of data collection instrument that were used in this study. A questionnaire was prepared that consist two parts which are respondents profile and main research questions. It consisted six dimensions, 32 statements with a five-point Likert scale ranging from 5 (strongly agree) to 1 (strongly disagree). The questionnaire were developed in English and no need to translate into Amharic as all surveyed employees cold able to read and write on English efficiently due to their nature of their work. Besides, it may be particularly useful when participants wish to remain unnamed, as it provides a more comfortable way for them disclose information that would make them uncomfortable in a face-to-face setting. Furthermore, interview sessions were prepared to gather pertinent information about employees' performance and motivational situation of the surveyed organization. The study applied phone interview due to Covid 19. It tried to cover up to fifteen employees and managers who were working in various positions or departments' human resource, operational, sales and others.

3.8.2 Data Collection Procedures

The researcher used self-administered questionnaire to collect information on the study area and issues. To collect the information, a set of procedures were established to ensure that this information is collected in a consistent and systematic manner. First, the researcher decided the timeframe to collect information before data collection taken place. The timeframe during which the data is to be collected were clearly specified. Second, this scheduled has made based on the availability of the study population from which the information were collected. This was made due to the fact that the information has to be collected before the class starts or at the end of the program. Third, as the researcher determined Awash Insurance as sources of information. Therefore, the researcher was relying on going to the specified company's head office and branches in order to complete the survey. Fourth, there were four assistant moderators helping the researcher. Their activities were clearly specified before the survey being administered. Before going to distributing the questionnaire the researcher informed the participants about the objective of the study. This was made to ensure the participants aware of what they are doing. In addition, the researcher informed the participants to answer the questions based on their willing. This was made for the simple reason that people have the right to refuse to answer any questions, and even the right to refuse to be a part of the participant at all. During the time of data administration assistant data collectors played a role to distribute and getting back the questionnaire filled by the participants while the researcher was dedicated to

3.9 The Credibility of the Research

In this study to reducing the possibility of getting the wrong answer means that attention has to be paid to two particular emphases on research design: reliability and validity.

3.9.1 Validity and Reliability

Validity refers to the extent to which a test measures what we actually wish to measure. Content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study (Kothari, 2004). The validity of the study therefore, were properly checked through content validity method by taking an advice from the advisor and an experienced person on the topic under study and adopting questionnaires from previous researchers would increase its validity.

Moreover, this study conducted a pilot testing study to see whether the questionnaires can obtain the results which the study required for meeting objectives and hypotheses of the research. Accordingly, ten questionnaires were prepared initially and dispatched to different human recourse experts and specialists in Addis Ababa.

3.9.2 Reliability

Reliability check for questionnaires was used by using Cronbach Alpha statistic method to ensure internal consistency by using pre-testing method.

Table 3.2 :Cronbach Alpha Test Result

	Cronbah's Alpha	N of Items
Pre requests	.804	3
Planning	.779	3
Execution	.754	5
Assessment	.799	7
Review	.887	6
Motivation	.868	8
Over all	.830	32

Source: Survey result, 2020

The overall Cronbach alpha of the scales used in this study was rated as excellent. As a result, it indicates the reliability of the scales was very high depicting a very strong internal

consistency among the measurement items and the selected instrument accurately measures the variables selected. By the way, values of 0.75 or greater were considered the data collection instrument is reliable (Kraeger, 2011).

3.10 Ethical Consideration

The researcher has got permission from Awash Insurance Share Company to conduct the study in advance. Besides, the researcher plans to inform the participants about the importance and purpose of the study, during data collection and the data interpretation process. So, the questionnaires were completed namelessly by respondents and treated confidentially. This study was intended for academics purpose only and the researcher would not disclose any confidential information to other party.

3.11 Data Analysis

The data analysis was also supported with software called Statistical Package for Social Science (SPSS), version 20. Mean scores, standard deviations, percentages and frequency distribution were used to summarize the responses. Besides, tables and figures were employed to present facts as required in order to give more clarifications to readers. In addition, and chi square was used to test if the level of performance and motivation vary according to demography variables. Furthermore, regression analysis were made to show the relationship between performances management and employees' motivation, as it is suitable to analyze the relationship between dependent and independent variables. Multiple regression is an extension of simple linear regression. It is used when we want to predict the value of a variable based on the value of two or more other variables. The variable we want to predict is called the dependent variable (or sometimes, the outcome, target or criterion variable). The variables we are using to predict the value of the dependent variable are called the independent variables (or sometimes, the predictor, explanatory or regressor variables). Multiple regression also allows to determine the overall fit (variance explained) of the model and the relative contribution of each of the predictors to the total variance explained (Abebe, 2017). Assumptions include:

- Assumption #1: dependent variable should be measured on a continuous scale (i.e., it is either an interval or ratio variable).
- Assumption #2: two or more independent variables, which can be either continuous (i.e., an interval or ratio variable) or categorical (i.e., an ordinal or nominal variable).

- Assumption#3: have independence of observations (i.e., independence of residuals), which you can easily check using the Durbin-Watson statistic, which is a simple test to run using SPSS.
- Assumption #4: There needs to be a linear relationship between (a) the dependent variable and each of your independent variables, and (b) the dependent variable and the independent variables collectively. Whilst there are a number of ways to check for these linear relationships, it is suggested creating scatter plots and partial regression plots using SPSS, and then visually inspecting these scatter plots and partial regression plots to check for linearity.
- Assumption #5: data needs to show homoscedasticity, which is where the variances along the line of best fit remain similar as you move along the line.
- Assumption #6: data must not show multicollinearity, which occurs when two or more independent variables that are highly correlated with each other. This leads to problems with understanding which independent variable contributes to the variance explained in the dependent variable, as well as technical issues in calculating a multiple regression model using VIF test.
- Assumption #7: There should be no significant outliers, high leverage points or highly influential points.
- Assumption #8: Finally, need to check that the residuals (errors) are approximately normally distributed (Two common methods to check this assumption include using: (a) a histogram (with a superimposed normal curve) and a Normal P-P Plot; or (b) a Normal Q-Q Plot of the studentized residuals).

Finally reasonable explanation of data and interpretation were accomplished. The model of the study is:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e$$

In the above equation,

- Y = Employees Motivation
- X₁ = Performance Pre requisite
- X₂ = Performance Planning
- X₃ = Performance Execution
- X₄ = Performance Assessment
- X₅ = Performance Review
- e = Error terms

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETITION

4.1 Introduction

This chapter presents the research findings from the study, presentation of data, analysis and interpretation of data. A response rate and demographic profile of respondents is presented followed by presentation of result and analysis of responses on performance management system in surveyed insurance company.

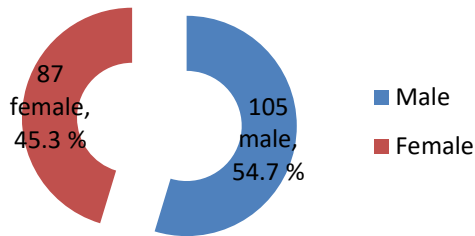
4.2 Response Rate

As it was stated on the Methodology section, the sample size was determined to be 220. Thus, the researcher distributed 220 questionnaires in order to increase the margin of return. However, out of 220 questionnaires distributed, only 192 usable questionnaires were collected and used for further analysis, as some employees were reluctant to take and fill the questionnaires. Therefore, the response rate is 87%.

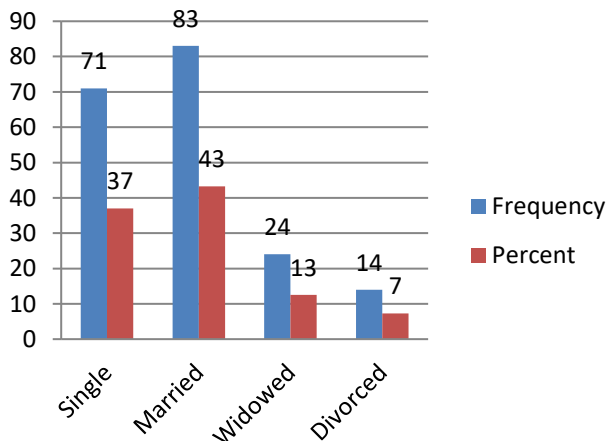
4.3 Respondents' Profile

In this section, the respondents' profile is presented. It includes gender, marital status, age group, and job category and work experience of employees.

Gender



Marital status



Source: Survey result, 2020

Figure 4.1: Respondents Profile gender and marital status

Referring the above figure (first figure), out of 192 respondents, 54.7% were male while 45.3 % were female; this indicates Indeed, the number of female and male respondents' participated in the study is almost proportional. The researcher almost gives equal opportunity to both female and male respondents. Regarding marital status of respondents, 37% of them are single and the majority almost 43% has got married, this implies that most of the respondents were married. It is assumed that married employees were more sensitive to job security issue than single ones. As shown in the above figure, gender distribution or empowerment was properly maintained and applied in this research. In addition, data were collected from matured and responsibility individuals from both gender types.

Table 4.1: Participants' Profile

Variables	Type	Frequency	Percentage
Age Group	18-30	109	56.8
	31-40	75	39
	41 and above	8	4.2
Educational Qualification	First Degree (BA/BSc)	131	68.2
	Second Degree (MA/MSc)	43	22.4
	Diploma	16	8.3
	High School	2	1
Length of Service in AIC	Below 1 year	13	6.8
	1-5 years	90	50
	6-10 years	58	30
	11-15 years	23	12
	Above 15 years	8	4.2

Source: Survey result, 2020

The distribution of respondents based on age category, more than half of the respondents (56.8%) are under the age category of 18-30. This age group is known to be very energetic young generation. For this reason, it was believed that this study obtained pertinent information about performance management and motivation from these every frank and energetic work force. The remaining respondents 39.1%, 4.2% fall with the age of 31-40, 41 and above years respectively. This indicates that AIC consists young generation. As displayed above on Table 4.1, the majority of the respondents (68.2%) have first Degree (BA/BSc), and the remaining 22.4% of them have second degree (MA/MSc), 8.3%. This implies that AIC has qualified employees as most of them are educated and professional. Thus, it is assumed that they filled the questionnaire with full understanding which might increase the validity of the data and its respective output.

In terms of educational qualification, the sample population was classified into four categories, ranging from diploma to highest academic qualification. Table 4.1 displays the different levels of educational qualification for the sample population along with their corresponding percentage. The highest share of the sample was taken by those holding first degree (69.3%) followed by diploma holders (25.1%) and staff with master's degree (5.5%). This implies that the majority of the sample respondents are first degree holders. This has happened due to the selection of professional and semi-professional employees. With respect to length of service, 46.9% of the respondents had served in AIC between 1-5 years; 30.2% from 6-10, 12% of them had stayed for 11-15 years, 4.2% had worked more than fifteen years and the remaining 6.8% worked below 1 year. This implies that AIC has experienced

employees, which might be beneficial to the Company with regard to providing better service for its customers.

4.4 Response Analysis

The objective of this study is to evaluate employees' perception regarding performance management system of Awash Insurance Company S.C; accordingly, participants of this study were asked their perception level agreement/disagreement for various questions related to each variable of the study and their responses are presented. The results were interpreted based on the following measurement scale intervals or range; 4.51-5.00 excellent or very good, 3.51-4.50 good, 2.51-3.50 average or moderate, 1.51-2.50 fair and 1.00-1.50 poor as of Belay (2012) and Colquitt (2014).

Table 4.2 : Response Analysis Using Descriptive Statistics

Dimensions	Max	Min	Grand Mean		Std. Deviation
			Statistic	Std. Error	Statistic
PerformancePrerequisite	4.17	3.93	4.00	.066	.916
PerformancePlanning	3.91	3.74	3.81	.071	.984
PerformanceExecution	3.81	3.66	3.73	.075	1.045
PerformanceAssessment	3.70	3.56	3.63	.074	1.027
PerformanceReview	3.69	3.51	3.62	.076	1.049
Employee Motivation	4.01	3.85	3.93	.065	.900
Valid N (listwise)	192				

Source: Survey result, 2020

4.4.1 Response on Performance Management Prerequisite

As shown in the above table, the grand mean was 4.00 and it was rated as very good. It shows the majority of have a clear understanding about the organization mission, vision and values. The majority of respondents of surveyed respondents agreed that they have full understanding of the company Vision, Mission and values so that AIC's vision mission and values are understood by almost all employees. Only few of employees were not confident that their

objective supports the organization's goals. From this result, it can be said that most of employees' objective supports the AIC's goals and objectives. As can be seen from the above table, respondents were asked their objective is aligned with organizational strategic goals and objectives. This indicates that most of AIC workers know their job including activities, tasks and job responsibilities.

4.4.2 Respondents view towards Performance Management Planning

The second component of performance management process i.e. performance planning, on this stage the supervisor and employee needs to meet to discuss and agreed on what, how and when to be done. It should be done to let employee have knowledge about his/her objectives. Accordingly, respondents in the research reacted on the below listed 3 questions. As can be seen from the above table, the grand mean was 3.81 and rated as very good and it shows that respondents agreed that the level in the planning process of the performance system was in good condition. The minimum mean shows that respondents had no chance in expressing their idea on the goal, objective & measurement standard of the job. However, most of them replied they did not know about the expectation of their supervisor from their performance. It shows that there is a real problem that involved in the supervisors expectation. Hence, a performance expectation of the organization from each individual was weak and no equal level of communication existed across the employees.

4.4.3 Response towards Performance Management Execution

The grand mean (3.73) of respondents Responses was rated for execution responses to get a very good rating. This shows that respondents aware about the purpose of the existing performance management system and get ongoing feedback throughout the rating period. In addition, job related contents are fairly included in the performance appraisal form. The performance appraisal system applies similar format and technique to evaluate all jobs in similar grades and levels. However, the low mean value shows that the focus of the existing performance management is moderately developmental.

4.4.4 Participants Response towards Performance Management Evaluation

This variable was rated as very good of its grand mean (3.63). It shows that the evaluation process is fair, objective and reasonable. Performance evaluation emphasize on functions that are under the control of the employee. The majority of the respondents that believe the

performance evaluation result express their true performance. The performance evaluation system is somewhat transparent. However, the performance result they received has not fully helped them to improve my performance. This is because supervisors, peers and customers are not entirely participated in evaluation process. In addition, performance evaluation is source of conflict between supervisors and subordinate.

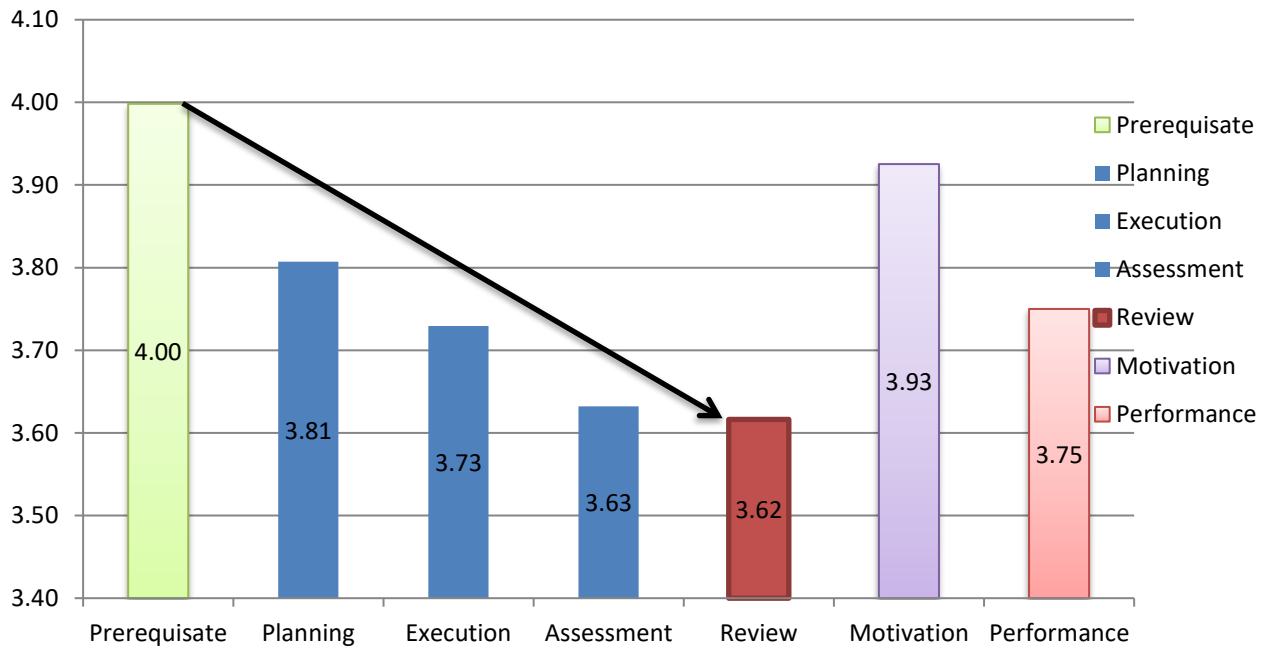
4.4.5 Participants Response towards Performance Review

This variable was rated as very good using its grand mean (3.62). This mean is the lowest among all the variables. It shows that they uncertainly assessed asses their own performance before performance review meeting. This is because there is a weak two way communication with their superiors during performance review meeting. However, even if there is a reward and recognition for good performers, a developmental training has not given for poor performers. Some believe that the current performance appraisal system is a waste of time and used only for formalities.

4.4.6 Participants' Motivation Level

This variable was rated as very good of its grand mean (3.93). This is the second highest mean value of all variables in this study. This shows that the majority of respondents accepts challenging responsibilities and to contribute more due to their nature of their work. Since this is financial and business related company, their work gives them a feeling of personal accomplishment. This is because their working environment and business condition are related to their educational background. They feel encouraged to come up with new and better ways of doing things. The maximum mean show that they feel that they are feeling motivated by doing their job. The majority of them think that motivation and performance management have relationship. However, the acknowledgment they somewhat get for their accomplishments have made them to exert more effort. In addition, they are halfheartedly valued by their supervisor.

4.4.7 Grand Mean Competition



Source: Survey result, 2020

Figure 4.2 Response Analysis Grand Mean

The above descriptive statistics clearly indicates the corresponding arithmetic mean of every construct and performance as average of five independent variables. Thus, the mean is going down from the heist and first variable of performance process to the lowest and final step of this process. The first step of performance process called perquisite has a mean of 4.00 (highest among all), the second planning has a mean of 3.81, execution has a mean 3.73, evaluation or assessment has a mean 3.63 and finally review has a mean of 3.62 in performance process. Motivation and performance have 3.93 and 3.75 mean value. It shows that execution, evaluation or assessment and review exhibited lower mean or below performance mean value (3.75). In addition, the result indicates the mean values have been declined as long to a performance process. The surveyed insurance company is good at performance management prerequisites that are the first component of performance management process. As there are two important prerequisites of performance management, the company has indoctrinated understood the organization's mission and strategic goals and knowledge of the job. It includes employees attempted to produce the results and display the behaviors agreed on earlier as well as to work on development needs. Employees are active

input in the development of the job descriptions, performance standards, and the creation of the rating form. However, the surveyed company is weak on communication process, encouraging employees to provide a self - assessment and the performance review. Although the employee has primary responsibilities for performance execution, the supervisor are forcefully to take responsibility over observation and documentation. Supervisors do not observe and document performance on a daily basis. There are lack of providing feedback for activities that oriented towards goals and coaching to improve performance. It is not a usual trend that supervisors let employees recognize that their outstanding performance and to provide feedback regarding negative performance and how to remedy the observed problem. In addition, both the employee and the manager have not taken responsibility for evaluating the extent to which the desired behaviors have been displayed, and whether the desired results have been achieved. Further, there is a lack of meeting between the employee and the manager to review their assessments. The surveyed company is weak on providing a formal setting in which the employee receives feedback on his or her performance. This study is far from Pulakos (2009) conclusion as he states that effective performance management systems have a well-articulated process for accomplishing evaluating activities with defined roles and timelines for both managers and employees. Performance management is about getting better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competing requirements (Armstrong, 2009).

4.5 Analysis Using Inferential Statistics

4.5.1 Correlation Analysis

The part of the study aimed to investigate the relationship between independent variables and dependent variable in the surveyed company. Correlation analysis was applied to examine this relationship among variables. The Pearson Product-Moment Correlation Coefficient is a statistic that indicates the degree to which two variables are related to one another. The Pearson's Product Moment Correlation Coefficient (r) is a measure of the degree of association between variables. It takes a value between -1 and 1 . A value of r near to 1 indicates strong positive association, whereas a value of r near to -1 indicates a strong negative linear association (Belay, 2012).

Table 4.3: Correlation Analysis

	Prerequisite	Planning	Execution	Assessment	Review	Motivation
Prerequisite	1	.466**	.377**	.419**	.428**	.506**
Planning		1	.536**	.600**	.579**	.608**
Execution			1	.606**	.584**	.571**
Assessment				1	.779**	.660**
Review					1	.644**
Motivation						1
Sig. (2-tailed)	.000	.000	.000	.000	.000	
N	192	192	192	192	192	192

Source: Survey result, 2020

Accordingly, the above table show that there is a relationship between prerequisite ($r=0.506$; sig, 0.0000), planning ($r=0.608$; sig, 0.0000), execution ($r=0.571$; sig, 0.0000), assessment ($r=0.660$; sig, 0.0000), and review ($r=0.644$; sig, 0.0000) and employee motivation at correlation is significant at the 0.01 level (2-tailed). The study supported by DeCenzo and Robbins (2010) stated that performance management system is related to human motivation and argued that an effective performance management system should be a key building block of every organization's human capital management system. Performance management system enhances the employee motivation and finally it will increase the overall achievement of the organization objectives (Boipono, 2014).

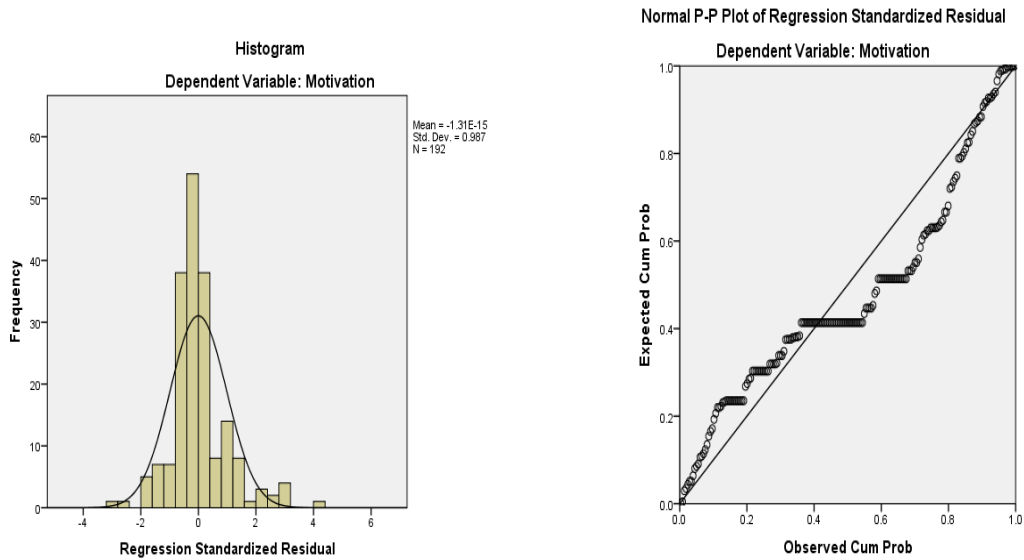
4.5.2 Multiple Regression Analysis

4.5.2.1 Assumption Testing

When running a Multiple Regression, there are several assumptions that we need to check our data meet, in order for our analysis to be reliable and valid. As clearly explained by statistician report on regression analysis, it is important to make sure that any violations of the assumptions. The first assumption that there is linear relationship between the independent and dependent variables; having no Multicollinearity in the data. Analysis of co linearity statistics show this assumption has been met, as VIF scores were well below 10 or 5. Third assumption includes about residuals; this can be done via the Durbin-Watson statistic. Final

assumptions include constant the variance of the residuals and the data was normally distributed.

A) Normality Test and Linerity Test



Source: (SPSS Output 2020)

Figure 4.3 Histogram and Normal P-P Plot

First, normality assumption was checked through histogram – the study used a histogram plot indicating normality of residuals. It produced a bell-shaped curve that shows the normal distribution of the series. In this study, the figure above shows a bell-shaped distribution of the residuals. The figure shows that X-axis shows the residuals, whereas Y-axis represents the density of the data set. As a consequence, this histogram plot confirms the normality test results from the two tests in this study.

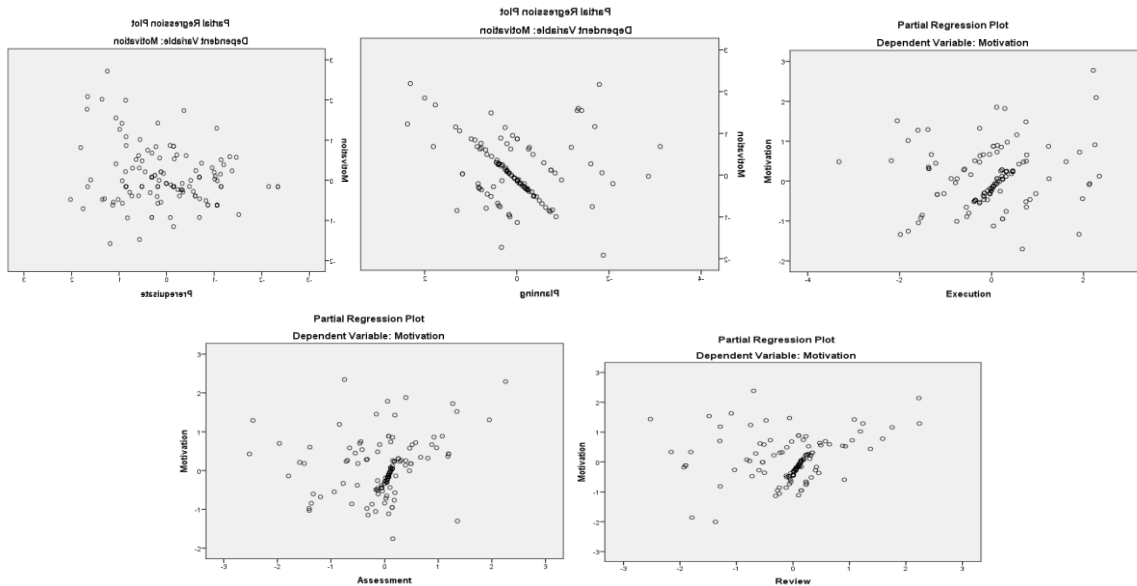
B) Heteroscedacity

Table 4.4: Heteroscedacity Test

Model Summary ^b	
Model	Durbin-Watson
1	1.361 ^a

a. Predictors: (Constant), Review, Prerequisite, Execution, Planning, Assessment

b. Dependent Variable: Motivation



Source: Survey result, 2020

Figure 4.4 Scatter Plot

By using the least squares method (a procedure that minimizes the vertical deviations of plotted points surrounding a straight line), it is able to construct a best fitting straight line to the scatter diagram points as indicated above.

C) The Assumption of Autocorrelation

Covariance between the error terms overtime (or cross sectional, for the type of data) is zero; it is assumed that the errors are uncorrelated with one another. In other words, it is assumed that the errors are uncorrelated with one another. If the errors are not uncorrelated with one another, it would be stated that they are ‘auto correlated’ or that they are ‘serially correlated’. The study used Durbin-Watson test (DW test) to test autocorrelation. The null hypothesis for this test is the error at the current time and the error at previous time is independent of one another (there is no autocorrelation) and the alternative hypothesis is that the error at the current time is dependent on the error of the previous time (there is evidence for the presence of autocorrelation). Therefore if the null hypothesis is rejected then it is said that there is an evidence for the presence of autocorrelation due to Durbin-Watson result that was found below 2 that is 1.361.

D) Multicollinearity

Multicollinearity refers to a situation in which there is exact (or nearly exact) linear relation among two or more of the input variables (Belay, 2012).

Table 4.5: Multicollinearity Test

Coefficients^a

Model	Collinearity Statistics	
	Tolerance	VIF
1		
Prerequisite	.737	1.357
Planning	.541	1.848
Execution	.565	1.770
Assessment	.340	2.943
Review	.358	2.797

a. Dependent Variable: Motivation

Source: Survey result, 2020

The VIF (Variance Inflation Factor) for each term in the model measures the combined effect of dependence among the regressors on the variance of that term. One or more large VIF indicate multicollinearity. Practical experience indicates that if any of the VIF results exceeds 5 or 10, it is an indication that the associated regression coefficients are poorly estimated because of multicollinearity (Uma, 2003). Collinearity Statistics shows that the VIF value of eight independent variables are between 1.357 and 2.943 which are less than 5 or 10 (Uma, 2003) and no collinearity is observed on this data. The table also presents the result of regression analysis; the result regression analysis is based on customer satisfaction. The independent variables that contribute to variance of the dependent variable are explained by standardized Beta coefficient.

4.5.2.2 Multiple Regression results

Table 4.6 : Regression Analysis Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.754 ^a	.569	.557	.599

a. Predictors: (Constant), Review, Prerequisite, Execution, Planning, Assessment

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	88.047	5	17.609	49.052	.000 ^b
	Residual	66.772	186	.359		
	Total	154.819	191			

a. Dependent Variable: Motivation

b. Predictors: (Constant), Review, Prerequisite, Execution, Planning, Assessment

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.735	.222		3.304	.001
	Prerequisite	.179	.055	.182	3.239	.001
	Planning	.181	.060	.198	3.029	.003
	Execution	.128	.055	.149	2.324	.021
	Assessment	.201	.072	.229	2.776	.006
	Review	.160	.069	.186	2.311	.022

a. Dependent Variable: Motivation

Source: Survey result, 2020

This measurement is made by inferring the value of R^2 to explain the magnitude of the effect of the independent variable on the dependent variable. Here below depicted and explained are the linear regression of various independent variables and dependent variable. As shown in the above table, the overall bundle of determinant factors of the four independent variables were the Multiple R 0.754 indicates the overall relationship between independent and dependent variables. R^2 (0.569) shows that 57% of the variation on the dependent variable is explained by the independent variables under study. The remaining (accounted around 43%) of the variation on the dependent variable is explained by other variables not included in this study. As the second table shows the result $F= 49.052$; it can be concluded that the combination of performance process factor have positive effect on employees motivation which is statistically significant. Thus, this study rejects the null hypothesis.

From the above multiple regression tables, we can easily compare the relative contribution of each of the different variables by taking the beta value under the unstandardized coefficients. When we see the statistical significance, each variable from the above coefficients table

indicates that there is there is a positive and significant effect between Prerequisite (B.179; sig, 0.001), planning (B.181; sig, 0.003), execution (B.128; sig, 0.021), assessment (B.201; sig, 0.006), and review ($r=0.160$; sig, 0.022) and employee motivation. Motivation is usual that performance management is described in process terms wherein it starts from objective setting, through formal appraisal, to the start of the next cycle. This study is similar to Matlala (2011) who provides motivation for people and obtains their engagement and commitment, besides it develops a high performance culture. Reward provides the right things to convey the right message about what is important in terms of behavior and outcomes. Abebe (2017) indicated how much of the dependent variable (employees motivation) generally explained by the model (pre requisite, planning, execution, evaluation, review, and renewal & re contracting. In percent 14.9% of the model explains the variance in the dependent variable. F between 5 and 276 degree of freedom=9.630, $p<0.001$. The standardized beta value also express their relationship but expressed as standard deviation. From table the Beta value for execution, evaluation, review renewal & recontracting (0.133, 0.066 and 0.262) respectively implies that they have statistical significant contribution to explain the dependent variable and there is a weak positive relationship. The predictor variable of planning ($\beta=0.002$ approximate to zero) and the prerequisite $t=-3.790$ (which is less than the standard significance of $t >2$). So result shows that performance management pre requisites and performance management planning practices have no significant contribution for the predicting the variable of employees' motivation.

4.5.3 Demographic Variables Changes Analysis

Chi-square test provides a way of judging against a set of observed response frequencies with a set of Expected response frequencies (Colquitt, 2014). This section presents the analysis and results of this paper. Chi square -goodness of- fit is used to support or reject the null hypothesis. The decision used under the test of chi square is either to reject or to accept the null hypothesis. If the computed value of Chi-square is greater than the Chi-square table value, there is evidence to reject the null hypothesis this means the alternative hypothesis will be accepted. For that reason, the test result is indicated in the following tables. Nonetheless, using SPSS, significance level constantly determined a priori as a rule set at the 0.05 level. Then the decision will be the following: If $p<0.05$ then reject the null hypothesis, and accept the alternate and If $p > 0.05$ then accept the null hypothesis. This study tested if their significant difference among performance and motivation with different gender, age, education level, marital status and work experience.

Table 4.7 : Chi Square Results

	Chi-Square Tests Pearson Chi-Square			
	Value	df	Asymp. Sig. (2-sided)	Decision
Gender * Motivation	11.616 ^a	7	.114	No difference or vary
Gender * Performance	50.034 ^a	40	.133	No difference or vary
Age * Motivation	9.066 ^a	14	.827	No difference or vary
Age * Performance	75.570 ^a	80	.619	No difference or vary
Educational level * Motivation	12.459 ^a	21	.926	No difference or vary
Educational level * Performance	87.266 ^a	120	.989	No difference or vary
Marital status * Motivation	33.785 ^a	21	.038	Difference or vary
Marital status * Performance	128.535 ^a	120	.281	No difference or vary
Work experience * Motivation	30.560 ^a	28	.337	No difference or vary
Work experience * Performance	156.640 ^a	160	.560	No difference or vary

Source: Survey result, 2020

Using the decision rule, the null hypothesis is rejected and the alternative hypothesis is accepted with 5% significance as Pearson Chi-Square Asymp. Sig. (2-sided) .120. Therefore, the result revealed there is no difference between female and male employees, different age, education level and work experience in performance and motivational situation. However, there is a significant difference among married, single and other employees with their motivational status; no difference existed in their work performance.

4.5.4 Research Hypothesis

The purpose of this study is to examine whether there is any relationship between Performance Management and employees' motivation. In this regard, the hypothesis of the study was tested as follows:

Prerequisites

H₁ : There is a positive and significant relationship and effect between performance prerequisite and employee motivation.

Accordingly, using the Pearson's Product Moment Correlation Coefficient (r), the study found that there is a positive and significant relationship between Prerequisite ($r=0.506$; sig, 0.0000) and employee motivation at correlation is significant at the 0.01 level (2-tailed). The hypothesis was also tested It is found that a positive and significant effect between Prerequisite (B.179; sig, 0.001) and employee motivation. This study is related to a performance perspective, employees need the appropriate skills and abilities to adequately do the job (Dencenzo& Stephen, 2010). It is assured that there is a positive and significant relationship and effect between performance prerequisite and employee motivation.

Performance Planning

H₂ : There is a positive and significant relationship and effect between performance planning and employee motivation.

Accordingly, the study tested and found that there is a positive and significant relationship between planning ($r=0.608$; sig, 0.0000) and employee motivation using the Pearson's Product Moment Correlation Coefficient (r). The hypothesis was also tested It is found that a positive and significant effect between planning (B.181; sig, 0.003) and employee motivation. This study is related to the goal for employees to have a thorough knowledge of the performance management system. One study found performance was related to employee's strength and it provided action plan to improve in areas of weaknesses and further develop strength (Colquitt, 2014). Belay (2012) revealed that degree of involvement in planning is related to and affects motivation in Ethiopian insurance company. Thus, there is a positive and significant relationship and effect between performance planning and employee motivation.

Performance Execution

H₃ : There is a positive and significant relationship and effect between performance pxecution and employee motivation.

In view of that, the study tested and found that there is a positive and significant relationship between planning execution ($r=0.571$; sig, 0.0000) and employee motivation using the Pearson's Product Moment Correlation Coefficient (r). The hypothesis was also tested inferentially and found that a positive and significant effect between planning execution (B.128; sig, 0.021) and employee motivation. This study is related execution affects motivation (Dencenzo& Stephen, 2010). Belay (2012) stated that motivating employees requires a level of respect between management and the workers. This respect can be seen as

involving employees in decisions that affect them, listening to employees in, and their performance implementing with their suggestions where appropriate. Thus, there is a positive and significant relationship and effect between performance execution and employee motivation.

Performance Assessment

H₄ : There is a positive and significant relationship and effect between performance assessment and employee motivation.

In view of that, the study tested and found that there is a positive and significant relationship between planning assessment ($r=0.660$; sig, 0.0000) and employee motivation using the Pearson's Product Moment Correlation Coefficient (r). The hypothesis was also tested inferentially and found that a positive and significant effect between planning assessment (B.201; sig, 0.006) and employee motivation. This study is associated to self - ratings that helps emphasize possible discrepancies between self - views and the views that important others have. It can reduce an employee's defensiveness during an appraisal meeting and increase the employee's satisfaction with the performance management system, as well as enhance perceptions of accuracy and fairness and therefore acceptance of the system (Colquitt, 2014). Thus, there is a positive and significant relationship and effect between performance assessment and employee motivation.

Performance Review

H₅ : There is a positive and significant relationship and effect between performance review and employee motivation.

Similarly, the study tested and found that there is a positive and significant relationship between planning review ($r=0.644$; sig, 0.0000) and employee motivation using the Pearson's Product Moment Correlation Coefficient (r). The hypothesis was also tested inferentially and found that a positive and significant effect between planning review ($r=0.160$; sig, 0.022) and employee motivation. This stage is related to Heneman et al. (2008) and they stated that providing feedback in an effective manner is extremely important because it leads not only to performance improvement but also to employee satisfaction with the system (Denci, 2016). Since performance management process includes prerequisites and performance renewal and re-contracting, it is highly related to motivation. Thus, there is a

positive and significant relationship and effect between performance review and employee motivation.

Table 4.8 Summary of Hypothesis Testing

Hypothesis	Beta	Sig.	Decision
H ₁ : There is a positive and significant relationship and effect between performance prerequisite and employee motivation.	.182	.001	Accepted as p < .05
H ₂ : There is a positive and significant relationship and effect between performance planning and employee motivation.	.198	.003	Accepted as p < .05
H ₃ : There is a positive and significant relationship and effect between performance pxecution and employee motivation.	.149	.021	Accepted as p < .05
H ₄ : There is a positive and significant relationship and effect between performance assesement and employee motivation.	.229	.006	Accepted as p < .05
H ₅ : There is a positive and significant relationship and effect between performance eview and employee motivation.	.186	.022	Accepted as p < .05

Source: Survey result, 2020

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This part of the study presents closing chapter of the study which includes summary of findings, conclusion and appropriate recommendations regarding the study findings.

5.2 Summary of Findings

This study aimed to investigate the effect of performance management system on employees' motivation in case of Awash Insurance Share Company. Using descriptive and explanatory research design, the study found that

- Even if performance management system is a set of interrelated activities and process, this study found that its system is not treated as all-inclusive integrated and key component of an organization's' evidenced by the mean responses for agreement level have been declined gradually across its process such as prerequisite 4.00 (highest among all), planning (3.81), execution (3.73), evaluation or assessment (3.63) and finally review (3.62). Motivation and performance have 3.93 and 3.75 mean value. It shows that execution, evaluation or assessment and review exhibited lower mean or below performance mean value (3.75).
- The surveyed company exhibited weak communication processes but has strong encouraging employees to provide a self - assessment and the performance review.
- There are lack of providing feedback on activities and task progress toward goals and coaching to improve performance.
- there is a positive and significant relationship between Prerequisite ($r=0.506$; sig, 0.0000), planning ($r=0.608$; sig, 0.0000), execution ($r=0.571$; sig, 0.0000), assessment ($r=0.660$; sig, 0.0000), and review ($r=0.644$; sig, 0.0000) and employee motivation using the Pearson's Product Moment Correlation Coefficient (r)
- there is a positive and significant effect between Prerequisite (B.179; sig, 0.001), planning (B.181; sig, 0.003), execution (B.128; sig, 0.021), assessment (B.201; sig, 0.006), and review ($r=0.160$; sig, 0.022) and employee motivation using multiple regression
- there is no difference between female and male employees, different age, education level and work experience in performance and motivational situation. However, there

is a significant difference among married, single and other employees with their motivational status; no difference existed in their work performance using chi square

5.3 Conclusion

This study described the performance management system can be responsible for accurate assessment of employee productivity and quality of work. Performance management continues to grow and develop as an integrated business system, with strong links to business strategy, compensation, employee development, and other system. In addition, the performance management system cannot be pragmatic and distinguished for positive outcome and to mention the problems arose because there is no clear understanding between employees about the organization. It is also perceived that there has been a number of complaints about lack of performance standard/criteria, ongoing performance feedback, trained appraisers, and fair performance ratings during performance assessment period. For that reason, the performance management system can motivate employees to higher level of performance by giving the employees helpful feedback. Thus, since the study found that there is a positive and significant effect between prerequisite, planning, execution, assessment, and review and employee motivation, the performance management system should be interconnected and treated holistically as an integrated and key component of an organization's approach to managing performance through people and developing the skills and capabilities of its human capital. It absolutely motivated employees to enhance organizational capability and the achievement of sustained competitive advantage with insignificance between female and male employees, different age, and education level and work experience.

5.4 Recommendations

The researchers recommend the following points:

5.4.1 General Recommendations

- The organization may effectively ensure that performance management should support the achievement of business strategy through the integration of corporate, functional; departmental team and individual objectives.
- The organization may establish favorable environment that allows for clear communication of its mission and goals to employees and in which they are also encouraged to contribute to the formulation of these objectives within performance

process.

- The organization may see its performance management processes as a means of providing a more integrated and continuous approach to the management of performance than was provided by previous isolated and often inadequate merit rating or performance appraisal schemes.
- Performance management should be established and done based on the principle of management by agreement or contract rather than management by command. It emphasizes development and the initiation of self-managed learning plans as well as the integration of individual and corporate objectives.

5.4.2 Specific Recommendations

Prerequisites

- The organization may make simple, effective and operational decisions that need to be made to design a performance system ideally suited for effective performance management systems.
- Employees job description should be tailored properly so that individual job responsibilities can be clear and contributed to meeting the department's and the organization's objectives.
- The organizations should encourage employees to involve in performance process that helps them to gain a clear understanding of how their performance affected the department and, in turn, the organization.

Performance Planning

- Performance Planning should be prepared and processed at the beginning of every fiscal period and make sure all employees are part of the planning process.
- Employee should also involve in setting the department goal since it bring self-belongingness and motivation.
- Employees may need training about how to set SMART objectives should be given to all employees.
- A management controlling system should be placed in order enforces employees to set their objectives.
- Job analysis should also be done in order to get clear job description and to ensure the employees understand their job very well.

Performance Execution

- The organization may ensure that appropriate feedback should be given whenever exceptional or ineffective performance is observed and ensure on providing periodic feedback about day to day accomplishments and contributions is also very valuable.

Performance Assessment/evaluation

- The organization may support the importance of employees input (self-rating) in three ways by involving employees in the process, enhancing ownership and acceptance, reminding managers about the results employees have delivered and how they were achieved and by increasing employees communication and understanding.

Performance Review

- The organization may ensure joint meeting between the employee and the manager to review their assessments by organizing appraisal meeting or discussion. This is very significant as it provides a formal setting in which the employee receives feedback on his or her performance.

Motivation

- The organization may clear roles and responsibilities to increase motivation. If employees know what they are supposed to be doing, there is no loss of motion due to confusion or uncertainty. Instead a motivated individual will be in action, and a team full of motivated individual will feed off of each other and help keep that motivation going.
- The organization may clear expectations so as that employees are more likely to take ownership of their work and to be committed to the expected outcome. They will be more likely to be willing to take risks, to put in extra effort, and to view their own role of that of a partnership with the organization.

5.4.3 Implications for Various Stakeholders

This study helps to standardize the surveyed and others organization performance system. It means that performance should be evaluated regularly across people and time. To achieve this goal, the ongoing training of the individuals in charge of appraisals, usually managers, board of directors, customers, and other stakeholders, is a must. In addition, good systems comply with ethical standards.

5.4.4 Recommendations for Future Researchers

Researchers should provide a standard framework for integration of performance management system. It needs to create easy communication mechanisms as it is a useful tool for the top management of a firm to achieve their desired performance. To measure the performance of the employees, company specific model (insurance based) should focus on performance attributes. A performance attribute is a collection of metrics which aids in directing a strategy. Researchers may identify more attributes and the costs associated with the operation of financial institutions.

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APPENDIX

Appendix I Questionnaire



ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE

Human Resource Management Survey (To be filled by Employees)

Dear Respondents,

I am Menbere Tamiru a postgraduate student of Addis Ababa University. I am conducting an academic research on *“The Effect of Performance Management System on Employee’s Motivation, the case of Awash Insurance S.C ”*. I am pleased to inform you that, you have been selected as one of the respondents in this study. I, therefore kindly request your utmost cooperation in filling the questionnaire honestly and accurately, as the quality of information you provide determines the ultimate reliability of the study. All information will be used only for academic purpose and treated confidentially.

If you are interested to have further information about this study or have any problem in filling the questionnaire, please contact me through:

Thank you for your co-operation in advance

Menbere Tamiru

Tel.: +251-913-59-36-63

Email: menbitamiru@gmail.com

Note :-

- ✓ *Please do not write your name.*
- ✓ *Your honest and unbiased response will greatly contribute for the research to achieve its objective.*

PART I. Demographic Information

Direction - Please put the tick mark (✓) on the appropriate space in the box to the point which mostly reflects your idea.

Gender

Male Female

Age

18 -30 31-40 41-50
51 & above

Educational Level

High school College Diploma First Degree
Master's Other

Marital status

Single Married widowed
Divorced

Work experience

> 1 year 1-5 years 6-10 years
11-15 years above 15 years

Part II. Questions on employees attitudes towards the current practices of Performance Management system

Direction - Please put (√) for your responses on the space provided parallel to numerical symbols for the following part II questions. Numerical symbols for the statements indicate that: if you Strongly Agree(SA)= 5, Agree(A)= 4, Neutral(N) =3, Disagree(D)= 2 and Strongly Disagree(SD)=1.

Variables	Code	Sub variables	Level of Perception				
			5 SA	4 A	3 N	2 D	1 SD
Performance pre-requisites	PRR 1	I know my organization’s vision, mission and values.					
	PRR 2	My objectives support AIC strategic goals and objectives					
	PRR 3	I am clear with my duties and job responsibilities					
Performance planning	PPP 1	I have a chance to participate in setting goals, objectives and measurement standards of the job.					
	PPP 2	AIC strategic goals are aligned with my personal objectives.					
	PPP 3	The standards both behavioral and result expected to evaluate my job are clearly explained to me by supervisors.					
Performance Execution	PPE 1	I know purpose of the existing performance management system.					
	PPE 2	I get ongoing feedback throughout the rating period					
	PPE 3	The focus of the existing performance management is developmental.					
	PPE 4	In the performance appraisal form, job related contents are fairly included.					
	PPE 5	The performance appraisal system applies similar format and technique to evaluate all jobs in similar grades and levels.					

Performance Evaluation	PEV 1	The evaluation process is fair, objective and reasonable.					
	PEV 2	Supervisors, peers and customers participate in evaluation process.					
	PEV 3	Performance evaluation emphasize on functions that are under the control of the employee.					
	PEV 4	I believe the performance evaluation result express my true performance.					
	PEV 5	Performance evaluation is source of conflict between supervisors and subordinate.					
	PEV 6	The performance evaluation system is transparent.					
	PEV 7	The performance result I received has helped me to improve my performance.					
Performance Review	PPR 1	I asses my own performance before performance review meeting					
	PPR 2	There is a two way communication with my superiors during performance review meeting.					
	PPR 3	There is a reward and recognition for good performers.					
	PPR 4	There is a developmental training for poor performers.					
	PPR 5	I think the current performance appraisal system is a waste of time and used only for formalities.					
	PPR 6	There is an appeal process if you don't agree how you are evaluated.					

Part III Questionnaire related to Motivation

Direction -Please put (√) for your responses on the space provided parallel to numerical symbols for the following part III questions. Numerical symbols for the statements indicate that: if you Strongly Agree(SA)= 5, Agree(A)= 4, Neutral(N) =3, Disagree(D)= 2 and Strongly Disagree(SD)=1.

Variables	Code	Sub variables	Level of Perception				
			5 SA	5 SA	5 SA	5 SA	5 SA
Employees Motivation	MVT 1	I am willing to accept challenging responsibilities and to contribute more					
	MVT 2	My work gives me a feeling of personal accomplishment					
	MVT 3	I feel encouraged to come up with new and better ways of doing things.					
	MVT 4	The acknowledgment I get for my accomplishments has made me to exert more effort.					
	MVT 5	I am valued by my Supervisor.					
	MVT 6	I feel that my job performance is fairly evaluated.					
	MVT 7	I am feeling motivated by doing my job.					
	MVT 8	I think that motivation and performance management have strong relationship.					

... Thanks for your valuable participation !

Appendix II- Interview Checklist

I am Meneber a student of Addis Ababa university school of commerce. I am conducting an academic research regarding employees' performance and motivation.

Can I proceed? Thank you!

1. Would you suggest if there is anything to be considered regarding with the current practice of Performance Management system of AIC?

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2. Would you suggest if there is anything to be considered regarding with the level of motivation of employees of AIC?

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3. Would you suggest if anything regarding with the level of motivation of employees and performance in finical institutions?

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Thank you!