



SCHOOL OF GRADUATE STUDIES OF ADDIS ABABA UNIVERSITY

**THE EFFECT OF HUMAN RESOURCE PERFORMANCE  
MANAGEMENT ON EFFICIENCY: THE CASE OF  
ETHIOPIAN INSURANCE CORPORATION (EIC).  
(Based on staffs opinion survey)**

A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF ADDIS  
ABABA UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENT OF  
THE DEGREE OF MASTERS IN PUBLIC ADMINISTRATION (MPA)

**BY**

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ADDIS ABABA UNIVERSITY**

**June /2008  
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**June /2008  
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School of Graduate Studies  
Faculty of Business and Economics**

**The Effect of Human Resource Performance  
Management on Efficiency:  
The Case of Ethiopians Insurance Corporation (EIC)  
(Based on staffs opinion survey)**

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<b>External Examiner</b>	<b>Signature</b>

## **DECLARATION**

**I the undersigned declare that this thesis is my original work and has not been presented for a degree in any other university and that all sources of materials used for this have been duly acknowledged.**

**Declared by: Manalegne Ferede Shibeshi**

**Signature: \_\_\_\_\_**

**Date of submission: \_\_\_\_\_**

## **ADVISOR'S CERTIFICATE**

**This thesis has been submitted for examination with my approval as university advisor**

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**Signature: \_\_\_\_\_**

**Date of approval: \_\_\_\_\_**

**Place and date of submission: Addis Ababa (A.A.U.) June 23, 2008**

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Manalegne Ferede  
(The Researcher)

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## ACCRONYMS

- AAU- Addis Ababa University
- BARS- Behavioral Anchored Rating Scale
- BOS-Behavioral Observation Scale
- BPR-Business Process Re-engineering
- EIC- Ethiopian Insurance Corporation
- EMI- Ethiopian Management Institute
- FDRE- Federal Democratic Republic of Ethiopia
- HPRM- Human Resource Performance Management
- HR- Human Resource
- HRM- Human Resource Management
- MBA- Mastres of Bussiness Administration
- MBO- Management By Objective
- OBM- Organizational Behavioral Modification
- OPM-Office of Personnel Management
- PA- Performance Appraisal
- PM- Performance Management
- PMES- Productivity Measurement Evaluation Systems
- PBM-SIG- Performance Based Management Special Interest Group
- SN- Serial Number

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## Abstract

This study mainly intends to explore whether there are any undesirable challenges and problems (limitations) in the implementation process of human resource performance management in one of the public owned enterprises i.e. the Ethiopian Insurance Corporation (EIC).

The main objective of the study is to assess and identify the challenges encountered in the process of implementation of human resource management in the Corporation which closely examined. To this end, both the primary and secondary data were gathered through questionnaires and various documents; and analyzed quantitatively through frequency and percentage values.

The results provided indicate towards the following conclusions. In the process of setting strategic planning and performance planning the involvement of employees is not sufficient, training and development of staffs in EIC is not programmed or scheduled, the existing performance evaluation of the employees of the Corporation is more of behavioral measurement rather than achievements oriented, and the rewarding policy of the Corporation is not clear.

Relying on the above conclusions, among others, some of the recommendations are given based on the findings include that, in the process of setting vision, mission, strategic plan and performance standard, employees have to participate actively and adequately and the strategic plan has to be cascade to lower level units further more. The conducting performance appraisal system has to be more of result oriented than behavioral measurements, and to enhance the efficiency of employees, there should be clearly stated policy regarding rewards to high performers and actions against to below average performers.

# **INTRODUCTION**

## **1.1 BACKGROUND OF THE STUDY**

In all types of organizations human resource is one of the most important assets. There are a number of factors which contribute to the success of an organization. These factors include manpower, money, materials and management systems, which are equally important. Among others the human factor is the most significant one as it is the people who are to use all these resources. That was the reason why Dr. Arega Yirdasw, Chief Executive Officer of Midrock Ethiopia stated that nowadays it must be obvious to all us that companies invest substantial amount of money to hire, sustain and develop the human capital. It has become known that human capital is the dominant factor to achieve enduring competitive advantage in the marketplace (Yearbook, 2007). Without the efforts of the workers the material resources would be of no use. Human being makes a difference by utilizing all other resources. Therefore, it is impossible to talk about an organization without human resource because it is human being (people) that staff and manage the organization.

Although job performance depends on some combination of ability, effort and opportunity, it can also be measured in terms of outcomes. Regarding this Bernardin (2003: 143) said 'performance is the record of outcomes produced on specific job functions or activities during a specified time.' In other words, to measure the performance of a specific activity, management can set yardsticks in relation to quantity, quality and time. In the same vein, Armstrong and Baron (2002: 15) explained that 'performance refers to the outcomes of a certain work because it provides the strongest linkage to the strategic goals of the organization, customer satisfaction and economic contribution'. This explanation may draw to conclude that when one is managing the performance of individuals and teams both inputs and outputs need to be considered. Accordingly performance management covers competency levels, achievements as well as objective setting and periodical review. Hence, human resource performance management, therefore, becomes one of the most important functions of the human resource management activities in the contemporary competitive organizations.

Armstrong and Baron (2002: 7) further more define performance management as:

*a strategic and integrated approach to delivering sustained success to organizations by improving the performance of people who work in them and by developing the capabilities of teams and individuals' contributions.*

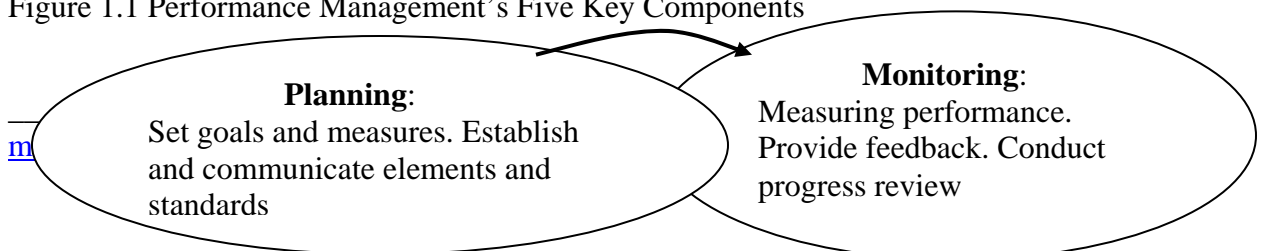
This definition explains that strategy is the general direction in which the organization intends to move to achieve what it will in long terms, goals to be reached, and integration that is linkage of vertical functional human resource management which an individual needs with in the organization. Based on the above explanations, it is possible to realize that the relationship between strategic plan of an organization and individual performance plan can be shown in a diagram as below:

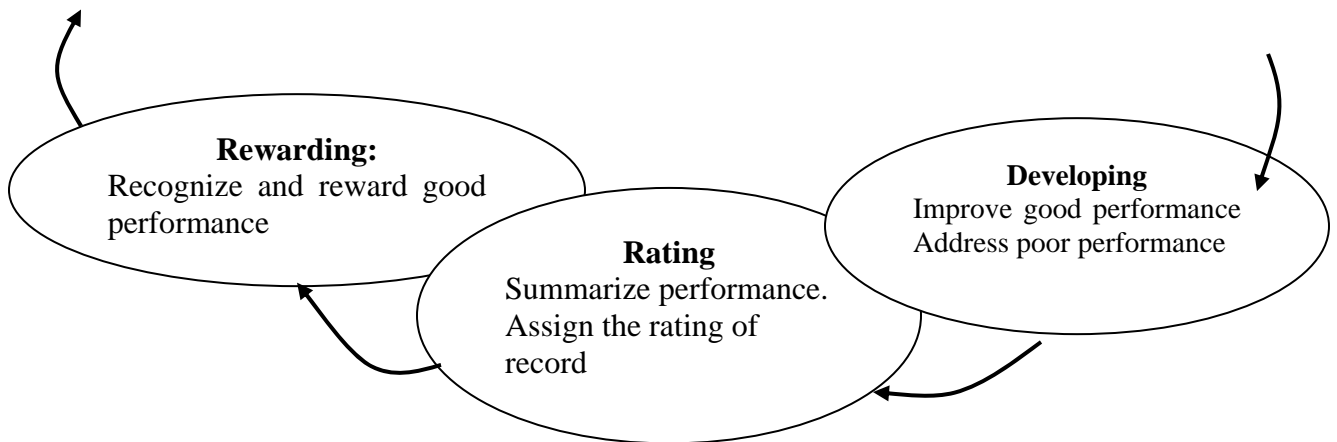


Therefore, human resource performance management is a systematic approach to the management of people using performance goals, measurements, feedbacks and a means of motivating them to realize their maximum potential. In relation to this United States Office of Personnel Management (OPM, 2001: 1) considers that performance management as the systematic process including five key components that are closely related to each other. These includes: *planning* work and setting expectation, continually *monitoring* performance, *developing* the capacity to perform, periodically *rating* performance in a summary fashion, and *rewarding* good performance.

The relationship of these components and the interwoven among them may be diagrammatically represented as follows.

Figure 1.1 Performance Management's Five Key Components





Source: (OPM 2001: 3) *A Handbook for Measuring Employee Performance*.

Neo et al (2000: 276) on this part point out performance management as a process through which managers ensure that employee' activities and outputs are congruent with organization goals. They further elaborate that the PM system to have the following parts:

- *Defining performance*: performance management system specifies which aspects of performance that are relevant to the organization primarily through job analysis
- *Measurement of performance*: measures those aspects of performance appraisal of individuals and teams all together, and
- *Feedback performance information*: provides feedback to employees through performance review session so that they can adjust their performance to the organizational goals.

Historically, performance management of human resource is relatively a recent method as compared to performance appraisal system. It was developed in the 1980's, to measures organizational, managerial and individual performance achievement towards the vision, mission and objective of a given organization.

Concerning efficiency and effectiveness Hume (2000: 37) discusses that performance management systems must be part of the philosophy, culture and values of the organization and should focus on the attention of both employer and employees on

mission- improved individual and organizational objectives. Hume (ibid) further suggests the following key features which are likely to be central to an effective performance management and appraisal system in an organization:

- Communicating vision and objectives to all its employees
- Setting out departmental and individual performance targets which are located to wider objectives
- Conducting a formal review of progress towards the targets
- Using the review process to identify training, development and reward outcomes
- Evaluating the effectiveness of the whole process in order to improve efficiency

One of the key aspects of performance management system is an assessment of employees in relation to their individual or group performance targets. This is mostly known as performance appraisal system practiced relatively for a long periods in many organizations. Dash (2005/06: 98) points out that 'Performance appraisal refers to valuing the employees' worth to the organization with a view to increase his/her performance.' From this, it is possible to understand that the basic objective of the recent approach performance appraisal is to facilitate the performance management activities in the achievement of organizational goals.

Therefore, the synopsis of this thesis is to elaborate the performance management concepts in general and the recent approach of performance appraisal (measurement) systems in particular and its support for the performance management system towards increasing efficiency of a public organization with particular focuses on one of the public owned organization that is the Ethiopian Insurance Corporation (EIC).

Insurance is one of the recent service activities in Ethiopia. However, there have been traditional associations whereby people contribute either money or labor to assist each other whenever a member faces financial difficulties or needs assistance. For example, there are social voluntary associations in the time of building a house or collect harvest, which have some similarities with modern insurance system. For instance 'Edir' is another form of association whereby each member contributes a fixed sum, normally

monthly, to a common fund from which predetermined compensation is paid to members when unseen events like death of family members or relatives occur. The compensation is meant to cover expenses that a member would incur as the result of the incident. 'Ekub' is also another type of insurance association in which members contribute a fixed sum of money a week, fortnight, or a month to pool the fund. Lots are cast where-upon the winner receives the money collected and uses it for a project, or sells it to another member at a premium.

Although people have been using 'Edir' and 'Ekub' for ages in Ethiopia, insurance in its modern form can hardly be traced beyond the 1920's. Historically the first insurance business was transacted in Ethiopia by the Bank of Abyssinia which began operation in 1905 during the reign of *Minilik II* that served as an agent to a foreign company. The insurance covers given by the Bank of Abyssinia during that time were for fire and marine risks. Following the liberation of the country from the Italian occupation in 1941, during the Emperor *Hailessalssie's* regime, there were different private owned insurance companies. After the fall of the Emperor, in 1974, thirteen privately owned insurance companies were nationalized under the then socialist regime of Ethiopia by proclamation No. 261 / 1975.

The Fair Review Magazine No.85 (1992: 28) states that, 'the Ethiopian Insurance Corporation (EIC) was established with proclamation No. 68/ 1975 through taking over the assets and liabilities of those thirteen nationalized insurance companies.' According to the proclamation this insurance company was vested with the following tasks to perform:

1. To engage in all classes of insurance business
2. To ensure that insurance services reach the broad mass of the people, and
3. To promote efficient utilization of both materials and financial resources

The proclamation therefore empowers EIC to manage, administer, supervise and direct all insurance business transactions at national level; and also to negotiate, arrange,

underwrite and contract reinsurance treaties and policies with foreign re-insurers.

Based on this, EIC became a single public owned insurance company in the country to run the business expanding branch offices in all regions of the nation and manage the international re-insurers activities. Despite the lack of skilled manpower, the corporation management embarked upon the recognition process and training of the staff both at home and abroad.

In 1992, following the fall of the '*Derg*' regime, the Transitional Government of Ethiopia issued an Investment Proclamation No. 15/1992, which allows private investors to involve in insurance and banking business. As a result, currently there are nine competitive private insurance companies in the country.

As public owned organization with over thirty years of experience and 1161 staff EIC has a strong management in all its 37 branches in the country. The present researcher, therefore, selected this Corporation to study its human resource performance management system among others, for the following reasons:

- Insurance and other financial companies have lion-share in the investment activities; so that, they have to be efficiently managed
- Within the currently globalize competitive world, to assess the EIC's readiness, and
- Personal interest of the present researcher to identify the implementation of PM and the challenges in the Corporation.

## **1.2 STATEMENT OF THE PROBLEM**

Human resource performance management enables organizations to ensure efficient utilization of human resources. In this case, David (1995: 560) said 'efficiency is a measure of performance that may be expressed as a ratio between input and output.' Therefore, efficiency is the use of administrative method and resources that will achieve the greatest result for specific objectives at least the cost.

If performance management system is properly developed and implemented in the

Corporation, it helps in the sustainable improvement of organizational performance, to change in develop a more performance oriented culture, to enhance motivation and commitment of employees, develop team work and open culture to discuss work related issues and to empower individuals to provide their talents for the success. Moreover, these all helps organization to achieve major benefits. On the other hand, if the system development and implementation are misguided, then all efforts will remain futile exercise that would lead to wastage of resources.

Performance management is to manage all elements of organizational process that affect how employees perform. As to Dessler (2003: 266) performance management process encompasses goal settings, employees' selection and placement, performance appraisal, compensation, training and development. All these parts of the human resource management process affect how employees perform their tasks. Therefore, performance management is the total system of managing the attainment of organizational goals and objectives through the assignment of duties and tasks to employee, and appraising performance and institutionalizing performance based reward system. The PM concept proposes that the organization can improve the service delivery by:

- *Focusing on goals, objectives and targets*
- *Mobilizing employees' capacity and potential*
- *Ensuring high quality standards*
- *Assigning accountability for achieving objectives, and*
- *Enhancing efficiency and effectiveness.*

If there is a well-systematized human resource performance management and appraisal system developed and practiced in the organization, if the other things being equal, profitability is expected. When this is realized, employees are motivated not only in payments, but also in feelings of recognition by the management because of their participation in setting the mission, vision and objectives of strategic planning. Therefore, failure to practice the human resource performance management (HRPM) in the organization reduces the efficiency of the

employees in their performance. Therefore, the study tries to test the hypothesis: Employees performance management implementation have contributed more for employees' efficiency.

### **1.3 OBJECTIVES OF THE STUDY**

#### **1.3.1 GENERAL OBJECTIVE**

The general objective of this research is to identify whether the Human Resource Performance Management (HRPM) has been properly implemented in the Ethiopian Insurance Corporation and to make over-all observation to assess the major achievements, to identify the challenges encountered in the process of implementation; and to propose possible solutions or alternatives to overcome the challenges.

#### **1.3.2 SPECIFIC OBJECTIVES**

The specific objectives are:

1. To see whether the organizational factors i.e. strategy formulation, congenial work environment, fitness of performance management and appraisal clarity, simplicity of the system, monitoring and evaluation system are adequate
2. To assess the knowledge, attitude and commitments of management members and employees about the performance management implementation
3. To identify the challenges the organization encountered in the process of the development and implementation of the performance management system.
4. To seek for possible mechanism to overcome the challenges, and to recommend the possible solution for the betterment of future PM implementation.

### **1.4 SIGNIFICANCE OF THE STUDY**

Ethiopian Insurance Corporation (EIC) is one of the public owned enterprises that serve the public and strive to be profitable. To do so the Corporation has to be competitive. To be competitive and successful, the human resource performance management system should be materialized in this organization. In so doing the Corporation management can establish clear responsibility and accountability. Therefore, the significant of the study is for the following reasons:

1. Highlight the achievements and challenges that deserve the attention of the policy makers for future corrective actions
2. Enable the corporation management to identify the problems and the factor/s that hinder the application of the performance management system in EIC
3. Discuss important points which would help to create sense of ownership among managers and employees of the corporation, and
4. Use the output of the study as a reference for those who are interested to conduct further study on the human resource performance management.

### **1.5 SCOPE OF THE STUDY**

There are different types of performance management systems, including organizational, teams and individuals. The scope of this thesis deals with the employees' performance management and appraisal practices in Ethiopian Insurance Corporation (EIC). It has pointed out that the importance of employee performance integration to overall organizational goals; and the individual plan must also be cascade from the strategic plan of the organization. As Walter (1995) cited in Ethiopian Management Institute (EMI) (2004: 74) indicated performance management is about directing and supporting employees to work as effective and efficiently as much as possible in line with the needs of the organization. This shows employees performance is critical for the attainment of organizational goals and objectives; it is important to deal with peculiar nature of managing employees' performance. Hence, the study focuses on identifying the achievements and the challenges encountered in the implementation process of the employees performance management system in this public owned corporation.

### **1.6 METHODOLOGY OF THE STUDY**

The methodology of this thesis is based on the expected responses from the respondents for the designed questionnaires and documents related to the issue. The study employs the case study method to identify the implementation of employees' performance management and its contribution to efficiency, the challenges and problems of EIC. Therefore, the researcher raises the following

questions:

- What is the attitude of staff towards the existing performance management system?
- Are the Corporation factors adequate to implement the employees' performance management system?
- Is the acquired knowledge about performance management, attitudes and commitment of management and employees involved in the process?
- What challenges have the Corporation encountered in the process of development and implementation of the human resource performance management system?
- What has to be done to overcome the challenges in the future?
- What should be done in the future for a better implementation of the system?

The study is based on both primary and secondary sources of data. The primary data was collected using purposive structured questionnaires. To do so, there are some twenty percent (20 %) selected samples of the major role players in Ethiopian Insurance Corporation. Thus, two similar types of questionnaires, except few differences, were developed for the managers and for the employees to assess their attitudes on implementation of performance management and its effect on employees' efficiency in the organization. The secondary data sources include review of official documents, reports of task achievements, review of related literature and publications on performance management and related issues in the organization.

### **1.6.1 SAMPLING TECHNIQUES**

The Ethiopian Insurance Corporation (EIC) has a head office and six main branches in Addis Ababa. Under the supervision of these six main branches, there are thirty-seven branches all over Ethiopia, (Medin October 2007:No.23). It is therefore difficult to study the implementation of employees' performance management in all EIC offices of totally 1161 staff members out of which 151 are management members and the remaining 1010 are employees. Therefore, the study selects twenty percent (20%) samples form the total population of 1161 staff, that is, thirty management and two hundred and two employees, totally two hundred and thirty-two sample respondents. Based on a cooperation letter

which written from Public Administration and Development Management of Addis Ababa University to the Ethiopian Insurance Corporation, the copies of the questionnaires were distributed to the respondents with a cooperation letter that was written to each selected Divisions and Branches from HRM and Property Administration Division of EIC (see the Appendix VI and VII)

Table 1.1 Selected Respondents of Management and Employees of EIC

	<b>Departments</b>	<b>Managers</b>	<b>Employees</b>	<b>Total</b>	<b>Total (%)</b>
1	Managing Director Office	1	3	4	2
2	Operation Division	4	25	29	12
3	Audit Division	4	25	29	12
4	Marketing Division	4	25	29	12
5	Finance & Investment Division	4	25	29	12
6	HRM & Property Administration Division	4	25	29	12
7	Life Main Branch	2	15	17	7
8	North-West Main Branch	2	15	17	7
9	Eastern Main-Branch	2	14	16	6
10	Bahirdar Branch	1	10	11	6
11	Nazareth Branch	1	10	11	6
12	Dire Dawa Branch	1	10	11	6
	<b>Total</b>	<b>30</b>	<b>202</b>	<b>232</b>	<b>100</b>

The selection was based on different purposes, which include:

- In the head office divisions were selected with their involvement in the main function of the Corporation.
- Branches were selected with knowing the area by the present researcher to facilitate the data collecting process, and
- Employees were selected based on their job grades and occupational tasks, and
- Managers are selected randomly.

### 1.6.2 DATA ANALYSIS TECHNIQUES

The necessary data were gathered by using questionnaires and documents analysis. After information was gathered through the employed methods, the classification and analysis was done through both qualitative and quantitative data analysis techniques. The data was presented and analyzed by using different mathematical tools such as tables and

percentages. The various characteristics of the sample population such as age, educational background, gender, working experience etc have been studied. The responses given by the respondents in questionnaires were treated with Likert scale options of strongly agree, mildly agree, no opinion, mildly disagree and strongly disagree of employees and managers were analyzed through percentages. In addition, there were also some open ended and close-ended questions in the research questionnaires.

### **1.7 PILOT STUDY**

Before the instruments for the data collection were distributed to the respondents, a pilot study was conducted to test clarity and suitability of it. For this purpose one division and one main branch office of EIC were selected. Then a total of two managers and ten employees were selected for the pilot study. From this test, the researcher understood that some questions have to be revised for clarity. Therefore, the remedial action such as translating the questionnaire into Amharic language for the custodial (non-literate) task employees is done. The prepared questionnaires in English and Amharic are annexed at the end of this paper (see the Appendices II, III, and IV).

### **1.8 LIMITATIONS OF THE STUDY**

Any research requires adequate time, finance and materials to successfully undertaken the study. If the whole population (EIC staffs) was studied, the outcomes of this paper could have been more reliable than the sample study but due to time and financial constraints the researcher used the sample study. There were also inadequate reading materials that were recently published about performance management. Moreover, since the study is based on data obtained from the selected EIC head office and branch offices, the finding of the study would not sufficiently clarify problems perceived by all employees and managers in the corporation.

### **1.9 ORGANIZATION OF THE THESIS**

This research paper is organized as follows:

- *The first chapter* is the introduction part, which contains the background of the paper, statement of the problem, objectives, significance, scope, methodology of the study, sampling techniques, method of data analysis, pilot study, limitations of the study and organization of the thesis
- *The second chapter* is deals with the theoretical review of literature on the Human Resource Performance Management (HRPM) concept and its process, application and problems in general and the recent approaches of performance appraisal in particular
- *The third chapter* contains data presentation, analysis and findings of the application of human resource performance management in EIC.
- *The fourth chapter* presents summary, conclusions and recommendations based on the data analysis and findings, and
- *At the end* there is a Bibliography and some Appendices.

## **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.1 GENERAL INTRODUCTION**

Managing is getting things done through the people effectively and efficiently. Efficiency refers to the quality of doing something well with little or no waste of time, money and energy. According to Oakland (2004:105), effectiveness is the percentage actual output over the expected output, whereas efficiency is concerned with the percentage of resources actually used over the resources that were planned to use. Hence, efficiency is the best use of resources, especially as a tool of measuring performance. It can be explained as the ratio outputs of the activity and the inputs or resources.

Performance Management (PM) is a focal point for integrated Human Resource Management (HRM). Human resource is the people an organization employs to carry out various jobs, tasks, and functions in exchange for wages, salaries and other rewards (Dennise and Griffin 2004: 5). Thus all organizations strive to achieve their goals by combining their financial power, materials and machinery with people. Managers recognize that no set of resources is more vital to an organization's successes than human resources. To substantiate this idea, a Quarterly Bulletin of the Ministry of Capacity Building of FDRE issued in Vol.1 No.2 the 2004: states that human resource creates and develops other resources, such as finance, information, technology, to be the result of human resource activities. In addition, the sustainability of these resources depends on human resource (HR). Hence top management has to understand that if properly managed human resource can be an important source of competitive advantage in an increasingly competitive world.

There are various functions of HRM that include human resource planning, recruitment, selection, induction/orientation, performance management /appraisal, training and development, promotion, transfer, disciplinary action... and separation of employment contract. Performance management functions as one of the HRM functions is involves, among other functions, starting from human resource planning to hire the right people and then equipping them with the right skills and abilities to enhance their efficiency and to achieve the expected organizational objectives. Therefore, to assess the effect of

performance management on the efficiency of employees in organizations, this chapter deals with the review of related literature.

## **2.2 ORIGIN, DEFINITIONS AND ESSENCE OF PERFORMANCE MANAGEMENT**

### **2.2.1 ORIGIN OF PERFORMANCE MANAGEMENT**

According to Armstrong and Baron (2002: 29) no one knew precisely when formal methods of reviewing performance were first introduced. Contrary to this, Koontz (1971 quoted in Armstrong and Baron 2002) traces PM's origin to the emperors of the Wei Dynasty (AD 221-265) in China. As to Koontz, the emperors had an 'Imperial Rater' whose task was to evaluate the performance of the official family. Centuries later, Ignatius Loyola (1491 -1556) established a system for formal rating of the members of the Society of Jesus (the Jesuits). On the other hand, Memoria (1980 discussed in Tesfu 2007: 11) states that the technique of PM is said to have been used during the First World War for the first time when Walter Dill Scott of the US Army adopted the 'man-to-man' rating system for evaluating military personnel. Moreover, as cited in Tesfu (2007:11), during the 1920-30s, the policy of giving grade wage increments in the name of 'merit-rating program', based on merit was an accepted practice up to mid-fifties.

Managing people and performance has always been a challenge for organizations and managers. Inevitably Rudeman (2007: 2) said the first performance appraisal was made soon after the first employer hired the first employee and evaluated the outcomes. Moreover, Armstrong and Baron (2002: 43) pointed out that formal administrative system that would perform well against efficiency criteria, however, evolved from the work of F.W. Taylor and his followers. In the early fifties attention began to be devoted to appraise performance of technical, professional and managerial personnel. Since then, because of experiments and a great deal of study, the philosophy of performance appraisal has undergone tremendous changes. Regarding the purpose and process, the history of performance management goes from trait oriented to development oriented. In this regard, one can also easily summarize the performance management historical path

as:

- Trait-Based Performance Appraisal System
- Behavioral-Based Performance Appraisal System
- Result-Oriented Performance Appraisal System, and
- Performance Management

Performance management philosophy emphasizes the agreement of objectives and development needs and the importance of self-assessment and self-development. It is positive and forward looking and it regards development as a joint responsibility of the individuals and the manager. In the early days performance appraisal was understood as performance management, Neo et al (2000: 276) assert that it is only one aspect of performance management. Performance management is broader than appraisal and takes it as a component. Throughout this historical process and by 1990, performance management had entered the vocabulary of Human Resource Management in the UK as well as in the USA (Thegaye Deda 2007: 89).

### **2.2.2 DEFINITIONS OF PERFORMANCE MANAGEMENT**

Performance is the actual contribution of an individual or a team to the organization's strategic goals. Chadha (2004: 23) believes that performance as a behavior could be distinguished from its outcomes can be facilitated or hindered by systematic factors. This concept shows that performance is more comprehensive by encompassing both behavior and results. Compbell (1990 as cited in Ligen 1994: 23) also describes performance as a set of behaviors that are relevant for the goals of an organization. Effectiveness and efficiency, conversely, are the results that stem from these behaviors. In line with this Armstrong and Baron (2002:16) elaborate performance as both behavior and results. Behavior emanates from performer and transforms performance from abstraction to an action. In light of this, the meaning of performance leads to the conclusion that when one is managing the performance of teams and individuals, both inputs (behavior) and outputs (results) should be considered. Performance is about how things are done as well as what is done. That indicates what is done is performance and how to done it is management. Based on this basic idea of performance, some of the definitions of performance

management are:

Fletcher (1993, quoted in Armstrong and Baron 2003: 8) says:

*The real concept of performance management is associated with an approach to creating a shared vision of the purpose and aims of the organization, helping each employee understand and recognize their part in contribution to them, and in so doing, manage and enhance the performance of both individuals and the organization.*

This definition emphasizes that the enhancement of organization and individual performance will be realized if there is a common understanding between the organization and employees regarding what is expected of them.

Lansbury on his part (1998 as cited in Rudman 2007: 9) states that:

*Performance management is the process of identifying, evaluating and developing the work performance of employees in the organization, so that organizational goals and objectives are more effectively and efficiently achieved, while at the same time benefiting employees in terms of recognition, receiving feedback, catering for work needs and offering career guidance.*

In addition to these, the webpage of [http:// www.worldatwork.org](http://www.worldatwork.org) defines PM as:

*Performance management is one of the key processes that, when effectively carried out, helps employees know that their contributions are recognized and acknowledged. It is an ongoing process of communication between a superior and an employee that occurs throughout the year in support of accomplishment of the strategic objective of the organization.*

These definitions indicate that performance management (PM) is the day to day formal and informal communication process between superior and subordinate that includes clarifying expectation, setting objectives, identifying goals, providing feedback and evaluating results. Despite the differences in the definitions of performance management, all of them focus on the following points:

- It is a systematic approach to the performance improvement
- It is strategic and integrated approach with goals and objectives
- It involves the organization, team and individual with aligned objectives
- It focuses on results- effectiveness and efficiency treated together
- It needs the involvement of the management and employees

- It is a means to reward good performance.

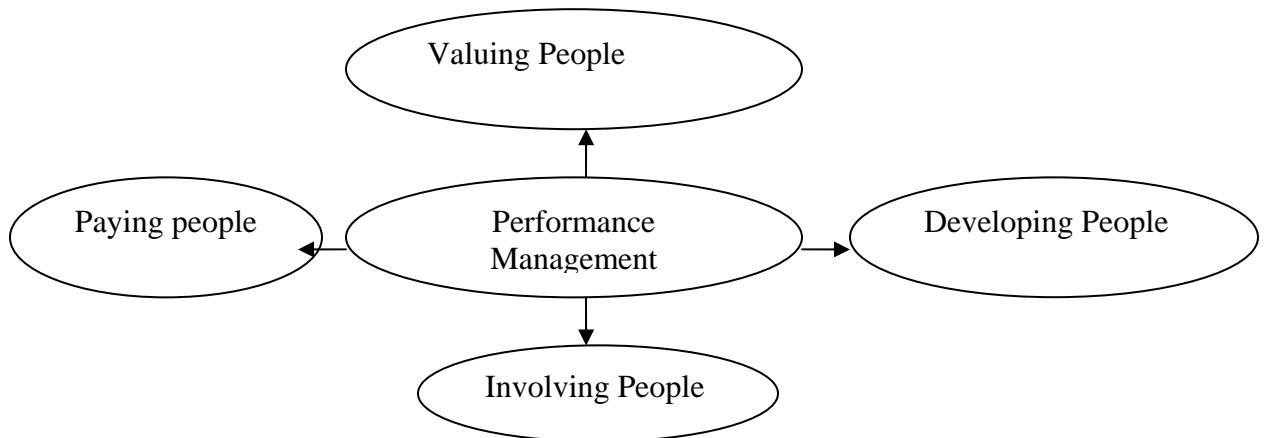
### 2.2.3 ESSENCE OF PERFORMANCE MANAGEMENT

Locket (1992 as cited in Armstrong and Baron 2003: 50) states that:

*The essence of performance management is the development of individuals with competence and commitment working towards the achievement of shared meaningful objectives with in an organization that supports and encourage their achievement.*

This elaborates that to get results from employees creating awareness through training and ability development is an important aspect of PM. Performance management is not a top down, backward looking form of appraising people. Neither is it just a method of generating information for pay decision. PM is forward looking and developmental. The webpage ([http:// www.theikos.com](http://www.theikos.com)) further indicates that performance management as it provides a framework in which managers can support their team members rather than dictate to them, and its impact on results will be much more significant.

Figure 2.2: Performance Management as a Focal Point for Integrated Human Resource Activities



Source: M. Armstrong (2000) *Performance Management: Key strategies and Practical Guidance*, ([www.theikos.com](http://www.theikos.com))

Therefore, performance management as shown in Figure 2.2 is an integrated activity of people: developing, involving, valuing and paying their rewards to motivate for future improvements and enhance efficiency. This is stipulated in the following points.

- It encourages self-management of individual performance
- It requires a management style that is open and honest and encourages two-way

communication between superiors and subordinates

- It requires continuous feedback
- Feedback loops enable the experiences and knowledge gained on the job by individuals to modify corporate objectives
- It measures and assesses all performance against jointly agreed goals.
- It should apply to all staff
- It is not primarily concerned with linking performance to financial reward

### **2.2.3.1 OBJECTIVES OF PERFORMANCE MANAGEMENT**

The objectives of PM could vary according to the types and activities of the organizations. However, Armstrong and Baron (2002: 27) argue that it is possible to categorize them into two main groups as basic objective and detailed objectives these are:

I) *Basic objective:*

- Helps to achieve sustainable development in the organization performance, and

II) *Detailed objectives are:*

- Acts as a lever for change on developing a more performance-oriented culture
- Increases motivation and commitment of employees
- Enables individuals to enrich their abilities, increase their job satisfaction and achieve their full potential to their own benefit and that of the organization as a whole
- Enhances the development of the team cohesion and performance
- Develops constructive and open relationship between individuals and their managers in a process of continuing dialogue that is linked to the work actually being done throughout the year
- Provides opportunities for individuals to express their aspirations and expectations about their work.

To achieve these objectives in the organization the contribution of all stakeholders especially an organization's management team and employees are important. Chadha (2000: 48) indicates that performance management is part of an organization's people-related function which is performed by those directly managing the people. Each

manager carries out PM of his/her subordinates with the help and support of the human resource (HR) specialist.

### **2.2.3.2 IMPORTANT ASPECTS AND BENEFITS OF PERFORMANCE MANAGEMENT**

#### **A) IMPORTANT ASPECTS OF PERFORMANCE MANAGEMENT**

Performance Management supports a company's or organizations' overall business goals by linking the work of each individual employee or manager to the overall mission of the work unit, (Castello 1994: 1). The individual employee's goals and objectives are linked to the overall organizational goals and objectives. The performance management process starts with the identification of clear goals. These goals are the bases for evaluation and coaching. PM makes clear what is expected, it also links the individuals and the organizational objectives, and more over it focuses on improvement.

PM helps an organization by linking the individual employee or the managers' work to achieve the overall organization mission. Due to this all employees in an organization contribute to the success of an organization. The management of employees in a given department not only affects the performance of the specific department but also the performance of an entire organization. PM makes clear for employees what is expected of them and provides the necessary support for the better achievement. As further elaborated by Armstrong and Baron (2002: 233) the importance of performance management is:

- to make an agreement between the manager and the individual employee on the expectation in relation to planned goals, standards and competence requirement
- to manage performance in a day-to-day delivery of results and to manage performance improvements
- to create a shared understanding about what high level of performance and competence are, and what they should do to accomplish that expectation
- to create a focused action i.e. how managers and team leaders work effectively with those around them, how individuals can be developed to improve their knowledge (skill and expertise), and how individual work with their superior and their teams

- to make the best use of employees abilities, to realize their potential and maximize their contribution to the success of the organization, and
- to own the system by line managers rather than personnel departments.

The Performance Based Management Special Interest Group (PBM-SIG 2001: 2) further refers to the following important issues which could be considered as the bases for the establishment, implementation and maintenance of PM system in a given organization.

These include:

- *Strong leadership*
- *Commitment- especially those who are involved in leadership*
- *Involvement of all concerned stakeholders*
- *Communication of all direction*
- *Feedback to monitor and revise the process*
- *Providing all necessary resource*
- *Customer identification that meeting their needs*
- *Learning and growth to keep fit the changing nature of the environment*
- *Scanning both the internal and external environment, and*
- *Organizational capacity.*

The HRM department also has a crucial role in establishing and maintaining the PM system in the organization. To carry out this system in an organization, the HR manager is expected to perform the following tasks:

- a) Buying the commitment of the chief executive to utilize PM as a key strategy in achieving business objectives*
- b) Defining the PM processes applicable to the particular values, culture and strategic vision of the organization*
- c) Providing training to the managers to improve their knowledge, skill and attitudes required to implement the processes in a professional manner*
- d) Communicating to all employees the mutual benefits and genuinely held company commitment to the process, and*
- e) Monitoring and evaluating its implementation, particularly in the early years,*

*to keep the process 'on track (Chadha 2005: 64).*

### ***B) BENEFITS OF PERFORMANCE MANAGEMENT***

Effectively realized up-to standard performance management practice benefits everybody involved—all stakeholders: the individual employees, the group within the organization, the entire organization and its owners and managers, and the public/society at large. Tsegay (2007: 13) highlights among others the following important benefits:

#### ***1 FOR INDIVIDUAL EMPLOYEES: -***

- Clarity of roles and objectives
- Encouragement and support to perform well
- Guidance and help in developing abilities and performance, and
- Opportunity to spend quality time with managers.

#### ***2 FOR MANAGERS: -***

- Providing basis for clarifying performance and behavioral expectations
- Improving team and individual performance
- Providing basis for helping under performers, and
- Supporting leadership, motivating and team building process.

#### ***3 FOR ORGANIZATIONS: -***

- Aligning corporate, teams and individual objectives
- Providing for continuous improvement and development
- Supporting total quality and customer service initiatives
- Improving training and development process
- Helping to retain skilled employees, and
- Supporting culture change programs.

#### ***4 FOR THE CUSTOMERS: -***

- Providing quality of product and service
- Consideration of their interests, and
- Involvement and input.

#### ***5 FOR THE PUBLIC IN GENERAL: -***

- Efficient utilization of public resources

- Economic and social advancement, and
- Better moral values and qualities.

### ***C) PERFORMANCE IMPROVEMENT FOR EFFICIENCY***

Performance means about doing a meaningful job in effective and efficient way. According to Hale (2004: 2) improving the performance of employees is the responsibility of management to provide people with the direction, information, tools, materials, equipments and appropriate rewards required for their efforts to produce the desired result. Hale (2004) further explains the following main points which management has to provide to improve employees performance:

- Has to give clear direction, i.e. set goals, objectives and focus towards expected achievement
- Needs to set expected standards for each unit, team and employee
- Needs to clarify to employees that their performance is partially based on their behavior and partially on their accomplishment
- Need to provide timely and relevant training and development, which helps employees how to do their job in the best way possible
- Needs to provide the necessary facilities, equipments, tools and the like; and work space layout which designed to support the requirement of the job; and work rules, job aids samples, etc which help for employees efficiency
- Needs to provide performance measurement results, based on the expected standards, feedback has to be given timely, and
- Needs to rewards given to better performance

### **2.2.4 PERFORMANCE MANAGEMENT AND APPRAISAL**

As mentioned above, performance management is the general set of activities carried out by organization to change (improve) employees' performance. Costello (1994: 3) states that PM supports an organization's overall business goals by looking at the work of each individual employee or manager to the overall mission of the work unit. Generally this is accomplished by establishing individual's goals and objectives that are tied directly to the organization's purpose or direction. Appraisal refers to regularly recording an assessment

of an employee's performance, potential and development needs; and performance appraisal (PA) is the process by which managers or supervisors assess the performance of employees. Although PM typically relies heavily on performance appraisal, PM is a broader and more encompassing process and is the ultimate goal of performance appraisal activities. One of the key aspects of a performance management system is an assessment of the work performance of employees in relation to their individual or group performance targets. One of the most common methods of assessing the performance level of employees is using a system of performance appraisal.

Chadha (2005: 4) emphasizes that many people believe that traditional appraisal systems have created more problems it has solved; and question their very need in organizations. From experience, the researcher understands that appraisal is not a play-safe device. If it is not handled properly, appraisal can do a lot of damage to an organization in the area of employees' morale, climate of trust and consequences of employees' relations.

The process of traditional PA as presented by Chadha (2005: 4), practice is fundamentally flawed for the following reasons:

- It is incongruent with the value based, vision driven, mission oriented, participative work environments favored by forward thinking organization today
- It smacks of an old fashioned, paternalistic, top-down, autocratic mode of management which treats employees as possession of the organization
- Usually appraisal reflects to what the manager can readily recall usually the most recent events
- Many organizations demand the supervisor to make judgments based on concepts and words such as 'excellent performance,' 'exhibits enthusiasm,' and 'achievement oriented'
- The staff member whose performance is under review often becomes defensive, and
- Disagreement about contribution and performance ratings can create a conflict-ridden situation that festers for months.

To reflect more on what Armstrong and Baron (2002: 85) most of the adverse criticisms have been directed at performance appraisal particularly when PA is carried out in isolation from other tools of performance management. In addition the criticisms given against PA are:

- Usually subjective, impressionistic and arbitrary
- Rating by different managers is not comparable
- Delays in feedback, and
- Manager's feelings of a sense of inadequacy about appraising

Therefore, performance management as a new approach to enhance performance of employees in an organization is not only to measure their results periodically but also to shape their behaviors through training, development and informal day to day coaching.

## **2.3 PURPOSES, PRINCIPLES AND PROCESSES OF PERFORMANCE MANAGEMENT**

### **2.3.1 PURPOSES OF PERFORMANCE MANAGEMENT**

The main purpose of introducing and operating a performance management system is to improve individual and organizational performance in line with organizational goals, as Stephen Williams argues (1991 cited in Hume 2000: 40) when operated successfully, performance management will give the means for evaluating and improving both individual and company performance against predefined business strategies and objectives. Therefore the purposes of an effective PM system that helps:

- To link employee activities with the organization's strategic goals
- To furnish valid and useful information for making administrative decision, and
- To provide employees with useful developmental feedback.

In addition to this Joy-Matthews et al (2004: 60) say, performance management lies at the juncture of strategy and actual activity; it involves formulations and implementing policy, setting goals and targets, and recognizing performance, developing processes for continuous improvement and establishing links between individuals and organizations. In general, the purposes of performance management could be categorized in three kinds:

Strategic, Administrative, and Developmental.

## **2.3.2 PRINCIPLES AND FEATURES OF PERFORMANCE MANAGEMENT**

### ***A) PRINCIPLES OF PERFORMANCE MANAGEMENT***

- Through time and case study, researchers and management professionals have developed certain guiding principles for PM. The real concept of performance management is associated with an approach to creating a shared vision of the purpose and aims of the organization, helping individual employees understand and recognize their part in contributing to them, and in so doing manage and enhance the performance of both the individuals and the organization. Armstrong and Baron (2000: 80) summarize the principles of performance management as follows:
- It translates corporate goals into individual, team departmental and divisional goals
- It helps to clarify corporate goals, and it creates a shared understanding of what is required to improve performance and how this will be achieved
- It is a continuous and evolutionary process in which performance improves overtime
- It relies on consensus and cooperation rather than control or coercion.

### ***B) MAIN FEATURES OF PERFORMANCE MANAGEMENT***

There are various features of PM, among others Tsegaye (2007: 8) lists out the following:

- 1 **STRATEGIC:** is PM concerned with broader issues facing the business in order to function efficiently in its environment. Its process, as such, starts by formulating an up-to-standard organizational level strategy, from which group and individual roles and objectives are derived later.
- 2 **INTEGRATED:** - PM links various aspects of the business, employee's management, and teams and individuals in goals, functional and HRM process

integration.

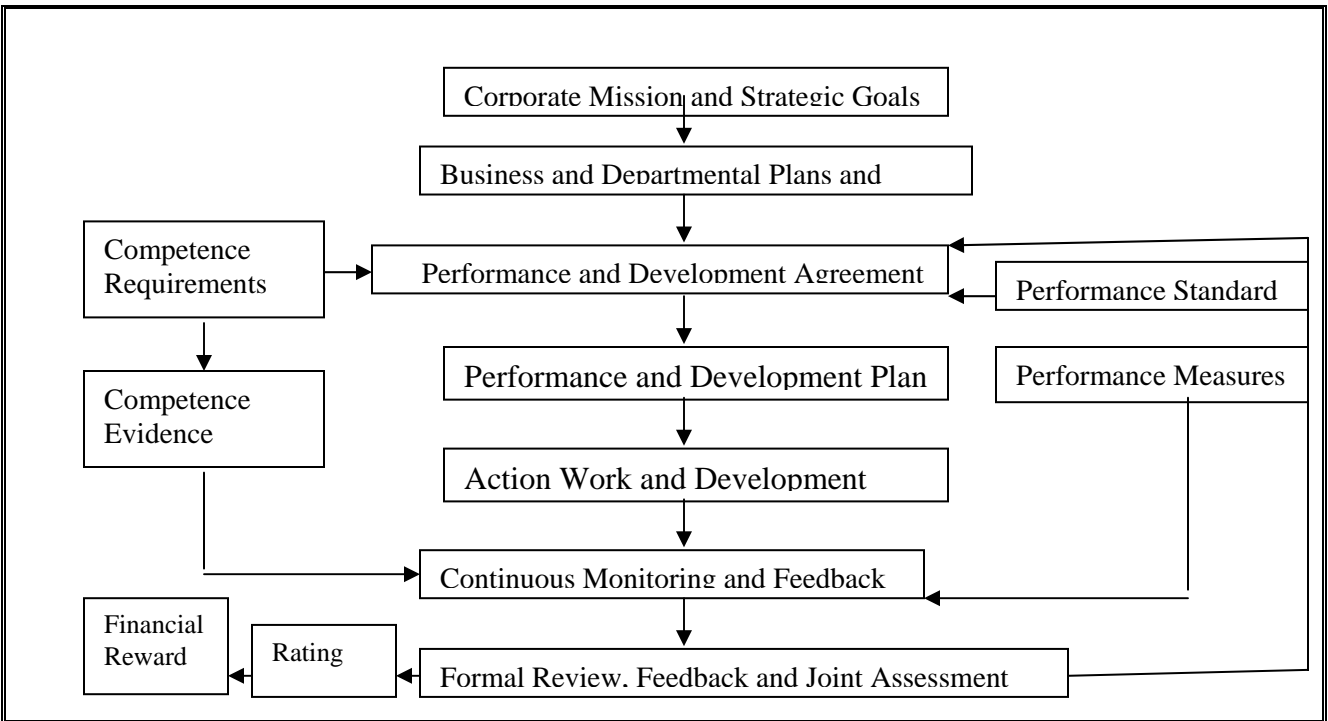
- 3 *HOLISTIC*: - It takes every aspect relevant for enhanced result into perspective. Good PM process link business planning, resource allocation, work objective, learning and development, achievement, and evaluation.
- 4 *RESULT AS WELL AS BEHAVIOR ORIENTATION*: - PM requires not only measuring results but also analyses the behaviors that contribute to those results. Focus is on the assessment of behavior that requires achieving agreed results not the assessment of personality.
- 5 *CONTINUOUS PROCESS*: - It is not a one time, rather a continuous cycle of planning, monitoring, measuring, developing, rating, and reviewing that involve continuous growth.
- 6 *FOCUS ON DEVELOPMENT*: - It is concerned with creating a result and practice in which an organizational and individual learning and development are continuous process, as providing means for the integration of learning and work so that every one learns from success and challenges of day-to-day activities.
- 7 *INVOLVEMENT, COMMUNICATION AND CONSENSUS*: - PM develops a clear and shared understanding of work expectation, agreement on support and resource as well as setting the basis for the evaluation of performance.

### **2.3.3 THE SEQUENTIAL PROCESS OF PERFORMANCE MANAGEMENT**

Different authors propose different processes, frameworks or models for performance management. There is no as such one right way of doing performance management. It must be tailored to the circumstances, needs of the organization and it must be operated flexibly in accordance with the need of individuals affected by it. (Armstrong and Baron 2002: 56). This means the process of PM is related to the types and activities of organizations. PM is a continuous process which involves managers and those whom they are managing as partners within a framework, which sets out how they can best work together to achieve the required result. Therefore, it is possible to set out a typical sequence of process that in one form or another is found in most PM arrangements.

The sequence process carried out in this cycle and likely outcomes, suggested by Armstrong and Baron (2000: 58) is presented in Figure.

Figure 2.3: The Performance Management Sequence

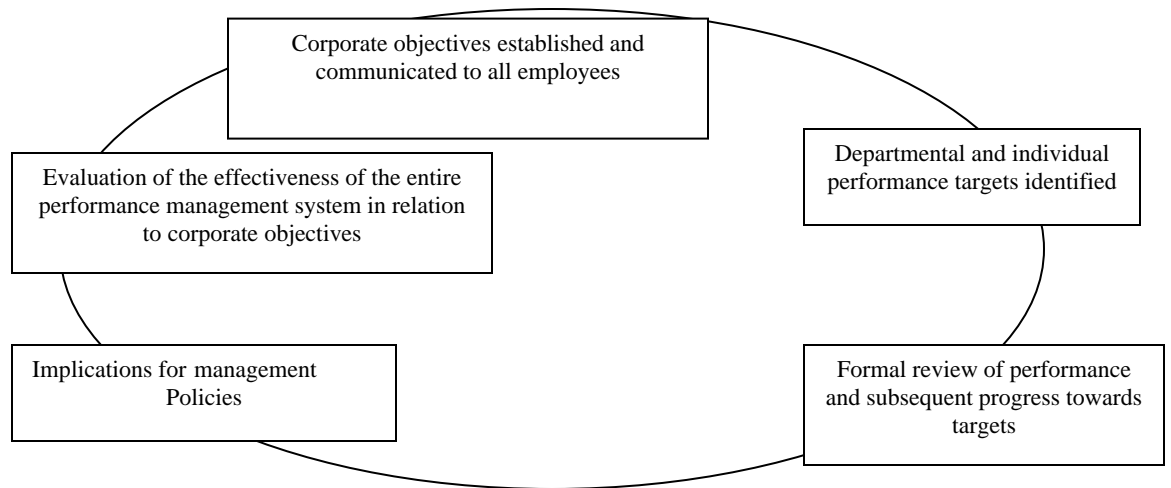


Source: Armstrong and Baron, 2002 Performance Management, New Realities)

On the other hand Hume (2000:38) asserts that in order to be effective, performance management systems must be part of the philosophy, culture and values of the organization and should focus the attention of both employer and employee on one mission improved individual and organizational performance. Whilst a performance management system should encompass all initiatives aimed at improving performance to meet organizational objectives, the focus should be on a holistic, systematic, continual and cyclical process involving the identification of corporate and individual goals and the subsequent review and evaluation of how far these targets have been achieved.

Hume (2000:39) also proposes the Performance management can be incorporated in the process of a cycle as illustrated in Figure 2.4. The emphasis should be on a continuous, systematic and cyclical process which encompasses a '365 days a year' approach to monitoring and developing employee performance which is located in the context of organizational objectives and group and individual targets.

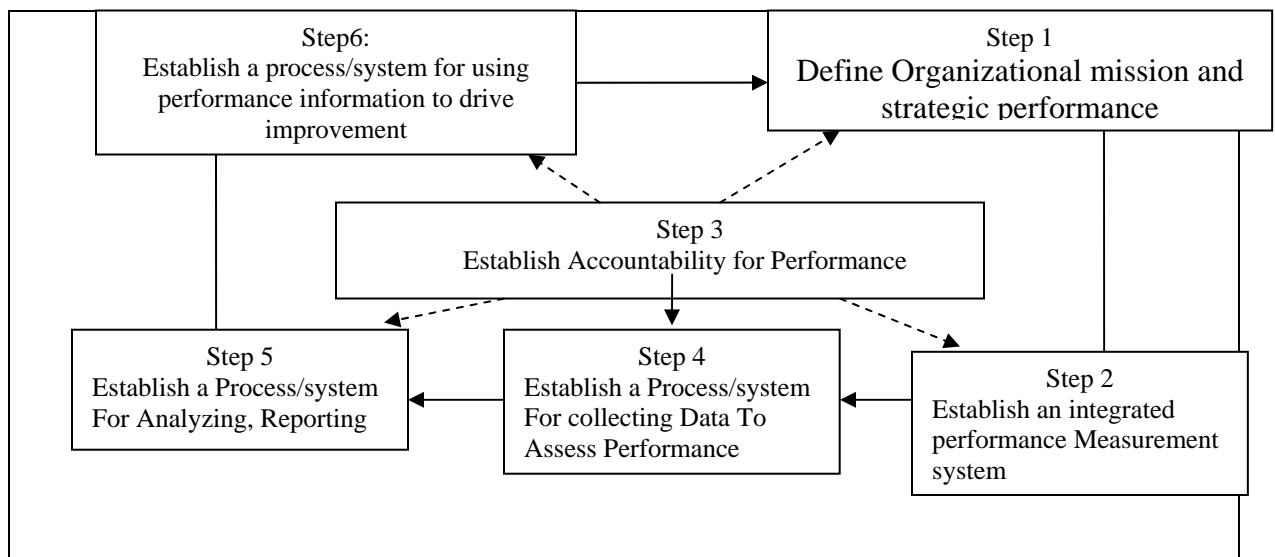
Figure 2.4: Performance Management Cycle.



Source: David A. Hume (2000:38), Improving Employees Performance and Pay.

In addition to this, the Performance Based Management Special Interest Group (PBM-SIG 2001: 5) suggests a six-step framework as indicated the next Figure 2.5:

Figure 2.5 Six Steps Framework of Performance Management Process



Source: PBM-SIG (2001: 5) *The Performance –Based Management Handbook*.

Therefore, even if there are slight variations between the different proposal of performance management process and frameworks presented, there are common aspects, which are mandatory to the success of the system. That is a well-developed PM system

must include strategic plan, operational plan, performance measurement, accountability, performance data management, and applying performance information for improvement.

## **2.4 MONITORING AND REVIEW OF PERFORMANCE**

Performance monitoring is an on going process of follow-up, measurement, feedback and review of performance progress and rewards. Monitoring and review refers to consistently formally and informally measuring performance and providing an on going feedback to employees and work groups on their progress towards achieving their goals.

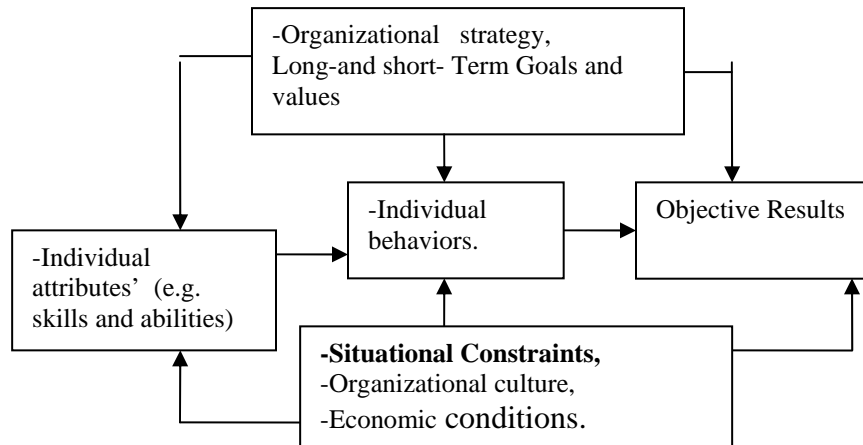
### **2.4.1 PERFORMANCE MEASURING CRITERIA**

For many years, organizations focused on performance appraisal as a measurement technique, to evaluate the reliability and validity of individual employee's performance. This perspective, however tended to ignore some very important influence on the PM process of organizational performance management. Armstrong and Baron (2002: 237) mentioned that the basic concept of performance measurement involves planning and meeting goals, detecting deviations from planned levels of performance and resorting performance to the planned levels or achieving new levels of performance. In addition, Neo et al (2000:280) assert that to measure performance of employees, factors like organizational strategy, situational constraints, individual's behaviors and attributes have to be considered. This is illustrated in the next figure 2.6. Then at the end of the evaluation period, individuals and groups are evaluated based on how closely their actual performance met the performance plan. In order to measure the result of employees in an organization standard need to be developed. For this, although people have different criteria's to evaluate PM systems Neo et al (2000:277) suggests the following:

- *STRATEGIC CONGRUENCE*: - is the extent to which the PM system elicits job performance that is congruent with the organization strategy, goals, and culture. It emphasizes the need for the PM system to provide guidance so that employees can contribute to the organization success.
- *VALIDITY*: -is the extent to which the performance measurement assesses and only the relevant aspects of performance.

- **RELIABILITY:** - refers to the performance measure has inter-rater reliability, i.e. the consistency among the individuals who evaluate the employees' performance. In addition, the measure should be reliable over time (test-retest reliability).

Figure 2.6 Model of Performance management in Organization



Source: Neo et al (2005:277) Human Resource Management Gaining a Comparative Advantage

- **ACCEPTABILITY:** - refers to whether the people who use the performance measurement accept it or not.
- **SPECIFICITY:** - is the extent to which the performance measurement gives specific guidance to employees about what is expected of them and how they can meet this specification.

#### 2.4.2 APPROACHES OF PERFORMANCE MEASUREMENT

Employee performance measurement is a continuous process of determining, monitoring and reporting of plan accomplishments particularly work plans towards pre-established goals. According to Armstrong (1996), quoted in EMI (2004) the following guidelines are important in defining performance measures:

- Measures should relate to results not efforts
- The results must be within the job holders' control
- Measures should be objective and observable
- Data must be available for measurement

- Existing measures should be used or adapted whenever possible.

In addition to manage performance by focusing on employees' attributes, behaviors or results, we can also measure performance in a relative way of making overall comparisons among individuals. As PBM-SIG (2001) puts, performance measurement gives life to the organizations vision, mission and strategy.

Different authors suggest various types of performance measurement approaches. Thus, according to Neo et al (2000: 278) performance measurement approaches are the comparative, the attributes, the behavioral, and the result approaches; and EMI (2004: 76) suggest that different methods have been applied to evaluate employees' performance, this method can be grouped into three main categories i.e. traditional, modern and recent system of PM which are discussed below:

## **I. TRADITIONAL METHODS OF PERFORMANCE APPRAISAL**

The focus of the traditional performance appraisal is on personal traits like cooperation, job behaviors, knowledge, etc. rather than employees contribution towards organizational goals and objectives. Those approaches under this are:

***1- COMPARATIVE PERFORMANCE MEASURING APPROACH:*** It consists of techniques that require the rater to compare an individual performance with others.

At least there are three techniques:

***1.1 RANKING METHOD:*** This is applied when managers rank their employees in their department from the highest to lowest performer, deciding who is the best and the weakest employee.

***1.2. FORCED DISTRIBUTION METHOD:*** it is similar to ranking method. The difference is that the manager puts certain percentage to employees into predetermined categories level of performance as indicated in Table 2.2.

Table 2.2: Targeted Distribution of Performance

PERFORMANCE RATING FOR EMPLOYEES	RATING TYPE	PERFORMANCE RATING FOR DIVISIONS				
		EX EXCEPTIONAL	WD WITH DISTINCTION	HS HIGH STANDARD	RI ROOM FOR IMPROVEMENT	NA NOT ACCEPTABLE
<b>TF</b> Top 5%	Relative	8%	6%	5%	2%	1%
<b>TQ</b> Top quintile	Relative	20%	17%	15%	12%	10%
<b>OU</b> Outstanding	Absolute					
<b>VG</b> Very good	Absolute	71%	75%	75%	78%	79%
<b>GD</b> Good	Absolute					
<b>LF</b> Lower 5%	Relative					
<b>NA</b> Not accept	Absolute	1%	2%	5%	8%	10%
<b>PR</b> Progressing		Not Applicable				

Source: Neo et al (2000:284, Human Resource Management, Gaining a Comparative Advantage)

**1.3 PAIRED COMPARISSI METHOD:** This method requires managers to compare every employee with every other employee in the work group. Once all the pairs have been compared, then the manager computes the number of times each employee received the favorable decision, i.e. counts up the point, and this becomes the employees' performance score.

This method tends to be time consuming for the rater, i.e. using the formula  $[n(n-1)/2]$  if a supervisor has 15 subordinates, s/he must make 105 comparisons. Where: 'n' - number of people rated.

**2- THE ATTRIBUTE PERFORMANCE MEASUREMENT APPROACH:** It focuses on the extent to which individuals have certain attributes characteristics or believes to be desirable for the company's success. The techniques used in this approach tend to define a set of traits, i.e. initiatives, leadership, and competitiveness. Under attributes performance measuring approach, there are the following rating methods:

**2.1) GRAPHIC RATING SCALES:**

This is the most common form used to measure the attributes of employees. Graphic rating scales according to .Dash (2006:99) consist of a list of general characteristics and personality traits, such as quantity and quality of work initiative, cooperation and judgments. Hence, the manager measures the performance of one employee at a time circling the numbers that signify how much of that attributes the individual has

that shows in the next Figure 2.3.

**Table 2.3 Example of Graphic Rating Scale**

The following areas of performance are significant to most positions. Indicate your assessment of performance on each dimension by circling the appropriate rating					
PERFORMANCE DIMENSION	RATING				
	DISTINGUISHED	EXCELLENT	COMMENDABLE	ADEQUATE	POOR
Knowledge	5	4	3	2	1
Communication	5	4	3	2	1
Judgment	5	4	3	2	1
Managerial skill	5	4	3	2	1
Quality performance	5	4	3	2	1
Teamwork	5	4	3	2	1
Interpersonal skills	5	4	3	2	1
Initiative	5	4	3	2	1
Creativity	5	4	3	2	1
Problem solving	5	4	3	2	1

*Source:* Neo et al (2000:286, Human Resource Management, Gaining a Comparative Advantage)

2.2) **MIXED STANDARD SCALE:** - developed as a means of getting around some of the problems with graphic rating scales. In this, we must define the relevant dimensions and then develop statements representing good, average, and poor performance along each dimension on the actual rating instruments.

**3- THE BEHAVIORAL PERFORMANCE MEASUREMENT APPROACH:** This approach attempts to define the behavior an employee must exhibit to be effective in the job. Under this approach, there are various rating techniques, such as critical incidents, behavioral anchored ratings, behavioral observations, organizational behavior modification and assessment centers.

3.1. **CRITICAL INCIDENTS:** - require managers to keep a record of specific example of effective and ineffective performance on the part of each employee. However many managers resist having to keep a daily or weekly log of their employees'

behavior. It is also difficult to make comparisons among employees since each incident is specific to that individual.

**3.2 BEHAVIORAL ANCHORED RATING SCALE (BARS):** - these techniques develop on the critical incidents method. It is designed to specifically define performance dimension by developing behavioral anchors associated with different level of performance.

**3.3 BEHAVIORAL OBSERVATION SCALE (BOS):** - is a variation of BARS, even though BOS like BARS is developed from critical incidents, it differs from BARS with:

- Rather than discarding a large number of behaviors that exemplify effective or ineffective performance BOS uses many of them to more specifically define all the behaviors that are necessary for effective performance.
- Rather than assessing which behavior reflects an individual performance, BOS requires manager to rate the frequency which the employees has exhibited each behavior during the rating period. These rating are then averaged to compute an overall performance rating.

The major drawback of BOS is that it may require more information than most managers can process or remember. Managers and employees prefer BOS for differentiating good from poor performance, maintain objectivity, providing feedback, suggesting training needs and being easy to use among managers and subordinates.

**3.4 ORGANIZATIONAL BEHAVIOR MODIFICATION (OBM):** - This entails managing the behavior of employees through a formal system of behavioral feedback and reinforcement. This system builds on the behaviorist view of motivation, which holds that individual's future behavior is determined by past behavior that has been positively reinforced. The technique vary but most of them have the following four components: -

- Define a set of key behaviors necessary for job performance
- Use a measurement system to asses behaviors exhibited

- The manager or consultant informs to employees those behaviors, and
- Finally, feedback and reinforcement are provided to employees.

3.5 *ASSESSMENT CENTERS:* - Although assessment center is usually used for selection and promotion decision, it has also been used as a way of measuring performance. As an assessment center, individuals usually perform a number of stimulated tasks such as leadership group discussion, in-baskets and role-playing. Assessors observe individuals' behavior and evaluate their skill or potential as managers.

The advantage of assessment center is that it provides a somewhat objective measurement of individual performance at managerial tasks. In addition, it provides specific performance feedback, and according to which individuals' development plans can be designed.

*LIMITATIONS:* of the traditional employees' performance appraisals are:

- The methods concentrate on personal behaviors rather than evaluating the job to be accomplished. This leads to a high degree of subjectivity
- The methods does not take into account the strategic goals and objective of the organization as basis for employees' performance
- It lack measurement standards against which performance is compared
- The system are often closed in that the employees are provided with only limited information on the result of the appraisal which often causes mistrust a negative attitude to the appraisal itself.

## ***II. MODERN METHODS OF PERFORMANCE MEASUREMENT***

The focal point of the modern system is to concentrate on results than personal traits and behaviors. The following systems are including under this categories:

**1. *THE RESULTS PERFORMANCE MEASUREMENT APPROACH:*** The results approach focuses on managing the objectives, measurable results of jobs or work groups. This approach assumes that subjectivity can be eliminated from the measurement process

and that results are closest indicators of one's contribution to organizational effectiveness and efficiency. Under this approach, there are two systems like Managements By Objective (MBO) and Productivity Measurement and Evaluation System (PMES).

**1.1 MANAGEMENT BY OBJECTIVE (MBO):** - It is also known as Results Oriented Performance Measurement. This process consists of having all managers write a letter to their subordinates what their performance goals are for the coming year and how they plan to achieve them. According Dash (2006:103), MBO is an example of a result-based method of performance appraisal. Under MBO, individuals are evaluated based on what they accomplish not how they get the job done.

MBO system has three components:

1. They require specific goals.
2. Management with the managers and subordinates participation usually sets the goals.
3. The manager gives objective feed back through the rating period to monitor progress towards the goals.

**2 PRODUCTIVITY MEASUREMENTS AND EVALUATION SYSTEM:** The main goal of productivity measurement and evaluation system (PMES) is to motivate employees to a higher level of productivity. It is a means of measuring and feedback productivity information to personnel. PMES consists of four steps:

1. People in the organization identify the products or the set of activities or objectives the organization expects to accomplish
2. The staffs define indicators of the products. Indicators are measures of how well the products are being generated by the organization
3. The staff establishes the contingencies between the amount of the indicators and the level of evaluation associated with that amount, and
4. Feed back system is developed to provide employees and work groups with information about their specific level of performance on each of the indicators. An overall productivity score can be computed by summing the effectiveness score across the various indicators.

This system is effective to increase productivity and efficient mechanism; however users found it time consuming to develop the initial system.

*LIMITATIONS-* of the modern performance measurement methods:

- It requires time and effort to arrive at realistic target and process is tiresome
- It leads to over look job related behaviors that might be essential to arrive at the expected results, and
- It does not give more emphasis to the overall integration among organization, team and individual performance measurement.

### **III. THE RECENT PERFORMANCE MANAGEMENT METHOD**

This system is the most recent approach, which puts high emphasis on the integration of the organization, team and individual performance (vertical integration). Furthermore, it also requires horizontal integration among different human resource management functions. Cardy (2004: 13) suggests that performance from the perspective of employees is behaviors (how to do the work), whereas from the perspective of managers it is the outcomes. This shows both behavioral and result approaches separately have their own advantage and limitations, i.e.

*a) The advantages and disadvantages of behavioral criteria include:*

*The advantages:*

- Provide a clear map of how maximize performance
- Be under the control of the workers
- Provision of directive feedback to workers

*The disadvantages:*

- All of the correct behaviors may not lead to the desired results
- It can be costly to develop criteria

*b) Advantages and disadvantages of the result criteria include:*

*The advantages:*

- It is Easy and objectively measured
- It can lead to increases productivity and bottom-line performance of the organization

*The disadvantages:*

- It may not be under the control of the worker

Therefore, to be efficient using both the behavioral and result approaches is highly favored. Of course, at the initial stage, the behavioral performance approach implemented more than the result approach. Then the result performance approach used after the feedback and developing is practiced in the organization performance management system. Although PM addresses most of the challenges of performance management systems, it is also criticized for its tediousness.

To sum up the approaches of performance measurement, in the word of Neo et al (2000:289) the most effective way of measuring performance is to rely on a combination of two or more alternatives based on the types, activities, complexities etc. of the organization.

### **2.4.3 SOURCES' OF PERFORMANCE INFORMATION**

Whatever approach performance measurement uses, it is necessary to decide who uses the source of performance measurement. Sources of performance information as elaborated by F. Cascio (1980:301) include managers, peers, subordinates, self-assessment, customers and 360 degree, etc. Each source has specific strength and weakness. These include:

- **IMMEDIATE SUPERVISORS:** Are the most frequently used source of performance information. It is usually safe to assume that supervisors have extensive knowledge of the job requirements and that they have had adequate opportunity to observe their employees. In other words, they have the ability to rate their employees. In addition, because supervisors have something to gain from the employees' high performance and something to lose from low performance, they share the motivation to make accurate rating. Finally, feedback from superiors is strongly related to performance.
- **PEERS:** - are employee's co-workers who are excellent source of information in a job, such as law enforcement where the supervisors do not always have the opportunity to observe the employee. Of course, rating based on the peers may cause friendship bias. It is usually used for development purpose.

- **SUBORDINATES:** - are valuable source of performance information when managers are being evaluated. This gives opportunity to subordinates to evaluate how well a manger treats employees. One problem of the subordinate evaluation is that it gives subordinates power over their manager that puts the manager in a difficult situation. This is also used for development purpose.
- **SELF-RATINGS:** -are not used as sole source of performance information but they can still be valuable. Obviously, individuals have extensive opportunity to observe their own behaviors, and they usually have access to information regarding their result on the job. Tendency towards inflated assessments in one problem and the other is that individual's attribute their poor performance to external causes, i.e. co-workers whom they think has not provided them with timely information. The best use of self-rating is as a prelude to the performance feedback session to get employees thinking about their performance and to focus discussion on areas of disagreement.
- **CUSTOMERS:** - rather than supervisors, peers and subordinates often customers have the opportunity to observe the behavior of employees; and thus customers are the best source of performance information. The customer evaluation is appropriate when the organization is interested in gathering information to determine what product and service the customer wants.  
The weakness of customer evaluation is their expenses i.e. printing, postage, telephone, etc. to contact customers.
- **360'-DEGREE ASSESSMENT:** -consists of having multiple raters (boss, peers, subordinates, customers) who provide input into a manager's evaluation. The major advantage of this technique is that it proves a means for minimizing bias. It has been used primarily for strategic and developmental purpose.

In general, the best source of performance information often depends on the particular job. One should choose the sources that provide the best opportunity to observe employee behavior and result.

#### **2.4.4 RATERS' ERRORS IN PERFORMANCE MEASUREMENT**

Human beings have tremendous limitations in processing information. According to Ivancevich (2004:278) the rater's errors are listed below:

- *SIMILAR TO ME ERROR*: occur when we make when we judge those who are similar to us more highly than those are not, most of us tend to think of ourselves as effective and so if others are like us in race, gender, background attitude, or beliefs.
- *CONTRAST ERROR*: - Occurs when we compare individuals with one another instead of against an objective standard. Consider a completely competent performer who works with a number of peers who are outstanding. If the competent employee receives lower than deserved ratings because of his outstanding colleagues, which are contrast error.
  - *DISTRIBUTIONAL ERRORS*: - are results of rating scale, i.e.
    - a) *Leniency*- occurs when a rater assigns high rating to employee.
    - b) *Strictness*- occurs when a manager gives low rating to all employees.
    - c) *Central tendency*- reflects that a manager rates all employees to the middle of the scale.

These errors pose two problems. First, they make difficult to distinguish among employees rated by the same rater and second, they create problems in comparing the performance o individuals rated by different raters. I.e., if one rater is lenient and other is strict, employees of the strict rater will receive significantly fewer rewards than those rated by lenient rater.

- *HALO AND HORN ERRORS*: - refers to a failure to distinguish among different aspects of performance, i.e.
  - a) *Halo error*- occurs when one positive performer aspect causes the rater to rate all aspects of performance activities positively.
  - b) *Horn error*: - in the opposite direction of halo-error, one negative aspect results in the rater assigning low rating to all the others aspects.

The halo error leads employees to believe that no aspects of their performance need to improvement and the horn errors lead employees to become frustrated and defensive.

To reduce rating errors there are two approaches:

1. Rater error training- attempts to make managers aware of rating errors and helps them develop strategies for minimizing those errors.
2. Rater accuracy (frame of reference) training- attempts to emphasize the multi-dimensional nature of performance and thoroughly familiarize raters with actual content of various performance dimensions.

#### **2.4.5 PERFORMANCE FEEDBACK AND REVIEW**

It is the process of exchanging facts, opinions, and ideas about performance levels related problems and solutions with concerned individual employees and teams. The informal feedback, coaching and counseling are the day-to-day activities in the organization. Where as the formal feed back and review proceed after the expected performance has been defined and employees' performance has been measured. It is necessary to feed that performance information feedback to the employees so that they can correct any deficiencies. Costello (1994:51) explains feedback is the primary means for recognizing good performance and redirecting behavior that needs to be improved. Of course, the performance feedback process is complex and provokes anxiety for both the manager and the employees. However, if employees are not made aware of their performance not meeting the expectation their performance will almost certainly not improve. In fact, it may get worse. Effective managers provide specific performance feedback to employees in a way that elicit positive behavioral responses. In this case, Tsegay (2007:21) suggests performance feedback process should be an open, honest, positive and two-way communication between the superior and the subordinates.

Neo et al (2000: 306) lists the following process as to whether giving positive or negative feedback increases the potential for a successful performance feedback session:

- *FEEDBACK SHOULD BE GIVEN FREQUENTLY, not once a year:* - if so when employees receive such frequent feedback, they already know almost exactly, what their formal evaluation will be.
- *CREATE THE RIGHT CONTEXT FOR THE DISCUSSION:* -managers should choose a neutral location for the feedback session and acknowledge that they would like the meeting to be open dialogue.

- *ASK THE EMPLOYEES TO RATE HIS PERFORMANCE BEFORE THE SESSION* -this helps the employee to think his/her performance over the past rating period, and it encourages them to think about their weakness.
- *ENCOURAGE THE SUBORDINATE TO PARTICIPATE IN THE SESSION* - in the performance feedback session managers can take;
  - a) ‘Tell and sell’ approach- when managers tell the employees how they have rated them and justify these things.
  - b) ‘Tell and listen’ approach when managers tell the employees how they have rated them and let employees explain their side of the story.
  - c) ‘Problem solving’ approach when managers and employees work together to solve performance problems in an atmosphere of respect and encouragement.
- *RECOGNIZE EFFECTIVE PERFORMANCE THROUGH PRAISE:* - the employee’s performance is not only to assess weakness but also recognize effective performance and to praise as well.
- *FOCUS ON SOLVING PROBLEMS:* using performance feedback session is not to punish weak employees, but to improve poor performance. Managers must attempt to solve problems causing being weak performer.
- *FOCUS FEEDBACK ON BEHAVIOR OR RESULTS, NOT ON THE PERSON:* in the negative feedback, avoid questioning the employees worth as a person.
- *MINIMIZE CRITICISM:* obviously, if an individual’s performance is below standard, some criticism must take place.
- *AGREE TO SPECIFIC GOALS AND SET A DATE TO REVIEW PROGRESS:* managers are expected to not only setting goals, but also set specific follow-up date to review the employees' performance towards the goal.

#### **2.4.6 PERFORMANCE DEVELOPMENT AND TRAINING**

Development refers to the acquisition of knowledge, skill and behavior that improve an employee’s ability to meet changes in job requirements and customer demands. Human resource development says Joy-Matthews et al (2004: 6) is an integrated and holistic, conscious and proactive approach to change work related knowledge and behavior, using a range of learning strategies and techniques. Therefore if we invest in developing of

employees' skills, they will do their job efficiently, reduce scraps and put time to produce a product, can handle customers wisely so that more new customers will come resulting less cost and more sales as a result of which more profit could be obtained (EMI, 2004: 27). In the process of development, there is formal education; job experiences relationships and assessment of personality and abilities that help employees prepare the future. Because development is future oriented, it involves learning that is not necessarily employees' current job. PM is about learning at the organizational, team and individual levels. Armstrong et al (2000) describe the contribution of performance management to the development of the organizations and people can be enhanced in the light of a better understanding of how organization and people learn. This shows organizations learn through individuals and who in turn learn from organizations can be described as continuous learning systems.

There are different approaches to employees' development and training these include:

- i) *Formal education*
- ii) *Job experiences*
- iii) *Assessment*
- iv) *Inter personal relationships*

#### **2.4.7 REWARDING BASED ON PERFORMANCE**

The United States Office of Personnel Management (2001) defines rewarding as: recognizing employees individually and as members of groups, for their performance and acknowledging their contribution to the organization's mission.

In addition to this Tsegaye (2007) explains that reward management is designing, implementing and maintaining pay policies, strategies and systems which are geared to the improvement of organization by motivating people, enhancing staff commitment, retaining the best to achieve goals. Therefore, rewarding is one of the functions of PM. One of the basic principles of performance management is that the behavior is controlled by its consequences. Those consequences can and should be both formal and informal and both positive and negative. Accordingly, rewarding is one major component of performance management endeavors, and positive rewards are applied to reinforce satisfactory performance while negative rewards are applied to discourage unsatisfactory.

#### **2.5 AN OVERVIEW OF THE ETHIOPIAN INSURANCE CORPORATION**

## PERFORMANCE MANAGEMENT SYSTEM

Ethiopian Insurance Corporation (EIC) was established as an autonomous public owned insurance corporation on the 1<sup>st</sup> January 1976 through proclamation No. 68/1975, with capital of Birr 11,000,000 paid up capital and 439 employees. It was administered the National Bank of Ethiopia following the nationalization of thirteen private insurance companies by the then socialist government of Ethiopia. EIC empowers to manage, administer, supervise and direct all business transactions at the national level; and negotiate, arrange, under-write and contract re-insurance treaties and policies with foreign re-insurers ( Fair Review 1992).

EIC, after serving the insurance business as a single public owned insurance company for over seventeen years, Transitional Government of Ethiopia Investment Proclamation No.15/1992 allows the private investment in banking and insurance business. The annual reports of EIC (2005/06) indicate that EIC was reestablished in 1992 with Birr 61,000,000 paid up capital and having 1117 employees. As a public enterprise, the corporation administration was transferred to Public Enterprise Supervising Authority, based on Proclamation No.86/1994, for licensing and supervision of insurance business. According to EIC (2005/06) annual report, the corporation has Birr 900,000,000 total asset and in the budget year 2004/05 and 2005/06 obtained Birr 49,400,000 and Birr 47,470,000 profit after tax deductions respectively.

EIC has over thirty years of experience in the insurance business. Is still the leading corporation in the insurance sector in the country with the vision and mission that are stipulated below.

- VISION: *-To be a world-class insurer.*
- MISSION: *- To provide its customers an efficient and reliable insurance service which covers life, property and liable risks.*

The corporation is managed according to Public Enterprise Proclamation No. 25/1992 which defines the roles and responsibilities of the Board of Directors and the Management. The organizational structure of EIC (see Appendix I) has a head office in Addis Ababa and totally 37 branches that include six main branches, seven branches and

twenty-four offices all over the country. In these offices, the corporation has totally 1161 staff members of whom 151 are management members and the remaining 1010 are permanent employees.

Concerning performance management, the Ethiopian Insurance Corporation (1982:06-13-01) & (2000:05-14-01) Policies and Procedures Manuals, which were revised in the year (2000), set policies, procedures and guidelines in all aspects of performance measurement of the corporation. Accordingly, it declares that there will be a comprehensive performance evaluation program for all staffs of the corporation with the following purposes and methods of performance evaluation:

- *PURPOSE OF PERFORMANCE EVALUATION: -*

1. To maintain organizational control and the assessment of an overall organizational performance is crucial to both its contributions to the society within which it exists and to own survival.
2. For the measurement of efficiency with which the organization's human resource are being utilized, and the improvement of these resources.
3. For helping the employees know how they are doing in their jobs, and what is expected of them.
4. For helping management decisions in matters of promotion and compensation.
5. For helping management in making other administrative decisions about employees.

- *METHOD OF PERFORMANCE MEASUREMENT*

1. The method of performance appraisal to be used shall be Management by Objectives (MBO) as per the procedure contained here in.
  - 1.1. Define the goals to the evaluators to accomplish during some specified future time.
  - 1.2. Make the objective to carry out within specific period.
  - 1.3. For the sake of assigning applicable evaluating factors directly related to each job, all jobs position are categorized into six major job families that is:
    - a) Custodial (non-written) task
    - d) Supportive task

- b) Technical task.      e) Operational task.
- c) Secretarial task.      f) Professional tasks.

1.2 All permanent employee of the corporation shall be evaluated two times a year as to all aspects of their performance. However, management staffs are evaluated once in a year as per the performance evaluation format issued by the supervisory authority for the public enterprises.

1.3 At the end of the specified period, the performance shall be evaluated against the goals initially established.

1.4 Performance report shall be discussed with the concerned employee by his/her immediate supervisor.

These steps could begin by self-appraisal when the subordinate writes a report describing how well he/she has met the objective. The evaluation shall be discussed with the supervisor where reasons for goals not being met shall be analyzed and discussed.

1.5 Finally, new goals shall be established for the subsequent period and the process will repeat itself.

1.6 Employees shall be rewarded or reprimanded, as the case may be, as per the relevant rules to be established soon.

2. To be eligible for promotion a candidate should score at least above average rating during the last evaluation period in addition to having the necessary competence for higher post.

On top of this, the Corporation managements in the three years (2007-2009) Strategic Plan (2006: 68) identify that among the major problem of the organization 'lack of performance of the human resource management to meet the organizational strategic goal' is the one. For this major problem in the strategic plan mentioned the following solutions:

- Placement of competent employees in the appropriate positions through promotion, transfer and employment to the organization
- Increasing the initiation and interest of the employees and also team spirit
- Increasing and building the capacity of manpower of the organization through

training and development

- Producing manpower that can replace the existing ones, and
- Establish result oriented performance appraisal and relating the result with incentives.

With these performance measurement policy and strategic plan, EIC still practiced the Graphic Rating Scale behavioral approach to measure the staff's performance with each job categories (see Appendix-V). This shows that the Ethiopian Insurance Corporation exercised the MBO performance appraisal system since 1982 which are over twenty-five years. Moreover, nowadays in the corporation business process re-engineering (BPR) implementation study is going on. This indicates that EIC practiced the human resource performance management system through various methods for achieving the vision, mission and goals of the Corporation. Therefore, the present researcher is attempting in chapter three of this thesis substantiate these theoretical explanations of chapter two through analyzing the first hand information gathered from 213 primary source respondents.

### **CHAPTER THREE**

#### **DATA PRESENTATION, ANALYSIS AND FINDINGS**

This chapter of the thesis deals with the presentation, analysis and interpretation of the data collected through questionnaire and documents review. For this purpose among the

total 1161 staff of EIC, the researcher distributed 232 questionnaires among 30 managers and 202 employees. From the total number of questionnaires so distributed, 28 (93%) were collected from managers and 185 (92%) were from employees. Thus, out of the total 232 (100%) distributed questionnaires, 213 (92.5 %) were properly filled and returned. Among the remaining 19 (7.5 %) questionnaires 11 (5%) are non-returned and 8 (2.5%) are damaged.

In addition to the questionnaires, sample documents that are directly related to implementation of employees' performance management system, prepared by the branches and the head office of Ethiopian Insurance Corporation (EIC) have been analyzed.

The total rate of return of the questionnaire was 92.5 % this is a very good response in a survey study. Consequently, based on the responses obtained from the selected respondents in the concerned bodies, the analysis and interpretation of the data are presented in the form of Table in this Chapter.

### 3.1 PROFILES OF POPULATION UNDER STUDY

In order to increase the varieties of the study groups, two categories of respondents were made to be involved in this study as mentioned earlier. Therefore, the responses and other relevant data need to be organized and analyzed in order to determine the outcome of the study.

As it can be observed from Table 3.4 item one, with respect of age of twenty eight managers: 3 percent (1) of the respondent managers fall within the age 25 years and below; 25 percent (7) of them fall within the age range of 26 - 35 and the remaining 29 percent (8) manger respondents are within the age range of 46 - 55 years.

**Table 3.4 Respondents' Profiles**

Item	Survey Questions	Managers		Employees		Total	
		No.	%	No.	%	No.	%
1	<i>Age group in years</i>						
	25 and below	1	3	20	11	21	10
	26 – 35	7	25	90	49	97	46

Item	Survey Questions	Managers		Employees		Total	
		No.	%	No.	%	No.	%
	36 – 45	12	43	50	27	62	29
	46 – 55	8	29	25	13	33	15
	56 and above	-	-	-	-	-	-
	Total	28	100	185	100	213	100
2	<b>Sex</b>						
	Female	11	39	72	39	83	39
	Male	17	61	113	61	130	61
	Total	28	100	185	100	213	100
3	<b>Education level</b>						
	Elementary complete	0	0	4	2	4	2
	High school complete	1	4	19	10	20	10
	Certificate	0	0	11	6	11	5
	Diploma	9	32	66	36	75	35
	BA/BSc degree	14	50	56	30	70	33
	Masters	4	14	29	16	33	15
	PhDs	0	0	0	0	0	0
Total	28	100	185	100	213	100	
4	<b>Placement</b>						
	In the head office	19	68	116	63	135	63
	In the branches	9	32	69	37	78	37
	Total	28	100	185	100	213	100
5	<b>Relevant working experience</b>						
	Less than 5 years	0	0	40	22	40	19
	5 – 10 years	3	11	32	17	35	16
	11-15 years	9	32	47	25	56	26
	16- 20 years	6	21	27	15	33	16
	Above 20 years	10	36	39	21	49	23
Total	28	100	185	100	213	100	
6	<b>Job grade categories</b>						
	I – III	0	0	23	12	23	11
	IV – VII	0	0	162	88	162	76
	VIII – XII	22	78	0	0	22	10
	XIII	5	19	0	0	5	2
	XIV	1	3	0	0	1	1
Total	28	100	185	100	213	100	
7	<b>Occupational task categories</b>						
	Custodial tasks	0	0	17	9	17	8
	Technical tasks	0	0	5	3	5	2
	Secretarial tasks	4	14	31	17	35	16
	Supportive tasks	7	25	51	27	58	27
	Operational tasks	8	29	61	33	69	32
	Professional tasks	9	32	20	11	29	15
Total	28	100	185	100	213	100	

This shows 43 percent (12) are in the middle age group of 36-45 years. Together with the 28 percent more managers, the bulk of the managers (71 percent) are aged and adults.

Regarding 185 employee respondents in the age category of the same Table item one 11 percent (20) respondents are below 25 years 49 percent (90) respondents fall within the age range of 26 - 35, 27 percent (50) of the respondents are with in the age categories of 36 - 45 and the remaining 13 percent (25) of them fall with in the range 46 - 55 years. When we calculate the total 213 respondents age group of the managers and employees 10 percent (21) respondents are below 25 years, 46 percent (97) respondents are with in the age 26-35 years, 29 percent (62) respondents come within the age 36-45 years and the remaining 15 percent (33) respondents are fall within the age range of 46-55 years. This show that 75 percent (159) of the respondents are in their late youth (26-35) years and adult (36-45) age and therefore their responses should be dependable.

With respect of gender participation out of the 1161 total staff of the Corporation there are 657 males and 504 females. In related to females and males respondents Table 3.4 item two shows that, of the total 39 percent (93) females respondents 39 percent (72) are employees and 39 percent (11) are managers, similar to this out of 130 males respondents 61 percent (113) are employees and the remain 61 percent (17) are managers. This also indicates that the respondents are proportionally representing both genders.

As far as item three of Table 3.4 is concerned, the educational level: 4 percent (1), 32 percent (9), 50 percent (14) and 14 percent (4) manager respondents are high school completed, Diploma, B.A/BSc and Masters Degree holders respectively. From this data, one can understand that over 64 percent (18) manager respondents are first-degree holder qualified professionals. At the same time out of 185 employee respondents, elementary school completed are 2 percent (4), high school completed are 10 percent (19), certificate holders are 6 percent (11), diploma holders are 36 percent (66), BA/BSc degree holders are 30 percent (56) and Masters degree holders are 16 percent (29). This data shows that most of the respondent employees are Diploma, Degree and Masters Degree holders 82 percent (151). If one looks at the educational level of the total 213 respondents, Diploma holders are 35 percent (75) while BA/BSc Degree holders are 33 percent (70) Masters Degree holders are 15 percent (33). This shows that most of the respondents 83 percent (178) are Diploma, Bachelors Degree and Masters Degree

holders.

From Table 3.4 item four indicates that 68 percent (19) managers are placed in the head office and the remaining 32 percent (9) are working in different branches. On the other hand, out of the employee respondents, 63 percent (116) are in the head office and the remaining 37 percent (69) are in different branches. Then out of the total 213 selected respondents, 63 percent (135) are working in the head office and 37 percent (78) are placed in different sample selected branches of the corporation throughout the country.

With regard to the relevant work experiences and exposure to the working environment; the respondents have the following characters. Among the manager respondents those who have 5-10 years' experiences are 11 percent (3), 11-15 years' experiences are 32 percent (9), 16-20 years experiences are 21 percent (6) and above 20 years experiences are 36 percent (10). This indicates that the majority of 57 percent (16) of the respondent managers have above 16 years' of experience in the area of their assignment. Among the respondent employees experiences 22 percent (40), 17 percent (32), 25 percent (47), 15 percent (27) and 21 percent (39) are less than 5 years, 5-10 years, 11-15 years, 16-20 years and above 20 years respectively. This Table 3.4 item five gives the information that 57 percent (16) of the managers and 36 percent (66) of the employees, thus in 39 percent (82) of the respondents, have more than 16 years of work experience. Add to this 25 percent (47) of total employees who have 11 to 15 years of experience. This helps to understand that most of the respondents have enough experiences in the profession to give reliable responses.

Item number six of Table 3.4 states about the job grade of the respondents. That is among the management respondents, 78 percent (22) are categorized in grades (VIII – XII) (Lower level management), 19 percent (5) are in grade XIII (Middle level management) and the remaining 3 percent (1) is grade XIV (Top-level management). Similarly, among the job grade of employee respondents, 12 percent (23) are in the job grades (I – III) and the remains are 88 percent (162) are in the job grade of (IV – VII). If we look the total respondents job grades 11 percent (23), 76 percent (162), 10 percent (22), 2 percent (5) and 3 percent (1) respondents are in the job categories of (I – III), (IV

– VII), (VIII – XII), XIII and XIV respectively. This also indicates that respondents are in all job grades. That means that the selected respondents represent all job grade occupants and the question asked in the questionnaires have fair chances of getting replies covering all aspects of the subject.

The last item of Table 3.4 is occupational task categories among manager respondents are distributed in the categories secretarial tasks comprise 14 percent (4), supportive tasks 25 percent (7), operational task 29 percent (8) and professional tasks 32 percent (9). Where as employee respondents are categorized in the occupational tasks: Custodial (non-writing) tasks 9 percent (17), technical tasks 3 percent (5), secretarial tasks 17 percent (31), supportive tasks 27 percent (51), operational tasks 33 percent (61) and the remaining 11 percent (26) are the professional tasks. In addition, if we look the distribution of the total respondents' occupational task categories, 8 percent (17) in custodial (non-writing) tasks, 2 percent (5) in technical tasks, 16 percent (35) in secretarial tasks, 27 percent (58) in supportive 32 percent (69) in operational tasks and 15 percent (29) are in the professional tasks. This also indicates that all the respondents to the questionnaires are spread over all the occupational task categories.

### **3.2 ANALYSIS OF PERFORMANCE MANAGEMENT PROCESS**

As mentioned in the previous chapters of this thesis different authors suggest various types of PM processes. For the analysis purpose of this chapter the present researcher used the Office of Personnel Management-OPM (2001: 1) model of planning, monitoring, developing, rating and rewarding performance management process. In addition to this, the commitment to implement performance management and its effect on employees' efficiency was analyzed subsequently. As a result, the analysis of responses obtained from the respondents based on the OPM's (2001) performance management model is given below.

#### **3.2.1 THE PLANNING ASPECTS OF PERFORMANCE MANAGEMENT**

In Table 3.5 is the response on the planning aspects of performance management process

given by the respondent managers (28) and employees (185) [total respondents are (213) are tabulated and analyzed item by item.

As shown in the next Table 3.5 item one, the question is about the development of well thought out organizational goals and objective settings. On the issue, 65 percent (139) respondents mildly /strongly agree. Those who mildly agree are 50 percent (106) out of which 49 percent (90) are employees and 57 percent (16) are managers. Out of 15 percent (33) strongly agree respondents 13 percent (25) are employees and 28 percent (8) are managers. In contrary to this issue, those mildly/strongly disagreed 15 percent (32), 8 percent (17) respondents who mildly disagreed [8 percent (15) employees and 7 percent (2) managers]. Those strongly disagreed are 7 percent (15) [8 percent (14) and 4 percent (1) are employees and managers respectively] Those remains are 20 percent (42) that composed of 22 percent (41) employees and 4 percent (1) manager did not express any opinion on this issue. Thus overall 65 percent (139) of the respondents' some how agreed to this issue of organizational goals and result vis-à-vis employees' performance.

In the same Table of item two that inquires about the employees' involvement in the strategic plan preparation. On this a 56 percent (121) mildly/strongly agreed to the opinion those 16 percent (35) who strongly agreed are: 17 percent (31) employees and 14 percent (4) managers, and those who mildly agreed constitute 40 percent (86) of the total respondents out of which 40 percent (73) are employees and 46 percent (13) are managers. On the other hand, among the disagreeing respondents 26 percent (55) respondents: those mildly disagreeing respondents are 14 percent (29) {12 percent (23) and 21 percent (6) employees and managers respectively}, those strongly disagree respondents are 12 percent (26) [13 percent (24) and 7 percent (2) employees and managers respectively]. The remaining are those respondents who have no opinion on this issue. They are totally 18 percent (37), which consists of 18 percent (34) and 11 percent (3) employees and managers respectively.

**Table 3.5 Performance Management and Its Planning Aspects**

Items	Survey questions	Responses
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		Strongly Agree		Mildly Agree		No Opinion		Mildly Disagree		Strongly Disagree	
		No	%	No	%	No	%	No	%	No	%
1	Well thought out organizational goals are developed and associated with organizational results in terms of units and each employee's performance.										
	Managers	8	28	16	57	1	4	2	7	1	4
	Employees	25	13	90	49	41	22	15	8	14	8
	Total	33	15	106	50	42	20	17	8	15	7
2	There is well prepared strategic plan with the involvement of employees.										
	Managers	4	14	13	46	3	11	6	21	2	7
	Employees	31	17	73	40	34	18	23	12	24	13
	Total	35	16	86	40	37	18	29	14	26	12
3	The EIC strategic plan cascades to each department, unit and individual performance levels.										
	Managers	4	14	13	46	3	12	6	21	2	7
	Employees	30	16	68	37	40	22	22	12	25	13
	Total	34	16	81	38	43	20	28	13	27	13
4	The performance plan of each employee is specific, measurable, attainable, and realistic and time framed (SMART).										
	Managers	2	7	9	32	6	21	5	18	6	21
	Employees	26	14	51	28	34	18	53	29	21	11
	Total	28	13	60	28	40	19	58	27	27	13
5	Each employee participates in his/her individual performance standard settings.										
	Managers	2	7	10	36	5	18	6	21	5	18
	Employees	19	10	58	31	36	20	31	17	41	22
	Total	21	10	68	32	41	19	37	17	46	22
6	It is checked in the performance plan whether the content of individuals' and teams' results contribute the organizational goals.										
	Managers	1	4	12	43	7	25	3	11	5	17
	Employees	16	9	56	30	67	36	28	15	18	10
	Total	17	8	68	32	74	35	31	15	23	10
7.1	Most employees are less interested to participate in organization planning process										
	Managers	1	4	4	14	6	21	11	40	6	21
	Employees	-	-	-	-	-	-	-	-	-	-
	Total	1	4	4	14	6	21	11	40	6	21
7.2	EIC management is less interested to involve employees in the process of planning.										
	Managers	-	-	-	-	-	-	-	-	-	-
	Employees	60	32	54	29	48	26	16	9	7	4
	Total	60	32	54	29	48	26	16	9	7	4
8	Managers and employees agree on the performance plan and on the criteria for determining whether, performance is good or not.										
	Managers	4	14	13	46	4	14	3	12	4	14
	Employees	13	7	41	22	50	27	51	28	30	16
	Total	17	8	54	25	54	25	54	25	34	17

In Table 3.5 item three responses were invited about the cascading of strategic plan of EIC to departments, units and each employee's performance. On this, the opinions of 54

percent (115) respondents fall in agreement categories. That is out of the total respondents who mildly agreed 38 percent (81) employees are 37 percent (68) managers are 46 percent (13); and out those strongly agreed total respondents 16 percent (34) that composed of 16 percent (30) and 14 percent (4) employees and managers respectively. Mean while, among 26 percent (55) respondents those who mildly/strongly disagreed consist of mildly disagreed respondents are 13 percent (28) who composed of 12 percent (22) employees and 21 percent (6) managers; and these strongly disagreed respondents are 13 percent (27), out of whom 13 percent (25) and 7 percent (2) are employees and managers respectively. The remaining respondents are those who have no opinion on the issue. They constitute 20 percent (43) total respondents with the break up of 22 percent (40) employees and 12 percent (3) managers.

Item four in Table 3.5 seeks to know from the respondents the specificity, measurability attainability, realistic and time bound-ness (SMART) of their performance plan. The respondents' opinions are evenly distributed and there is no 'majority' opinion on any side. That means those who have agreed to this opinion are totally 41 percent (88), out of which those respondents who strongly agree are 13 percent (28) who composed 14 percent (26) employees and 7 percent (2) managers; and the mildly agree respondents are 28 percent (60) who composed of 28 percent (51) and 32 percent (9) employees and managers respectively. Opposite to this, those respondents who categorized in mildly/strongly disagreeing respondents are 40 percent (85). Among those respondents who mildly disagreed are 27 percent (58) [29 percent (53) are employees and 18 percent (5) are managers]. Those who strongly disagree number 13 percent (27), which consists of 11 percent (21) and 21 percent (6) employees and managers respectively. The remaining are no-opinion respondents: 19 percent (40) who composed 18 percent (34) and 21 percent (6) employees and managers respectively.

Concerning each employee's participation in his/her performance plan setting responses were sought in item five of the same Table. Those who were included in 'agreement' opinion are 42 percent (89): [strongly agree are 10 percent (21) that composed of 10 percent (19) employees and 7 percent (2) managers] and those who mildly agreed are 32

percent (68) who composed of 31 percent (58) and 36 percent (10) employees and managers respectively. Meanwhile, those who disagreed the opinion are 39 percent (83) respondents. Among those who mildly disagreed are 17 percent (37) who composed of 17 percent (31) employees and 21 percent (6) managers; and those strongly disagreed 22 percent (46) that composed of 22 percent (41) employees and 18 percent (5) managers. Those who remained as 'no-opinion' respondents' number 19 percent (41) that include 20 percent (36) and 18 percent (5) employees and managers accordingly. This shows no clear opinion has been expressed on this issue as 42 percent are in the 'agree' side, 39 percent are on 'disagree' side and 19 percent are of 'no-opinion'.

In item six of the same Table requested about checking the performance plan of individual to the contribution of organizational goals. On this question, the opinions of respondents are unclearly distributed. That is, those who come in 'agreement' mildly/strongly agree are 40 percent (85). Among some respondents who strongly agree are 8 percent (17) that include 9 percent (16) and 4 percent (1) employee and a manger respectively. Those mildly agree respondents are 32 percent (68) that composed 30 percent (56) employees and 43 percent (12) managers. In contrast to this, those who mildly/strongly disagree are 25 percent (54) of the respondents. Among these, those who mildly disagree are 15 percent (31) that include 15 percent (28) employees and 11 percent (3) managers; and those who strongly disagree are 10 percent (23) that composed of 10 percent (18) employees and 17 percent (5) managers. Those who are no-opinion respondents are 35 percent (74) that including 36 percent (67) and 25 percent (7) employees and managers respectively.

In Table 3.5 of items 7.1 and item 7.2 were exclusively prepared for the managers and employees respectively. The managers' responses to item 7.1 are summarized as follows. The question for the managers said most employees are less interested to participate in the planning process. The managers responses are 4 percent (1) strongly agree, 14 percent (4) mildly agree, 21 percent (6) no-opinion 40 percent (11) mildly disagree and the remaining 21 percent (6) are strongly disagree. In the same approach, the employees are requested that EIC management is less interested to involve employees in the process of

planning. On this question the employees' response as depicted in item 7.2 of this Table 3.5 show that 32 percent (60) employees strongly agree, 29 percent (54) mildly agree, 26 percent (48) have no opinion 9 percent (16) mildly disagree and the remaining 4 percent (7) strongly disagree. Thus, in item 7.1, 61 percent (17) managers 'disagreed' to the 'less interested' proposition and in item 7.2, an equal 61 percent (114) 'agreed' to the less interested proposition.

As to the last, question in Table 3.5 item eight, on the agreement of employees and managers on performance plan setting, the respondents who mildly/strongly agree are 33 percent (71). Out of which those who strongly agree are 8 percent (17) that includes 7 percent (13) and 14 percent (4) are employees and managers respectively; and those 25 percent (54) of mildly agree are composed of 22 percent (41) are employees and 46 percent (13) are managers. Contrary to this, those respondents who mildly/strongly disagree are 42 percent (88); among these who mildly disagree respondents are 25 percent (54) that include 28 percent (51) and 11 percent (3) employees and managers; and those strongly disagree respondents are 17 percent (34) who composed 16 percent (30) employees and 14 percent (4) managers. The remaining respondents who gave no opinion are 25 percent (54) that include 27 percent (50) and 14 percent (4) employees and managers respectively.

### **3.2.2 MONITORING ASPECTS OF PERFORMANCE MANAGEMENT**

As shown in the next Table 3.6 item one is about the monitoring aspect of performance management that the work process of EIC smoothness to implement and monitor PM system. Those respondents who mildly/strongly agreed are 43 percent (90), among these who strongly agreed are 13 percent (27) that composed 13 percent (24) employees and 11 percent (3) managers. Those who mildly agree are 30 percent (63) that include 26 percent (49) and 50 percent (14) employees and managers respectively. Those who gave no opinion for this question are 34 percent (72), composed of 38 percent (70) employees and 7 percent (2) managers. While those mildly/strongly disagreed, are totally 23 percent (51), among these those who mildly disagree that include 14 percent (25) employees and 21 percent (6) managers; and those strongly disagree are 9 percent (20) who composed of

**Table 3.6 Monitoring Aspects of Performance Management**

Items	Survey Questions	Responses									
		Strongly Agree		Mildly Agree		No Opinion		Mildly Disagree		Strongly Disagree	
		No	%	No	%	No	%	No	%	No	%
1	The work process of the corporation allows smooth implementation & monitoring of performance management.										
	Manager	3	11	14	50	2	7	6	21	3	11
	Employees	24	13	49	26	70	38	25	14	17	9
	Total	27	13	63	30	72	34	31	14	20	9
2	Performance management is an essential tool to change the management of organizational culture through monitoring process.										
	Managers	6	21	14	50	5	18	0	0	3	11
	Employees	73	39	57	31	34	18	12	6	9	6
	Total	79	37	71	33	39	18	12	6	12	6
3.1	Most of the management members of EIC know what is expected from them.										
	Managers	-	-	-	-	-	-	-	-	-	-
	Employees	40	22	67	36	38	20	22	12	18	10
	Total	40	22	67	36	38	20	22	12	18	10
3.2	Most of the employees of EIC know what is expected from them.										
	Managers	6	21	14	50	4	14	1	4	3	11
	Employees	-	-	-	-	-	-	-	-	-	-
	Total	6	21	14	50	4	14	1	4	3	11
4.1	The performance management system creates an opportunity for managers to learn from their success, challenges and problems that they face in their day- to- day work.										
	Managers	-	-	-	-	-	-	-	-	-	-
	Employees	48	27	53	30	59	32	12	6	13	7
	Total	48	27	53	30	59	32	12	6	13	7
4.2	The performance management system creates an opportunity for employees to learn from their success, challenges and problems that they face in their day- to- day work.										
	Managers	6	21	13	46	2	7	5	17	2	7
	Employees	-	-	-	-	-	-	-	-	-	-
	Total	6	21	13	46	2	7	5	19	2	7
5	Managers at all levels conduct continuous observations and measurements for the reason behind to improve performance.										
	Managers	9	32	14	50	3	11	2	7	0	0
	Employees	23	12	52	28	59	32	29	16	22	12
	Total	32	15	66	31	62	34	31	14	22	12

9 percent (17) employees and 11 percent (3) managers. Therefore, the largest (43 percent) is in favor of the statement. However no definite finding can be made about this.

The next monitoring aspect is concerned with the performance management as an essential tool to change the management of organizational culture. According to the findings, respondents who mildly/strongly agreed are 70 percent (150) and out of which who strongly agreed are 37 percent (79) that include 39 percent (73) and 21 percent (6) employees and managers respectively, and those who mildly agreed are 33 percent (71) who composed 31 percent (57) employees and 50 percent (14) managers. On the contrary, those respondents who mildly/strongly disagreed are 12 percent (24) and among these who mildly disagreed are only 6 percent (12) employees and non-managers. The rest are those who strongly disagreed respondents are 6 percent (12) that include 6 percent (9) and 11 percent (3) employees and managers respectively. The remaining, which have no opinion, are 18 percent (39) that include 18 percent (34) employees and 18 percent (5) managers.

With regard to the managers and employees of EIC, knowing what is expected from them both the employees and management respondents' opinions have been recorded in Table 3.6 item 3.1 and item 3.2.

In item 3.1 the respondents who strongly agreed are 22 percent (40), mildly agreed are 36 percent (67), respondents with no-opinion are 20 percent (38), mildly disagreed are 12 percent (22) and strongly disagreed are 10 percent (18). As evident from item 3.2, the management respondents' opinions on this question are 21 percent (6) strongly agree, 50 percent (14) mildly agree, no opinion 14 percent (4), mildly disagree 4 percent (1) and strongly disagree 11 percent (3). Thus, most of the respondents in both categories know what is expected from them.

The preceding item 4.1 and 4.2 of the same Table 3.6 respondents' reply based on the survey question on learning opportunity PM creates for managers and/or employees to learn from their day-to-day activities tabulated in percentage and numbers. In item 4.1, on this, the employees' respondents are 27 percent (48) strongly agree, 30 percent (53) mildly agree, 32 percent (59) have no opinion, 6 percent (12) mildly disagree and the remaining 7 percent (13) are strongly disagree. On the other hand in item 4.2, the opinion of management respondents are 21 percent (6), 46 percent (13), 7 percent (2), 19 percent

(5) and 7 percent (2) are strongly agree, mildly agree no-opinion mildly disagree and strongly disagree respectively. Thus, the majority [57 percent (101) employees and 67 percent (19) managers] agreed that there is opportunity for learning.

Survey question of Table 3.6 related to PM monitoring activity that is about managers' conduct continuous observation and measurement for performance improvement. On this in item five, those shows that respondents who mildly/strongly agreed are 46 percent (98) among those strongly agreed are 15 percent (32) who composed 12 percent (23) employees and 32 percent (9) managers; and those mildly agreed are 31 percent (66) that include 28 percent (52) and 50 percent (14) employees and managers respectively. On the other side, those respondents who mildly/strongly disagree are 26percent (53) and among those who mildly disagreed are 14 percent (31) that composed of 16 percent (29) and 7 percent (2) are employees and managers respectively. Those strongly disagreed to this statement are 12 percent (22) employees and non-managers. The remains respondents are those who have no opinion for the item are 34 percent (62) who composed 32 percent (59) employees and 11 percent (3) managers. It seems that the managers at all levels are not conduct continuous supervision and measurements [46 percent opinion], with related to disagree and no-opinion of 57 percent respondents of employees.

### **3.2.3 DEVELOPMENT AND TRAINING ASPECTS FOR PERFORMANCE MANAGEMENT**

The data collected from the respondents on the development and training aspects of performance management process are tabulated and analyzed in the next two Tables: Tables 3.7 and 3.8

In Table 3.7 item one, the question presented to all 213 respondents was how they know about the vision, mission and strategic planning of the corporation. Those respondents who believed that it is through the participation in the formulation process are only 19 percent (40) that composed of 15 percent (28) employees and 43 percent (12) managers. Those who knew through workshop notices are 31 percent (66) respondents out of whom 30 percent (55) and 39 percent (11) are employees and managers respectively. The other

respondents who said they heard about it from supervisors are totally 26 percent (56) that include employees and 29 percent (53) employees and 11 percent (3) managers. The remaining respondents who said they knew through other means such as; reading on notice board, a staff member informed me, etc. totaled 24 percent (51) that include 26 percent (49) employees and 7 percent (2) managers.

**Table 3.7 Development and Training Aspects of Performance Management**

Items	Survey Questions	Managers		Employees		Total	
		No	%	No.	%	No	%
1	If you know the vision, mission and strategic planning of EIC, how did you come to know?						
	Through participation in the formulation process	12	43	28	15	40	19
	Through work shop notices	11	39	55	30	66	31
	Heard about it from supervisors	3	11	53	29	56	26
	Through other means (i.e. reading on notice board)	2	7	49	26	51	24
	Total	28	100	185	100	213	100
2	Who do you think initiate and develop the implementation of performance management in the corporation?						
	Because of Government regulation	10	36	82	44	92	43
	Top management initiatives	12	43	28	15	40	19
	Realized needs with in the institution	2	7	64	35	66	31
	Others (i.e. the Board of Directors and Labor union agreement)	4	14	11	6	15	7
	Total	28	100	185	100	213	100

In the same Table 3.7 item two concerning about, 'who do you think initiate and develop the implementation of PM in the corporation? A total of 43 percent (92) [that included 44 percent (82) employees and 36 percent (10) managers] respondents said 'government regulation', 19 percent (40) [among these employees are 15 percent (28) and managers are 43 percent (12)] said 'top management' and those who believe that 'realized needs of the EIC' are totally 31 percent (66) who composed 35 percent (64) employees and 7 percent (2) managers. Those who mention other means i.e. Board of Directors and Labor Union agreement and the like total 7 percent (15) that includes 6 percent (11) and 14

percent (4) employees and managers respectively.

In the next Table 3.8 item one is about providing sufficient training and development to employees on performance management. On this question those mildly/strongly agreed

**Table 3.8 Developing and Training Aspects of Performance Management**

Items	Survey Questions	Responses									
		Strongly Agree		Mildly Agree		No		Mildly Disagree		Strongly Disagree	
		No.	%	No.	%	No.	%	No.	%	No.	%
1	Sufficient training provided to each level of employees that enable them to understand the benefit and how to create and introduce the performance management system EIC.										
	Managers	7	25	12	43	4	14	3	11	2	7
	Employees	42	23	48	26	21	11	48	26	26	14
	Total	49	23	60	28	25	12	51	24	28	13
2.1	Many managers understand performance management as a better mechanism of controlling employees rather than its basic assumptions of achieving results through employee development.										
	Managers	-	-	-	-	-	-	-	-	-	-
	Employees	39	21	72	39	21	11	41	22	12	7
	Total	39	21	72	39	21	11	41	22	12	7
2.2	Many employees understand performance management as a better mechanism of controlling employees rather than its basic assumptions of achieving results through employee development.										
	Managers	2	7	3	11	4	14	12	43	7	25
	Employees	-	-	-	-	-	-	-	-	-	-
	Total	2	7	3	11	4	14	12	43	7	25
3	The practice of performance management is more of developmental driven than reward driven.										
	Managers	7	25	12	43	5	18	1	3	3	11
	Employees	44	24	79	43	40	22	12	6	10	5
	Total	51	24	91	43	45	21	13	6	13	6

respondents are 51 percent (109), among these who strongly agree are 23 percent (49) that include 23 percent (42) and 25 percent (7) employees and managers respectively, and the mildly agreed respondents are 28 percent (60) who composed of 26 percent (48) employees and 43 percent (12) managers. In the contrary of this, those mildly/strongly

disagree are 37 percent (79). Among these those mildly disagree are 24 percent (51) that composed of 26 percent (48) employees and 11 percent (3) managers. Those who strongly disagreed are 13 percent (28) that composed of 14 percent (26) and 7 percent (2) employees and managers respectively. The remaining are with no opinion respondents 12 percent (25) that include 11 percent (21) and 14 percent (4) employees and managers correspondingly. This indicate that those disagreed and gave no opinion response about the provision of sufficient training are 49 [disagreed 37 percent and no opinion 12 percent] implies sufficient training was not provided to employees.

In the same Table items 2.1 and 2.2 request for employees' attitude towards managers and managers' attitude towards employees related to their consideration PM as a controlling mechanism. The employee respondents 60 percent (111) strongly/mildly agreed that managers recognize PM is a controlling mechanism where as manager respondents 68 percent (19) mildly/strongly disagreed that employees do not consider PM as a controlling mechanism.

The last question in this Table 3.8 item three is about PM is more of developmental oriented rather than rewarding. In this case a 67 percent (142) of the majority of respondents' mildly/strongly agreed that it is developmental oriented than reward driven.

### **3.2.4 RATING ASPECTS OF PERFORMANCE MANAGEMENT**

Related to rating aspects of PM based on (Table 3.9 item one) respondents who gave their opinions for the survey question of continuous assessment, coaching and follow up helps to enhance employees' efficiency. On this question, those mildly/strongly agreed are 73 percent (156). Among these who strongly agreed are 32 percent (68) that composed 33 percent (61) employees and 25 percent (7) managers, and who mildly agreed are 41 percent (88) that includes 40 percent (74) employees and 50 percent (14) managers. Those who mildly/strongly disagreed respondents are totally 16 percent (34) out of which those who mildly disagreed are 12 percent (25) employees and 7 percent (2) managers, and those who strongly disagree are 4 percent (9) that include 4 percent (7) and 7 percent (2) employees and managers respectively. Those abstainers are 11 percent (23) who composed 11 percent (20) employees and 11 percent (3) managers.

**Table 3. 9 Rating Aspects of Performance Management**

Items	Survey quotations	Responses									
		Strongly Agree		Mildly Agree		No Opinion		Mildly Disagree		Strongly Disagree	
		No	%	No	%	No	%	No	%	No	%
1	Continues assessment, coaching and follow-up help to enhance each employee's performance efficiency improvement.										
	Managers	7	25	14	50	3	11	2	7	2	7
	Employees	61	33	74	40	20	11	23	12	7	4
	Total	68	32	88	41	23	11	25	12	9	4
2	The performance appraisal system of EIC is measure more of behavioral aspect than employees' achievements.										
	Managers	9	32	11	39	3	11	5	18	0	0
	Employees	69	37	51	28	29	16	17	9	19	10
	Total	78	37	62	29	32	15	22	10	19	9
3.1	Employees are well understood and implement the performance appraisal within the framework of performance management as a summary of a continuous discussion between managers and employees about employees' performance.										
	Managers	1	4	13	46	4	14	6	22	4	14
	Employees	-	-	-	-	-	-	-	-	-	-
	Total	1	4	13	46	4	14	6	22	4	14
3.2	Managers are well understood and implement the performance appraisal within the framework of performance management as a summary of a continuous discussion between managers and employees about employees' performance.										
	Managers	-	-	-	-	-	-	-	-	-	-
	Employees	14	8	47	25	59	32	35	19	30	16
	Total	14	8	47	25	59	32	35	19	30	16
4	Formal and periodical performance evaluation is more effective than informal day-to-day feedback and coaching.										
	Managers	0	0	3	11	4	14	14	50	7	25
	Employees	48	26	67	36	30	16	27	15	13	7
	Total	48	23	70	33	34	16	41	19	20	9

The next inquiry (in the same Table 3.9 item two) is related to the performance appraisal system of EIC which measures more of behavioral aspects than achievements.

Accordingly, therefore, respondents who mildly/strongly agreed are 66 percent (140) out of which strongly agreed are 37 percent (78) that includes 37 percent (69) and 32 percent (9) employees and managers respectively, and those who mildly agree includes 29 percent (62) that compose 28 percent (51) employees and 39 percent (11) managers.

Where as those respondents who mildly/strongly disagree are totally 19 percent (41).

Among these who mildly disagree are 10 percent (22) that include 9 percent (17) and 18 percent (5) employees and managers correspondingly. The remaining are those who have no-opinion respondents who are 15 percent (32) that composed of 16 percent (29) employees and 11 percent (3) managers.

Table 3.9 (items 3.1 and 3.2) present slightly different survey question in related to the implementation of performance management by employees and managers. In item 3.1, the managers' responses indicate that employees have well understood and implement the performance appraisal on the framework of PM system. For this, those who mildly/strongly agree managers are 50 percent (14) out of those who strongly agree are 4 percent (1) moreover, who mildly agree are 46 percent (3) managers; and those who gave no opinion are 14 percent (4). The disagree respondents are 36 percent (10) that includes mildly disagree 22 percent (6) and strongly disagree are 14 percent (4) managers.

In item 3.2 of the same Table 3.9 employees are asked whether managers are understand and implement the performance appraisal within the framework of PM. The employee respondents totally agree 33 percent (61) that includes those strongly agree 8 percent (14) and mildly agree 25 percent (47); and those who have no-opinion are 32 percent (59) employees. Those who disagree are 35 percent (65) out of which who mildly disagree are 19 percent (35) and those strongly disagree are 16 percent (30).

The last question is about rating PM system which (Table 3.9 item four) is about the effectiveness of formal evaluation than the informal one. To this those who mildly/strongly agree are 56 percent (118) out of which those who strongly agree are 26 percent (48) employees and non-managers, and those mildly agree are 33 percent (70) respondents who composed 36 percent (67) employees and 11 percent (3) managers. Those who mildly/strongly disagree are 28 percent (61) out of which those mildly disagree are 19 percent (41) who composed employees 15 percent (27) employees and 50 percent (14) managers; and those who strongly disagree are 9 percent (20) respondents that include 7 percent (13) employees and 25 percent (7) managers. The rest are those who have no opinion 16 percent (34) that includes 16 percent (30) and 14 percent (4) employees and managers respectively.

### 3.2.5 REWARDING ASPECTS OF PERFORMANCE MANAGEMENT

The tabulating data in Table 3.10 and 3.11 analyze the rewarding process of performance management implementation in the Ethiopian Insurance Corporation.

Table 3.10 concerns about pay, bonus, and promotion decisions being practiced on performance review results. Therefore the strongly/mildly agreeing respondents are 25 percent (54), among these who strongly agree 15 percent (32) that composed of 13 percent (25) and 25 percent (7) employees and managers respectively and those who mildly agree respondents are 10 percent (22) that include 6 percent (11) employees and 11 percent (25) managers. While those majority respondents mildly/strongly disagree are 62 percent (132) between those mildly disagree are 26 percent (56) who composed 27 percent (50) employees and 22 percent (6) managers. Those strongly disagree with the idea are 36 percent (76) which consists 40 percent (74) employees and 7 percent (2) managers. The remaining are those who have no opinion respondents are 13 percent (28) who composed of 14 percent (25) employees and 11 percent (3) managers.

**Table 3.10 Rewarding of Performance Management on the Base of Pay, Bonus and Promotion**

Item	Survey questions	Responses									
		Strongly Agree		Mildly Agree		No Opinion		Mildly Disagree		Strongly Disagree	
		No	%	No	%	No	%	No	%	No	%
1	In EIC pay, bonus and promotion decision are practiced based on performance review result										
	Managers	7	25	11	39	2	7	6	22	2	7
	Employees	25	13	11	6	25	14	50	27	74	40
	Total	32	15	22	10	27	13	56	26	76	36

As shown in the next Table 3.11 (item one) the responses are given on the management decisions related to the outstanding performer employees.

Among the alternative responses 'attained training and development for promotion purpose' respondents are 21 percent (45) in total out of which employees' number 22

percent (40) and managers 18 percent (5). Those who replied 'receive pay rise' are 10 percent (21) that include 4 percent (8) and 46 percent (13) employees and managers respectively. 38 percent (81) believed that the management action is 'giving recognition and appreciation'. Among these respondents are 40 percent (74) employees and 25 percent (7) managers. The rest 31 percent (66) mentioned some other various responses, which include 34 percent (63) employees and 11 percent (3) managers.

**Table 3.11 Rewarding Aspects of Performance Management**

Items	Survey Questions	Managers		Employees		Total	
		No	%	No	%	No	%
1	What actions the management has taken for outstanding performer employees in EIC?						
	Attained trainings and development for promotion	5	18	40	22	45	21
	Receive pay rise	13	46	8	4	21	10
	Recognition and appreciation	7	25	74	40	81	38
	Others actions i.e. special tour program, additional benefits...	3	11	63	34	66	31
	Total	28	100	185	100	213	100
2	What action management also carried out for below average performer employees?						
	Attained training	11	39	62	33	73	34
	Intensive coaching and follow-up	9	32	26	14	35	16
	Down grading	5	18	17	9	22	10
	Discharging	2	7	18	10	20	9
	Other actions i.e. consulting, transfer to another job	1	4	62	34	63	30
	Total	28	100	185	100	213	100

In the same Table 3.11 (item two) raise about what actions management need to take against those who are below average performer employees. Those who said 'attained training & development' are 34 percent (73) [among these 33 percent (62) are employees and 39 percent (11) managers]. Those respondents who said 'intensive coaching and follow up' are 16 percent (35) and that include 14 percent (26) and 32 percent (9) employees and managers respectively. The others 10 percent (22) said 'down grading' is the action taken are 9 percent (17) 18 percent (5) employees and managers respectively. Those who said 'discharging' are 9 percent (20) which composed of 10 percent (18)

employees and 7 percent (2) managers. The remaining whom mentioned different other actions i.e. advising, transfer to other job, etc. opinions are 30 percent (63) respondents that included 34 percent (62) and 4 percent (1) employees and manager respectively.

### **3.3 COMMITMENT TO IMPLEMENT PERFORMANCE MANAGEMENT FOR ATTAINING EFFICIENCY**

#### **3.3.1 COMMITMENT TO IMPLEMENT PERFORMANCE MANAGEMENT**

In order to implement the performance management system managers at each level should have strong commitment and create facilities for employees' commitment as well.

Related to this, as shown in the Table 3.12 (item one) those respondents who disagreed to the opinion of 'performance management is a concern of human resource department not of individual line managers' are 59 percent (125) and among these who strongly disagreed 28 percent (59) that include 26 percent (48) and 39 percent (11) employees and managers respectively, and those who mildly disagreed the opinion are 31 percent (66) who composed of 31 percent (57) employees and 32 percent (9) managers. On the other hand, those mildly/strongly agreed to the opinion are 19 percent (41). Among these who strongly agreed are 9 percent (20) respondents that composed of 10 percent (19) employees and 4 percent (1) manager and those mildly agreed are 10 percent (21) that include 9 percent (17) employees and 14 percent (4) managers. The rest those who have no opinion are 22 percent (47) that include 24 percent (44) and 11 percent (3) employees and managers respectively. Thus as a whole 59 percent of the total employees, majority of respondents disagreed to the statement.

Table 3.12 (item 2.1 and 2.2) analyzes about the employees attitude to managers commitment and the managers attitude to the employees commitment to implement PM.

#### **No 3.12. Commitment of Managers and Employees to Implement PM.**

Items	Survey Questions	Responses									
		Strongly Agree		Mildly Agree		No Opinion		Mildly Disagree		Strongly Disagree	
		No.	%	No.	%	No.	%	No.	%	No.	%

1	Performance management is generally a concern of Human Resource department, not line managers.										
	Managers	1	4	4	14	3	11	9	32	11	39
	Employees	19	10	17	9	44	24	57	31	48	26
	Total	20	9	21	10	47	22	66	31	59	28
2.1	The management of EIC is giving strong support and commitment to employees for the implementation of the performance management system in the corporation.										
	Managers	-	-	-	-	-	-	-	-	-	-
	Employees	44	25	67	36	17	9	21	11	36	19
	Total	44	25	67	36	17	9	21	11	36	19
2.2	Employees are giving strong support and commitment to managers for implementation of the performance management system in the corporation										
	Managers	2	7	14	50	4	14	3	11	5	18
	Employees	-	-	-	-	-	-	-	-	-	-
	Total	2	7	14	50	4	14	3	11	5	18
3	Performance management is successful in EIC because it is part of an integrated approach of the management of the people										
	Managers	2	7	13	46	7	25	1	4	5	18
	Employees	16	9	53	29	62	34	28	15	26	14
	Total	18	8	66	31	69	32	29	14	31	15
4	The bureaucratic aspect of performance management is tedious in the EIC										
	Managers	2	7	3	11	5	18	14	50	4	14
	Employees	24	13	36	19	74	40	30	16	21	12
	Total	26	12	39	18	79	37	44	21	25	12

In item 2.1 the employees respondents attitude towards management commitment shows the total agreement of 61 percent (111) that composed of 25 percent (44) and 36 percent (67) who 'strongly agree' and 'mildly agree' respectively. Where as those totally 'disagree' are, 30 percent (57) that include 'mildly disagree' are 11 percent (21) and 'strongly disagree' 19 percent (36). The rest 9 percent (17) are those respondents who have no-

opinion. On the other hand in item 2.2, the attitude of managers towards employees commitment of PM shows 57 percent (16) managers agree out of which who 'strongly agree' are 7 percent (2) and 'mildly agree' are 50 percent (14); and those managers who mildly/strongly disagree are 29 percent (8) that include 11 percent (3) 'mildly disagree' and 18 percent (5) are 'strongly disagree' 14 percent (4) managers have no opinion.

With regard to item three question of Table 3.12 which is about the integrity of PM in EIC. On this issue, those totally agree respondents are 39 percent (84) and among these that strongly agree are 8 percent (18) that include 9 percent (16) and 7 percent (2) employees and managers correspondingly; and those mildly agree include 31 percent (66) out of which 29 percent (53) employees and 46 percent (13) managers. On the other side, those who totally disagree with the opinion are 29 percent (60) and among these those mildly disagree are 14 percent (29) that include 15 percent (28) employees and 4 percent (1) manager; and 15 percent (31) respondents are strongly disagree out of which 14 percent (26) and 18 percent (5) employees and managers respectively. Others, those who have no opinion, are 32 percent (69) that include 33 percent (62) and 25 percent (7) employees and managers respectively.

Related to the bureaucratic aspect of tediousness of PM question the responses given in the same Table item four consists of those respondents who have no opinion and they are 37 percent (79) that includes 40 percent (74) employees and 18 percent (5) managers. However, those totally disagree respondents are 33 percent (69) among whom mildly disagreed are 21 percent (44) that composed of 16 percent (30) and 50 percent (14) employees and managers respectively. Further more those who strongly disagree are 12 percent (25) who composed of 12 percent (21) employees and 14 percent (4) managers.

### **3.3.2 THE EFFECT PERFORMANCE MANAGEMENT ON EFFICIENCY**

Various indicators could measure the improvement of performance efficiency. The Open University Business School of Masters of Business Administration (MBA) program (1913: 3) suggests that efficiency is the focus of performance measurement in relationship between inputs and outputs that can be expressed in a ratio. Some of the

indicators of performance efficiency include:

- Financial indicators: such as return on capital invested, assets utilization and net gains
- Human resource indicators: such as less labor turnover, reward system
- Customer satisfaction, and
- Process facilitation, etc.

The proper implementation of PM has its own indicators especially related to employees' efficiency. With this understanding the following responses were obtained through survey questions.

As shown in Table 3.13 item one, which is related to the motive behind performance management vis-à-vis employees' efficiency for the question suggested that the EIC's motive is not only doing the right things, but also doing things in the right way. The majority of respondents 64 percent (136) strongly/ mildly agree to the opinion. Among those strongly agreed are 33 percent (70) that include 32 percent (60) employees and 36 percent (10) managers; and those mildly agreed are 31 percent (66) who composed of 29 percent (54) employees and 43 percent (12) managers. Those mildly/strongly disagreed respondents are 12 percent (26) among who mildly disagree are 8 percent (17) that include 9 percent (16) employees and 3 percent (1) manager; and those who strongly disagreed are 4 percent (9) who compose of 4 percent (7) employees and 7 percent (2) managers. The rest of the respondents 24 percent (51) are those who have-no opinion and that include 26 percent (48) and 11 percent (3) employees and managers correspondingly.

Item two of the same Table, is touch upon the contribution of PM implementation for the effectiveness and efficiency of employees. To this, 68 percent (145) respondents' mildly/strongly agreed. Among those who strongly agreed are 38 percent (80) that composed 36 percent (66) and 50 percent (14) employees and managers respectively; and those mildly agreed are 30 percent (65) that consist of 31 percent (58) employees and 25 percent (7) managers. Those respondents who gave no opinion consist of 21 percent (44) that include 21 percent (39) employees. Where as 11 percent (24) respondents are mildly/strongly disagreed to the same issue, which consists of those mildly disagreed are

6 percent (13) that composed of 7 percent (12) employees and 3 percent (1) manager. Those who strongly disagree are 5 percent (11) that include 5 percent (10) employees and 3 percent (1) manager.

**Table 3.13 Implementation of Performance Management for Attaining Efficiency**

Item	Survey questions	Responses									
		Strongly Agree		Mildly Agree		No Opinion		Mildly Disagree		Strongly Disagree	
		No	%	No	%	No	%	No	%	No	%
1	Our motive is not only doing the right things but also doing things in the right way.										
	Managers	10	36	12	43	3	11	1	3	2	7
	Employees	60	32	54	29	48	26	16	9	7	4
	Total	70	33	66	31	51	24	17	8	9	4
2	The implementation of performance management contributes more to the effectiveness and efficiency of employees in the organization.										
	Managers	14	50	7	25	5	19	1	3	1	3
	Employees	66	36	58	31	39	21	12	7	10	5
	Total	80	38	65	30	44	21	13	6	11	5
3	Customers are satisfied with the Corporation, because of our timely and quality service.										
	Managers	1	3	17	61	3	11	4	14	3	11
	Employees	65	35	63	34	25	13	18	10	14	8
	Total	66	31	80	38	28	13	22	10	17	8
4	The conducting of performance appraisal, its review, feedback and reward practice enhance employees' efficiency.										
	Managers	1	3	14	50	3	11	7	25	3	11
	Employees	13	7	32	17	32	17	57	31	51	28
	Total	14	7	46	22	35	16	64	30	54	25
5	Cost effectiveness, quality and timeliness are the basic standards to evaluate employees' performance in EIC.										
	Managers	4	14	5	17	2	7	11	40	6	21
	Employees	20	11	25	14	27	15	42	23	71	37
	Total	24	11	30	14	29	14	53	25	77	36

As indicated in Table 3.13 item three the majority of respondents who mildly/strongly agreed to the question that 'customers are satisfied with the corporation because of timely and quality service, those mildly/strongly agreed are 69 percent (146) that consists of those strongly agree 31 percent (66) who compose of 35 percent (65) employees and 3

percent (1) manager; and those mildly agree are 38 percent (80) that include 34 percent (63) and 61 percent (17) employees and managers respectively. On the other hand 18 percent (39) respondents mildly/strongly disagree, among those who mildly disagree are 10 percent (22) that include 10 percent (18) employees and 14 percent (4) managers; and those who strongly disagree are 8 percent (17) that consists 8 percent (14) and 11 percent (3) employees and managers respectively. The rest of the respondents 13 percent (28) are expressed no opinion.

Item four of Table 3.13, is about conducting performance appraisal, review, feedback and reward practice contribution to employees' efficiency. To this those mildly/strongly agree respondents are 29 percent (60) among those strongly agree are 7 percent (14) that include 7 percent (13) are employees and 3 percent (1) manager, and those mildly agree are 22 percent (46) that compose 17 percent (32) and 50 percent (14) employees and managers respectively. Those mildly/strongly disagreed are 55 percent (118) respondents. Among those who mildly disagreed are 30 percent (64) that consist 31 percent (57) employees and 25 percent (7) managers; and those strongly disagreed are 25 percent (54) that include 28 percent (51) and 11 percent (3) employees and managers respectively. The remaining respondents who have no-opinion are 16 percent (35) among these come 17 percent (32) and 11 percent (3) are employees and managers respectively.

The last issue (Table 3.13 items five) is about 'cost effectiveness, quality and timelines as the basic standard to evaluate employees' performance in the corporation.' On this question the majority of the respondents, 61 percent (130) mildly/strongly disagreed. Among these who strongly disagreed are 36 percent (77) that include employees 37 percent (71) and managers 21 percent (6) and those mildly disagreed 25 percent (53) that include 23 percent (42) and 40 percent (11) are employees and managers respectively. Those who have no opinion are 14 percent (29) respondents that composed employees and managers are 15 percent (27) and 7 percent (2) accordingly. Where as those who mildly/strongly agree are 25 percent (54), out of which those who strongly agree are 11 percent (24), which composed 11 percent (20) employees and 14 percent (4) managers. Those mildly agree are 14 percent (30) respondents, which also composed 14 percent

(27) employees and 17 percent (5) managers.

According to the information obtained in Table 3.14 on the question about the contribution of performance management system to the success of the corporation, only 19 percent of the respondents believed that it is above 80 percent among them are 22 percent (40) employees and 4 percent (1) manager, and those who believed that the contribution is (60 – 79) percent are totally 35 percent respondents that consist of 33 percent (62) employees and 43 percent (12) managers, and 31 percent (66) respondents believe that the contribution is (40 – 59) percent and out of them 29 percent (53) and 46 percent (13) are employees and manager respectively.

**Table 3.14 Implementation of Performance Management and its Effect on Efficiency.**

Items	Survey Questions	Managers		Employees		Total	
		No.	%	No.	%	No.	%
	To what extent do you believe that the implementation of performance management system contributes to the success of EIC?						
	Below 19 percent	-	-	-	-	-	-
	20 – 39 percent	2	7	30	16	32	15
	40 – 59 percent	13	46	53	29	66	31
	60 – 79 percent	12	43	62	33	74	35
	Above 80 percent	1	4	40	22	41	19
	Total	28	100	185	100	213	100

The rest 15 percent (32) are those who believe that PM contribution for the success of EIC is between (20 – 39) percent and they include 16 percent (30) employees and 7 percent (2) managers.

## **CHAPTER FOUR**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

In this Chapter, the summary of the whole research is made, conclusions are drawn from

major findings with recommendations to tackle the problems are forwarded.

#### **4.1. SUMMARY**

The objectives of this research were to identify whether the employees' performance management has been properly implemented or not. The research also tried to find out its contribution to the success of Ethiopian Insurance Corporation (EIC) in rendering services to its customers and to assess the major achievements obtained and the challenges encountered in the process of implementation to suggest possible solutions or alternatives for further consideration of the organization under study.

To achieve the objectives of the research and to address the basic research questions, data were collected through carefully structured questionnaires. These questionnaires were for both employees and managers and were administered among the staff at the head office and sampled branches. The purpose was to assess the respondents' attitudes towards the implementation of performance management in EIC and its effects on efficiency. The collected data were analyzed and interpreted using appropriate statistical techniques. In addition, relevant available documents from the head office and respected branches were sought and studied to triangulate and substantiate the findings. Based on the analysis made, the summary of the findings is organized as follows.

##### **4.1.1 RESPONDENTS' PROFILE**

- a.** The combined majority [46 percent and 29 percent] of the respondents belong to the age group of 26 to 45 [(26 – 35) and (36 – 45) respectively]. This indicates that most of the respondents were matured and experienced men and women fully grown up enough capable of understanding the questions asked and aware of the possible consequences their responses might have on the validity and reliability of the findings of the intended study.
  
- b.** Out of the total 1161 staff of the Corporation 657(57%) are males and 504(43%) are females. Based on this proportion, among the total 213(20%) respondents, males are 130(61%) and females are 83(39%). This also shows there is

proportional representation of both gender.

- c. Majority of the respondents (83 percent) are Diploma, Degree and above holders. This also indicates that the academic and professional background of the respondents minimize the possibility of higher degree of misunderstanding of the questions asked and thereof the reliability and validity of their responses to individual questions.
- d. Of the total sample population, 63 percent of the respondents were working in the head office while 37 percent respondents were working in the respective sample branches. The representations of personals from both structural levels have been believed to maximize the degree of inclusion and participation of staff at different positions and capabilities.
- e. About a two-third majority (65 percent) of the respondents have more than ten years of work experience in the EIC and therefore, responses they gave reflect their intimate knowledge on the policies and practices the organization exercised over years as well as the assumptions and opinion the respondents hold about the merits and drawbacks of those practices
- f. The sample population participated in the study comprises of personnel from all job types and grades (I-XIV) and from all job categories. These include people working as custodial (non-written), technical, secretarial, and supportive operational professional (managerial) tasks. This shows the representative character of the respondents which is universal in nature. It is hoped that the representation of respondents from diverse job types and different responsibilities help the study become more inclusive in social-base and enable to draw more comprehensive generalizations that reflect the opinions, assumptions, aspirations, and hopes of the different classes and social classes in the organization under study

#### **4.1.2 PLANNING ASPECTS OF PERFORMANCE MANAGEMENT**

- a. In the corporation's strategic planning and preparation process a substantial number of employees (35 percent), responses are 'no opinion' and 'mildly/strongly disagree'. In addition, out of the total respondents 46 percent [26 percent disagreed and 20 percent no opinion] believed that the corporation strategic plan is not properly cascaded to each division, unit and individual employees' performance level. This implies that in the strategic planning preparation and performance plan setting process the contribution the employees have made was insignificant for there was little effort made to make the process participatory. It is expected that lack of and/or less degree of employees participation would affect the success of the new instrument and/or create unanticipated challenges for the managers to achieve their goal towards improving the performance of employees.
- b. Concerning the level of result focused ness, measurability, attainability and time bounded ness of the employees' individual performance plan, 40 percent of the respondents replied that he/she 'mildly/strongly disagree', while another 19 percent fail in to the 'no-opinion' group. On top of this, in relation to question about employees' participation in individual performance standard settings, 19 percent of the respondents had no opinion. This suggests that the management needs to make major efforts towards forging a mechanism that allow the involvement and participation of employees in performance standard settings so that they contribute to organizations' goal achievements.
- c. Regarding to the proposition of 'employees being less interested to participate in the planning process' 61 percent of managers mildly/strongly disagreed, where as the majority of employees respondents (61 percent) mildly/strongly agreed that the corporation management is less interested to involve employees in the planning process. Of the 42 percent respondents mildly/strongly disagreed and 25 percent gave no opinion on managements' and employees' agreement on performance plan criteria. This implies that the willingness of management to involve employees in the in the planning process is not adequate.

#### **4.1.3. MONITORING ASPECTS OF PERFORMANCE MANAGEMENT**

- a.** Related to the working process of the corporation that facilitates smooth implementation and monitoring 34 percent respondents had no opinion and those who replied mildly/strongly agreed were 43 percent. Moreover, a significant majority of those who mildly/strongly agreed spoke about 'PM used as a tool to change the culture of the Corporation'. This indicates that relatively there exists better monitoring aspects of PM system and it also requires further improvement.
- b.** In order to know what is expected from managers and employees attitudes towards each other the majority of the respondents have positive attitudes towards the others. That is 58 percent employees and 71 percent managers, in addition to this about the opportunity created by PM system for the employees and managers to learn from their success challenges and problems in their day-to-day activities, the majority of both group respondents of managers 67 percent and employees 57 percent responses supported each other. This shows that in this case there is mutual understanding between the employees and management of EIC.
- c.** The 60 percent responses given about managers at all levels conducting continuous observation, supervision, and measurement to improve performance were: 34 percent no-opinion and 26 percent mildly/strongly disagree. Thus, the findings indicate that the management of the corporation is expected to improve the informal monitoring aspects of performance management in the corporation.

#### **4.1.4 DEVELOPMENT AND TRAINING FOR PERFORMANCE MANAGEMENT**

- a.** Majority of the respondents' [81 percent] claim that they come to know about the corporations' vision, mission and strategic planning through their respective supervisors, in workshop notices and through other means. This

implies that the training and development aspects of performance management to create awareness and involvement among employees for setting vision and mission of the corporation were not taken care of well.

- b.** The majority of the employee respondents say ' the government regulation' and the majority management respondents reply 'top management' are the driving forces to initiate the implementation of PM. This also indicates that there is lack of common understanding on why and how things happen in the Corporation.
- c.** On the question related to access to provision of sufficient training and development to employees that enable them to implement PM most of the management respondents (68 percent) strongly/mildly agree but 51 percent employee respondents gave 'no-opinion and mildly/strongly disagree'. This implies that either most of the employees are not well aware of the available trainings and skill development programs in performance management or only selected few have information and access to the programs.
- d.** Out of the employee respondents who strongly/mildly agree are 60 percent to the opinion that managers use PM as a controlling mechanism while 68 percent of the management respondents mildly/strongly disagree to this view of the employees. This shows that many employees view PM as a controlling mechanism rather than as an instrument helping to train and equip them through employee development to achieve their individual and collective duties.
- e.** Those 67 percent of respondents strongly/mildly agreed to proposition that of the practice of performance management is more development driven than reward driven. This shows the rewarding aspect of performance management also has to be given considerable attention.

#### **4.1.5 RATING ASPECTS OF PERFORMANCE MANAGEMENT**

- a. Concerning the existing performance measurement (appraisal) system of the corporation majority of the respondents, (66 percent) confirm that they Strongly/mildly agrees that it measures more of behavioral aspects than achievements.
- b. Asked to comment about the understanding and implementation of performance appraisal with in the formwork of performance management system, 50 percent management respondents' respond in affirmative by choosing the 'strongly/mildly agree' option. On the other hand, employees' attitude towards management on the same issue was rated 67 percent gave no opinion and disagreed the option. This shows that there is misunderstanding and/or gap about performance measurement (appraisal) between management and employees.
- c. Related to the preference between formal or informal performance evaluation systems, 55 percent of the respondents favor strongly/mildly the formal evaluation system than the informal system. A significant majority of 75 percent management-respondents mildly/strongly disagree to favor the informal day-to-day feedback coaching. For related question that asked whether continuous assessment, coaching and follow-up help to enhance the efficiency of performance of employees, 73 percent respondents' mildly/strongly agreed. This also indicates that informal evaluation and coaching are preferred to periodical and formal evaluation. This difference in opinion between management and employee respondents shows that there is gap in understanding the formal and informal performance appraisals.

#### **4.1.6 REWARDING ASPECTS OF PERFORMANCE MANAGEMENT PROCESS**

- a. The majority of (69 percent) respondents strongly/mildly agree to the question that pay, bonus and promotion decisions are taken on the basis of performance

review of achieved results.

- b.** In relation to the type of decision taken for those outstanding performer employees', 38 percent of the respondents identify 'recognition and appreciation' as appropriate form of reward, while another 30 percent mentioned some other opinions, including touring, entertainment, invitation etc. In a related question asking about recommended corrective action to be taken by the management on those below average performer employees, 34 percent respondents, suggest that the concerned employees shall 'attained training and development', while another 30 percent of respondents indicate other means such as transfer to other job, counseling, etc . This may implies that there were no in place the relevant organizational policies and mechanisms related to proper, fair, consistent and legitimate measures for rewarding outstanding employees and correcting below average performer employees.

#### **4.1.7 COMMITMENT TO IMPLEMENT PERFORMANCE MANAGEMENT**

- a.** The majority of the respondents (59 percents) mildly/strongly disagree that PM is the only concern of HRM of EIC than of the line managers in each unit. This indicates that there is a good existing management commitment in each line management division to implement performance management.
- b.** Regarding support and commitment to implement PM in the corporation the attitude of employees and management respondents towards one another, 61 percent of employees respondents strongly/mildly agree on the support and commitment of managers to employees. Nevertheless, 57 percent management respondents also recognized the employees' support and commitment to the implementation of PM in the corporation. This mutually supportive attitude and commitment of management and employees has to be strengthened further.
- c.** About the tedious bureaucratic aspect of PM in the corporation, 37 percent of respondents gave no opinion, 33 percent mildly/strongly disagreed and 30 percent

- strongly/mildly agreed. This also indicates that in aggregate the respondents replied in affirmative are the majority; i.e., the no-opinion respondents plus the
- d.** strongly/mildly agree 67 percent respondents, which in turn, implies that the bureaucratic aspect of PM is tedious in the corporation and need to be improved.

#### **4.1.8 PERFORMANCE MANAGEMENT AND ITS EFFECT ON EFFICIENCY**

- a.** Most of the respondents (64 percent) mildly/strongly agree not only doing the right things, but also doing things the right way. A majority 68 percent respondent believe that the implementation of performance management contributes to the effectiveness and efficiency of employees. In addition, about the customer attitude to the EIC most of the respondents (69 percent) said that customers are satisfied by timely and quality service they obtained from the corporation. This implies that in most of the cases implementation of performance management system is supported by management and employees in the corporation.
- b.** From the information that we collected on the contribution of feedback and reward practices to efficiency the respondents (55 percent) mildly/strongly disagree. To the cost effectiveness, quality and timeliness used to measure employees' efficiency the majority of the respondents (61 percent) mildly/strongly disagree. This means that the performance is measured by behavior, rather than achievement criteria.

#### **4.2. CONCLUSIONS**

In the preceding section, the main findings of the study have been summarized in line with objectives of study. Based on the findings the following conclusions are drawn:

- 1.** There is a well thought out organizational goals and objectives and strategic plan but in the preparation process of the strategic plan of the corporation the involvement of employees was not sufficient.
- 2.** The strategic plan of the corporation cascades all units, teams and employees. Most of the employees do not participate in preparing their performance plan,

and managers and employees do not agree with each other on performance plan criteria. This hinders the employees' from making contributing as much as they could towards the achievement of the goals of the corporation.

- 3.** Observations drawn from the information gathered by the study indicates that the performance plan of individual employees do not meet the characteristics required from well stated objectives; i.e., specificity, measurability, attainability, reliability and time-bounded ness. This in turn implies towards the absence of tangible result focused standard plan that help measure the level of employees' achievement against the intended outcomes of the corporation.
- 4.** Regarding monitoring aspects of performance review and feedback, the employees at all levels do not perform their duties i.e. to improve the performance feedback, informal and formal, is not given to employees.
- 5.** The findings of present study show the absence of strong awareness creation program about the preparation of the vision, mission, and objectives of the corporation. As a result, therefore most of the employees and even few managers do not know who initiate the implementation of performance management in the organization. This implies that the management does not provide sufficient training and development to the staffs on this issue.
- 6.** The majority of the employees [60 percent] consider performance management as a controlling mechanism. Provision of sufficient, timely, and continuous awareness creation and skill development trainings is also inadequate in the corporation.
- 7.** It is learned that the existing performance appraisal practice is more of behavior oriented than achievement oriented. In addition, the periodical rating formats of the corporation seems not to encourage subordinates' express their opinion or comment about the fairness of the practice as it does not provide a space for writing the subjects' reaction (see appendix-V).

- 8.** The findings also pointed out that rules and policies related to the management action for/against outstanding and below average performer employees lacks clarity and consistency. This leads to the managers' personal bias in rewards and punishments.
- 9.** The rewarding of pay, bonus and promotion in the corporation is also practiced based not on good performance review and results. This discourages those employees who perform their tasks appropriately and achieve their expected results.
- 10.** The findings show that both the managers and employees are not committed to the implementation of performance management system at their best. This implies the management has not taken the necessary initiation to increase the level of each individual personals commitment to discharge his/her duties at his/her best
- 11.** The existing practiced performance appraisal system of the corporation is more of behavioral than result oriented. This, to some extent, hinders not only the employees but also management members' efficiency.
- 12.** In the three years strategic plan (2007-2009) the corporation management identified as one of the EIC's major problems is 'lack of performance of human resource management to meet the organizational goal' (EIC Strategic Plan 2006: 68). To solve this problem a bundle of solutions listed in the same Strategic Plan. Nevertheless, most of this plan in related to the remaining implementation time schedule, is not yet implemented according to the given time schedule.

## **4.2 RECOMMENDATIONS**

In this section of the thesis study, some recommendation that will help decision makers reconsider past shortcomings and undertake corrective measures for the success of future accomplishments on the basis of research findings and conclusion is drawn. Based on research findings, some recommendation that may help decision makers reconsider past shortcomings and undertake corrective measures are forwarded below. It is also hoped that the recommendations suggested below may help reconsidering and improving the employees' performance management practices in Ethiopian Insurance Corporation (EIC).

- In the process of setting vision, mission and strategic plan of the corporation employees need to be given opportunities to participate in different activities
- The performance plan of each division, unit and individual employee has to cascade down from the strategic plan of the corporation
- At the time of planning of the performance standards and its criteria each employee has to participate in discussions and the standards be determined by common understanding between the employees and managers.
- According to the three years strategic plan of the corporation time schedule, management is expected to implement the given solutions for the problem of performance of human resource management
- The conduces performance measurement (appraisal) of all staff in the corporation has to be more result oriented than behavioral. For this, the corporation management has to expedite the ongoing designing process of Business Process Re-engineering (BPR) and its implementation.
- In order to maximize the effectiveness and efficiency of performance management creating awareness and influencing the EIC staff at large are indispensable. For this, the corporation management has to commission various trainings and skill development programs to upgrade the work skill and competence of employees at different levels.

- The existing performance measurement (appraisal) system of the corporation need to be improved by way of providing writing space in the format which employees' could express their suggestions and/commenting on the fairness of their personal appraisal ; and
- The management should design clear, fair, consistent and legitimate policies and rules of rewarding high performers and taking actions against below average performers.

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## LISTS' OF APPENDICES

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**APPENDIX II**

Addis Ababa University

School of Graduate studies

Faculty of Business and Economics

Department of Public Administration and Development Management

Questionnaires on Human Resource Performance Management system related to the Ethiopian Insurance Corporation (EIC).

To: The Ethiopian Insurance Corporation *management members*.

**Dear Respondent;**

The purpose of this survey questionnaire is to collect qualitative primary data for a research to be undertaken with the topic: ***THE EFFECT OF HUMAN RESOURCE PERFORMANCE MANAGEMENT ON EFFICIENCY: THE CASE OF ETHIOPIAN INSURANCE CORPORATION (EIC)***. This research is carried out as the partial fulfillment of the Masters degree in Public Administration in Addis Ababa University, Faculty of Business and Economics.

Even though the purpose of the research is purely academic, the researcher believes that the findings will be an input in identifying the pros and cons of the system so that the management of EIC and other organizations will use it as a reference. It will also be noted that the possible solutions and directions will be highlighted for the successful implementation of the system. All information provided by you for the intended use shall be kept strictly confidential.

Hence, I hope that your genuine, reliable and timely response will be a base to make the research an outstanding. You are kindly requested to give your honest and frank opinion to this questionnaire.

The researcher extends his gratitudes in advance.

THANK YOU

Sincerely!  
Manalegne Ferede  
(The researcher)



PART TWO- SURVEY QUESTIONS IN RELATION TO PERFORMANCE  
MANAGEMENT

**A. PLANNING ASPECTS OF PERFORMANCE MANAGEMENT**

The following section seeks to identify the level of management commitment to facilitate the participation of employees in setting strategic planning, departmental and individual performance planning and standards.

**PLEASE INDICATE THE APPROPRIATE NUMBERS THAT MOST EXPLAIN YOUR**

**FEELINGS IN THE FOLLOWING STATEMENTS APPLICABLE TO YOUR ORGNIZATION, AND PLEASE TICK (✓ ) MARK IN THE SPACE PROVIDED:**

- 1 - Strongly agree;            3- No opinion;            4 - Mildly disagree;  
2 - Mildly agree;              5 - Strongly disagree;

SN	Survey Questions	1	2	3	4	5
1	Well thought out organizational goals and objectives are developed and associated with organizational achievements in terms of units of performance.					
2	There is a well-prepared strategic plan, with the involvement of employees.					
3	The EIC strategic plan cascades to each department, unit and each employee performance levels.					
4	The performance plan of each employee is specific, measurable, attainable, realistic and time framed (SMART).					
5	Each employee participates in his/her individual performance standard settings.					

6	It is checked in the performance plan whether the content of individuals' or teams' result contribute to the organizational goals.					
7	Our motive is not only doing the right things, but also doing things in the right way.					
8	Most employees are less interested to participate in the organization planning process.					
9	Managers and employees are agreeing on the performance plan and on the criteria for determining weather, performance is good or not.					
10	The work process of the Corporation allows smooth implementation and monitoring of performance management system.					

11. If you know the vision, mission and strategic planning of EIC, how do you come to know?

- a) Through participation in the formulation process
- b) Through workshop notices
- c) Heard about it from supervisors
- d) If through other means (please mention) \_\_\_\_\_

\_\_\_\_\_

12. Who do you think initiate and develop the implimentation of performance management in the Corporation?

- a) Because of government regulation.
- b) Top management initiative.
- c) Realized needs with the institution.
- d) If any other please spexcify\_\_\_\_\_

\_\_\_\_\_

**B. IMPLEMENTATION ASPECTS OF PERFORMANCE MANAGEMENT**

The following section seeks to identify the practicality of performance management development, training, monitoring and related aspects.

***PLEASE INDICATE THE APPROPRIATE NUMBERS THAT MOST EXPLAIN YOUR FEELINGS IN THE FOLLOWING STATEMENTS THAT APPLICABLE TO YOUR ORGNIZATION, AND PLEASE TICK ( ✓ ) MARK IN THE SPACE PROVIDED:***

- 1 - Strongly agree;      3- No opinion;      4 - Mildly disagree;  
 2 - Mildly agree;      5 - Strongly disagree

S.N	Survey Questions	1	2	3	4	5
13	The implementation of performance management contributes more for the effectiveness and efficiency of employees in the organization.					
14	Sufficient training and development has been provided to each level of employees which enables them to understand the benefit and implement the performance management system in EIC.					
15	Performance management is generally a concern of Human Resource Department, not individual line managers.					
16	Many employees understand performance management as a better mechanism of controlling employees rather than its basic assumptions of achieving results through employee development.					
17	Employees of EIC are giving strong support and commitment to managers for the implementation of the performance management system in the corporation.					

18	Performance management is successful in EIC, because it is part of an integrated approach of the management of the people					
19	Customers are satisfied with the corporation, because of our timely and quality service.					
20	Continous assessment, coaching and follow-up helps to enhance each employee's performance efficiency improvement.					
21	The practice of performance management is more of developmental driven than reward driven.					
22	The bureaucratic aspect of performance management is tedious in our organization.					
23	Performance management is an essential tool to change the management of organizational culture through monitoring process.					

24. To what extent do you believe that the implimentation of performance managment

system contribute to the success of EIC?

a) below 19 percent

d) 60-79 percent

b) 10-39 percent

e) above 80 percent

c) 40-59 percent

### C. PERFORMANCE MEASURMENT ASPECTS

The following section seeks to identify the performance appraisal, feedback review and rewarding aspects of performance management.

***PLEASE INDICATE THE APPROPRIATE NUMBERS THAT MOST EXPLAIN YOUR FEELINGS IN THE FOLLOWING STATEMENTS APPLICABLE TO YOUR ORGNIZATION, AND PLEASE TICK ( ✓ ) MARK IN THE SPACE PROVIDED:***



34 What actions management carried out for the outstanding performer employee in EIC?

- a) Attained training and development program for promotion.
- b) Receive pay rise.
- c) Recognition and appreciation.
- d) If any other please specify

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35. What actions also carried out for below average performer employee EIC?

- a) Attained training.
- b) Intensive coaching and follow-up.
- c) Down grading.
- d) If any other please specify \_\_\_\_\_

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36. If you have any additional opinion, please state \_\_\_\_\_

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I THANK YOU!

**APPENDIX III**

Addis Ababa University

School of Graduate studies

Faculty of Business and Economics

Department of Public Administration and Development Management

Questionnaires on Performance Management system related to  
Ethiopian Insurance Corporation (EIC).

To: The Ethiopian Insurance Corporation *employees*.

Dear Respondent;

The purpose of this survey questionnaire is to collect qualitative primary data for a research to be undertaken with the topic: ***THE EFFECT OF HUMAN RESOURCE PERFORMANCE MANAGEMENT ON EFFICIENCY: THE CASE OF ETHIOPIAN INSURANCE CORPORATION (EIC)***. The aim of this research is the partial fulfillment of the Masters degree in Public Administration in Addis Ababa University, Faculty of Business and Economics.

Even though the purpose of the research is purely academic, the researcher believes that the findings will be an input in identifying the pros and cons of the system so that the management of EIC and other organizations will use it as a reference. It will also be noted that the possible solutions and directions will be highlighted for the successful implementation of the system. All information provided by you for the intended use shall be kept strictly confidential.

Hence, I hope that your genuine, reliable and timely response will be a base to make the research an outstanding. You are kindly requested to give your honest and frank opinion to this questionnaire.

The researcher extends his gratitude's in advance.

THANK YOU

Sincerely!

Manalegne Ferede  
(The Researcher)

➤ **GENERAL DIRECTION**

.Please mark your response in the space provided putting (✓) mark in the box/s that most explain your answer/s. You can have more than one answer for a question.

- No need of writing your name.
- Please follow the instructions provided for each part.
- Please write short and brief answers or additional opinions, if any, in the space provided as much as possible.
- **THE QUESTIONNAIRE CONSISTS OF THE FOLLOWING PARTS.**
  - I. Personal profile of each respondent.
  - II. Survey questions related to performance management in EIC.

**PART ONE: - PERSONAL PROFILE OF THE RESPONDANT**

4. Which age group do you belong to:
- |  |                                    |
|--|------------------------------------|
| <input type="checkbox"/> a) Less than 25 | <input type="checkbox"/> b) 26- 35 |
| <input type="checkbox"/> c) 36 - 45      | <input type="checkbox"/> d) 46- 55 |
| <input type="checkbox"/> e) Above 55     |                                    |
5. Sex:
- |                                    |                                  |
|------------------------------------|----------------------------------|
| <input type="checkbox"/> a) Female | <input type="checkbox"/> b) Male |
|------------------------------------|----------------------------------|
6. Educational level:
- |   |   |
|---|---|
| <input type="checkbox"/> a) Elementary complete | <input type="checkbox"/> b) High School Complete                      |
| <input type="checkbox"/> c) Certificate         | <input type="checkbox"/> d) Diploma                                   |
| <input type="checkbox"/> e) BA/BSc Degree       | <input type="checkbox"/> f) Masters <input type="checkbox"/> g) Ph, D |
4. Where is your placement now?  a) In head office, department \_\_\_\_\_  
 b) Branches, location \_\_\_\_\_
5. Total relevant working expaeriances in years:  
 a) less than 5 years  b) 5-10  c) 11-15  d) 16-20  e) above 20 years
- 6 To which occupational category of grade level you are belonged:
- |                                   |                                    |                                      |                                  |                                 |
|-----------------------------------|------------------------------------|--------------------------------------|----------------------------------|---------------------------------|
| <input type="checkbox"/> a) I-III | <input type="checkbox"/> b) IV-VII | <input type="checkbox"/> c) VIII-XII | <input type="checkbox"/> d) XIII | <input type="checkbox"/> e) XIV |
|-----------------------------------|------------------------------------|--------------------------------------|----------------------------------|---------------------------------|
7. To which occupational task category level /job family/ do you belong.
- |  |   |
|--|---|
| <input type="checkbox"/> a) Custodial task   | <input type="checkbox"/> d) Supportive task   |
| <input type="checkbox"/> b) Technical task   | <input type="checkbox"/> e) Operational task  |
| <input type="checkbox"/> c) Secretarial task | <input type="checkbox"/> f) Professional task |

PART TWO- SURVEY QUESTIONS IN RELATION TO PERFORMANCE  
MANAGEMENT

**A. PLANNING ASPECTS OF PERFORMANCE MANAGEMENT**

The following section seeks to identify the level of management commitment to facilitate the participation of employees in setting strategic planning, departmental and individual performance planning and standards.

***PLEASE INDICATE THE APPROPRIATE NUMBER THAT MOST EXPLAIN YOUR FEELINGS IN THE FOLLOWING STATEMENTS APPLICABLE TO YOUR ORGANIZATION, AND PLEASE TICK ( ✓ ) MARK IN THE SPACE PROVIDED:***

- 1- Strongly agree;                      3- No opinion;                      4- Mildly disagree;  
2 - Mildly agree;                      5- Strongly disagree

S N	Survey Questions	1	2	3	4	5
1	Well thought out organizational goals are developed and associated with organizational results in terms of units and each employee's performance.					
2	There is well prepared strategic plan, with the involvement of employees.					
3	The EIC strategic plan cascading to each department, unit and individual performance levels.					
4	The performance plan of each employee is result focused, measurable, attainable, and time bounded.					
5	Each employee participates in his/her individual performance standard settings.					
6	It is checked in the performance plan whether the content of individuals' or teams' results contribute the organizational goals.					
7	Our motive is not only doing the right things, but also doing things in the right way.					
8	EIC management is less interested to involve employees in the process of planning.					

9	Managers and employees agree on the performance plan and on the criteria for determining whether performance is good or not.					
10	The work process of the corporation allows smooth implementation and monitoring of performance management.					

11 If you know the vision, mission and strategic planning of EIC, how do you come to know?

- a) Through participation in the formulation process
- b) Through workshop notices
- c) Heard about it from supervisors
- d) If through other means (please mention) \_\_\_\_\_

12. Who do you think initiate and develop the implementation of performance management in the Corporation?

- a) Because of government regulation.
- b) Top management initiative.
- c) Realized needs with the institution.
- d) If any other please specify \_\_\_\_\_

**B. IMPLEMENTATION ASPECTS OF PERFORMANCE MANAGEMENT**

The following section seeks to identify the practicality of performance management development, training, monitoring and related aspects.

***PLEASE INDICATE THE APPROPRIATE NUMBER THAT MOST EXPLAIN YOUR FEELINGS IN THE FOLLOWING STATEMENTS APPLICABLE TO YOUR ORGANIZATION, AND PLEASE TICK ( ✓ ) MARK IN THE SPACE PROVIDED:***



22	The bureaucratic aspect of performance management is tedious in our organization.					
23	Performance management is an essential tool to change the management of organizational culture through monitoring process.					

24. To what extent do you believe that the implimentation of performance management

system contribute to the success of EIC?

- a) below 19 percent                       d) 60-79 percent  
 b) 10-39 percent                       e) above 80 percent  
 c) 40-59 percent

**C. PERFORMANCE MEASURMENT ASPECTS**

The following section seeks to identify the performance appraisal, feedback review and rewarding aspects of performance management.

***PLEASE INDICATE THE APPROPRIATE NUMBER THAT MOST EXPLAIN YOUR FEELINGS IN THE FOLLOWING STATEMNTS APPLICABLE TO YOUR ORGNIZATION, AND PLEASE TICK (✓ ) MARK IN THE SPACE PROVIDED:***

- 1- Strongly agree;                      3- No opinion;                      4- Mildly disagree;  
2 - Mildly agree;                      5- Strongly disagree

SN	Survey Questions	1	2	3	4	5
25	The performance appraisal system of EIC is measure more of behavioral aspect than employees' achievements.					
26	Most of the management members of EIC know what is expected from them.					
27	The performance management system creates an opportunity for managers to learn from their success, challenges and problems that they face in their day- to-day work.					

28	The conducting performance appraisal, review, feedback and reward practice enhance employees efficiency.					
29	Managers well understand and implement the performance appraisal within the framework of performance management as a summary of a continuous discussion between managers and employees about employees' performance.					
30	Cost effectiveness, quality and timeliness are the basic standard to evaluate employees' performance in EIC.					
31	Managers at all levels conduct continuous observations and measurements for the reason behind to improve performance.					
32	Pay increment, bonus and promotion decision should be based on performance review results.					
33	Formal and periodical performance evaluation is more effective than informal day-to-day feedback and coaching.					

34. What action the management carried out for the outstanding performer employees in EIC?

- a) Attained training and development program for promotion.
- b) Receive pay rise.
- c) Recognition and appreciation.
- d) If any other, please specify\_\_\_\_\_

35.. What action the management also carried out for those obtained bellow average?  
performer employees in EIC?

- a) Attained training and development.
  - b) Intensive coaching.
  - c) Down grading.
  - d) Discharging.
  - e) If any other, please specify\_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

36. If you have any additional opinion, please state\_\_\_\_\_

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I THANK YOU!

APPENDIX IV

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ÉI[ U[n fUI`f -aÓ^U

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performance management on efficiency: the case of Ethiopian Insurance  
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SÓKÝ

1. vj" SMf<" ² Á"Ç"Æ ØÁo >ÖÑw vK"< ¾SMe SeÝ x dØ•< " <eØ "√" UMj f u=ÄÄ`Ñ<::
2. K>"É \_Äq& ²>"É uLÃ SMe SSKe Ä<LK<::

3. eUf" Síō >eðLÑ> >ÃÁKU::
4. K Á"Ç"Æ" ØÁo SMe KSeÖf SS]Á"<" u=ÿ)K<::
5. xÆKã K)ÚT] SMe" >e)Á¾f u)cÖ" < jōf x u>β\ u=SMc<::

SÖÄI ¾T>ÿ)K<f jōKA< >K<f

- I. ¾SMe cÜ" < ¾ÓM G<'@
- II. u=fÁãÁ >="g<^"e Ç`p\_j" ke^ >ðiiUÂ >S^ Ò` ¾)ÁÁ²< SÖÃq< "t"<::

**jōM >"É:- ¾SMe cÜ" < ¾ÓM G<'@**

1. u¾f—" < ¾°ÉT@ jMM " <eØ nãT:-

h¾  5 -Sf u < 1¾ ÿ26-38   
 /¾  6-45 -Sf m¾ ÿ46-5  f  
 \¾  5 -Sf uLÃ

2. i:- h  É 1¾ c?f

3. ¾fUI`f Á[í

h¾  'Á— Á[í ¾ðiS< m¾ uÇ=-KA  ß[  
 1¾  (ò)— G<K)— Á[í \¾ uÇ=Ó]   
 /¾  c`öÿ?f ¾)S[í r¾ uTef\_f Ç:  4)S[  
 s¾

4. uS/u?f " <eØ )SÉu" < ¾T>cluf

êÂ m¾b@T \_\_\_\_\_ SU]Á  
 ) \_\_\_\_\_ p"ÿö

5. ¾Y^ MUÉ" f /u- Sf/

h¾  ) 5-10  ) 11-  
 15  ) 16-20  ) 20

6. >G<" ¼c\ ÁK<uf ¾Y^ Á[Í IØ ) I-III  ) IV-VII   
 ) VIII- XII ) XI   IV

7. >G<" ¼c\ ÁK<uf ¾Y^ SÁw u¾f— < u<É" " <eØ ĀSĀvM:-

¼ ¾iQÖf 'i ÁMJ' Y^ m¾ ¾ÉÖd  Y^  
 ¼ ¾,i'>"M Y^ \¾ ¾\*y\_j"   
 ¼ ¾c?;]]ÁM Y^ r¾ ¾S<Á

**iðM G<Kf:- Ýe^ >ðñUĀ >S^ Ā ¾}ÁÁ²< SÖĀq<**

**G/ Ý°pÉ >`xØ ¾Y^ H>df Ò` ¾}ÁÁ²< SÖĀq<**

Ý²=I KØKA ÁK<f ØÁo< ¾T>Á)Ý<lf' ¾=>fĀĀÁ SÉI" É`lf />SÉ/ ¾T'@ÍS" f u<É" ¾É`Ī~" W^}TM<  
 u>ÖnLĀ bÉ`Ī~ °pÉ uY^ iðKA<" b Á"Ç"Æ W^}TM< ¾Y^ >ðñU °pÉ >`xØ LĀ KTX)ð ÁLT`<" Ī`Ö`f  
 KT`p c=J" KØÁo† SMe KSeÖf `e ÝT>cTf >"Ī u)jCÖ`< iðf x ¾"√" UMif ulØa† fĀĵ  
 u=ĀĀ`Ñ<

1. u>X eTTKG<                      4. u)`c' Á[Í >MeTTU
2. u)`c' Á[Í eTTKG<                5. uðì<U >MeTTU
3. >e)Á¾f ¾K`U

IØ	SÖĀq<	1	2	3	4	5
1	ÝT>ðKÑ`< `<Ö? f Ò` ¾}mĒ-n" uĀ"w ¾ cuuf ¾É`Ī~ Ów Ý Á"Ç"Æ ¾Y^ iðM" W^}— Y^ >ðñU }Sdja }²ÖĪ...M::					
2	G<K<U ¾É`Ī~ W^}TM< ¾}útnuf ¾É`Ī~ ef^,Í=j °pÉ }²ÖĪ...M::					
3	¾É`Ī~ ef^,Í=j °pÉ u¾Á[É`< KY^ iðKA< Ku<É•<" K Á"Ç"Æ W^}TM< }ÝóöLDM::					
4	¾ Á"Ç"Æ W^}— ¾Y^ U²" °pÉ u`<Ö? f' ¾T>Á[euf ' ¾T>K" uÑ>²? ¾}Ñāu J• ¾}²ÖĪ `<::					
5	Á"Ç"Æ W^}— K^c< uT>²ÖĪ`< ¾Y^ U²" pÉ LĀ ĀX)óM::					
6.	¾ Á"Ç"Æ W^}—' ¾u<É•< " ¾Y^ iðKA< ¾Y^ >ðñU °pÉ KÉ`Ī~ `LT SX" f ¾T>ĀĀ`Ñ`< >e}ªē* u¾Ñ>²?`< ĀSXÝ^M::					
7	¾=>fĀĀÁ SÉI" É`lf Y^ >S^a< ¾Y^ H>Áf f;ijK— Y^ TÝ" w%o XĀJ" Y^<					

lØ	SÖÄqç	1	2	3	4	5
	ufijK— G<'@ SðIU '"::					
8	¾ Ä"Ç"Æ W^}— ¾Y^ >ðñU pÉ "ÇeðLÑ>'~ "ÄÑ" ¾ ¾ ¾T>e}"ÝM '"::					
9	¾É'Ï- Y^ >S^a<" W^}™< uY^ >ðñU °pÉ" SS²—< uSeTtf " <Ö? f Ø" Ä" T SJ'<" uÒ^ KSS²" ¾pÇK<::					
10	γ÷R±Ê>n# γ ‰ £dT l ‰ xfÉiMÂ £dT tGÆ‰êE l¥DrG xmcE nWÝÝ					

11. É'Ï- " ^°Ä" M°ç" ef^,|=j pÉ ¾T>Ä' <l ÝJ' uU" G<'@ K=Ä' <l %oK < ?

- h¼ u'ÓÍf LÄ uTX}õ
- l¼ ueMÖ"
- /¼ >Kqç c="Ñ\ uSeTf
- m¼ uK?L G<'@ "K u=ÑMi -----

12. ¾T>cluf É'ÏT ¾Y^ >ðñU Y^ >S^ ²È" }Óv^© ÄÄ[Ñ SJ'<" γ, ÄMn#bT ÝJ" ¾ES[uf Uj"Äf U" K=J"  
Ä<LM?

- h¼ uS"Óef É"ÒÑ@
- l¼ uÉ'Ï- Ýõ}— ¾Y^ >S^a< >'Xi'f
- /¼ >eðLÑ> SJ'<" uÉ'Ï- eK S'uf
- m¼ uK?L Uj"Äf ÝJ' u=ÑMi<M" \_\_\_\_\_

**K. ¾e^ >ðñU >S^ }Óv^©'f H>Äf" ¾}SKÝ~ SÖÄqç**

Kz!H b~C Äl# m-YÖC k|‰ xfÉiM xm‰R £dT UR ytÄÄz# y¥ŠŠÄ½ SL-Ä  
DUF mS-T½ ymúsl#T tGÆ‰êE fdèC γ,mlkt\$ s!çn#Ý

- 1. u×U eTTKG<
- 2. u}c' Ä[Í eTTKG<
- 3. >e}Ä¾f ¾K~U
- 4. u}c' Ä[Í >MeTTU
- 5. uôi<U >MeTTU

y, kt1#TN SMf< ulØa< fÃj " <eØ ¼" √ " UMjf uTÉ[Ó u=SMc<M"

IØ	SÖÄq<	1	2	3	4	5
13	¾e^ >ðñU >S^ ¾e^ H>Äf }Óv^© uSJ< U;"Äf ¾W^}TM< " <Ö? T'f /eMÖf/ ¾ÚS[ H>ÇDM::					
14	u¾Ä[í< KW^}TM< um ¾J' ¾ThhÁ eMÖ" eK e^ >ðñU >S^ fÓu^ }cØ...M::					
15	¾e^ >ðñU H>Äf }Óv ¾c< Gwf MTf" >e}ÇÄ "í ¾K?KA< Y^ jØKA< >S^a< >ÄÄKU::					
16	w<<  % xSk! ãíC "ÄT>ÁU'<f ¾e^ >ðñU >S^ ¾LÄ >Kq< W^}TM<" KSq<Ö "Ç=[Ç+< "Í= W^}TM< >pT+< "Ç=ÁdÉÑ<" ¾e^ " <Ö? +<" KThhM "Ç=<K< ÉÖö KSeÖf >ÄÄKU::					
17	u¾É'Í- Y^ >S^a< eK e^ >ðñU >S^a< U^" }Óv^©'f KW^}TM< " <G<KÑw ÉÖö ÄÄ`ÖK<::					
18	¾e^ >ðñU e^ >S^ e^ H>Äf uS/u?~ " <Ö? T K=J" ¾%K< u^-'f G<K<" >kö ¾J' ¾W^}TM< >S^ ²É" ¾}ÿ}K uSJ< " <::					
19	S/u? <" ¾Ä"uTM<" öLÑAf ¾T>Ä[" " <Ø^f ÄK< >ÑMÓKAf uöØ'f" upMØö" eKT>c>t+< " <::					
20	}ÿ Ä ¾J' ue^ LÄ Ñ³'jfm " ¾U²" H>Äf KW^}TM< " <Ö? T'f /eMÖf/ Ñ³ ÄÄ ÖM:					
21	¾S/u?~ ¾e^ >ðñU >S^ ²É u>w ²~ " <¾T>Ä}ÿ<[< eK W^}TM< ThhÁ /MTf/ H>Äf "Í= ÿ<Ö? T'f iMTf Ö` >ÄÄKU::					
22	¾S/u?~ ¾u=aí^c= yxSW^ H>Äf " <ewewÄ >cM" " <					
23	¾S/u?~" ¾c^ vIM KSK`Ø ¾e^ >ðñU >S^ tGÆ%êEnT ÿö}— >e}³" x1W					

24.

?

) 20  
40-59

) 10-39

)

) 60-79

) 80

**N. Ye^ >ðñU U²" Ò` ¾}ÄÄ²< SÖÄq<**

uT>kØK<f ØÄo< eK W^}TM< ¾e^ U²" >K"i"¾U²" >e}Ä¾f SeÖf" ÿ<Ö? T'f >í ¾ThhÁ eMÖ" " iMTf Ö` ¾ÄÄ²< c=J< K '²=IU:-

1. u>U eTTKG<
2. u}c' Ä[í eTTKG<
3. >e}Ä¾f ¾K-U
4. u}c' Ä[í >MeTTU
5. uöi<U >MeTTU

KT>K<f SÖÄq< ulØa< fÄj " <eØ " √" UM;f uTÉ[Ó ULi u=cÖ<":-

lØ	SÖÄq<	1	2	3	4	5
25	¾S/u?~ e^ >ðñU U²" >K"i ¾T>Ä}ÿ<[" < ¾W^}™< v] LÄ "f= " <Ö? T'f" >ÄK"U::					
26	>w³— " < ¾S/u?~ T'@ÍS"f >vLf ¾T>Öupvt " <" }Öv^f Ä " <nK<::					
27	¾e^ >ðñU >S^ ¾e^ H>Äf KT'@ÍS"f >vLf" W^}™< ÄÑ-<f" " <Ö?f" ÄÖÖT† " <" <Óa< u¾k' < KS[Çf >Ö×T> ðØaL†ªM::					
28	uS/u?~ ¾)c^uf ÄK " < ¾e^ >ðñU U²" ²É¾-Ö?f >e}Ä¾f >c×Ø " ÿ " <Ö?f >"DÄ ¾T>cÖ " < iMTf ¾W^}™< " <Ö? T'f /eMÖf/ ÚUubM::					
29	¾S/u?~ T'@ÍS"f ¾e^ >ðñU e^ >S^ ²É" u)SKY} uf;ijM }[É] " < ¾>ðñim SKY=Ä " <" u²=G< -Ä'f u}ÿ Ä ¾cluf " ÿc^}™< Ò` eK " <Ö? T'† " < " <ÄÄf uTÉ[Ó LÄ "† " <::					
30	S/u?~ " Ü q×u='fØ^f" uÑ>²? " < }Öv^f" Tÿ " " ¾T>K<f" SS²— < ¾W^}™< " <" <Ö?f KSK"f ÄÖKS<u M::					
31	¾S/u?~ T'@ÍS"f u¾Ä[í " < u¾ÄÑ>²? " <" u}ÿ Ä ¾e^ >ðñU ShhM U; "Ä, <" ¾}ÿ }K< ÄÑ²vK<::					
32	¾ÄÑ²w ;ðÄ x'e" ÉÑf " <X'@ ue^ >ðñU U²" " <Ö?f SW[f SJ] >Kuf::					
33	u Kf }°Kf ÿT>Ä[Ö kØ]— ÁMJ' ¾e^ >ðñU U²" i f f M ÄMp u¾}c' Ñ>²? ¾T>Ä[Ö kØ]— ¾e^ >ðñU U²" Ä ÖóKG<::					

34. ue^ >ðñU U²"† " < u×U ÿö)— " <Ö?f s m - # W^}™< ¾S/u?~ T'@ÍS"f U " -Ä'f " <X'@ Äc×M?

K ÉÑf TS%% ¾ThhÄ eMÖ"

1  ðÄ /ÄS " / SÚS'

/  JeÖ " >É"qf TÉ[Ó

m¾ K?L "K u=ÑMi< \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

35. ue^ >ðñU U²"† " < u×U 'p)— " <Ö?f LSÖ< W^}™< ¾S/u?~ T'@ÍS"f U " -Ä'f " <X'@ Äc×M?

h¾ ¾ThhÄ eMÖ" SeÖf

1  ¾p`w Ñ³" i f f M TÉ[Ó

/  ÿÄ[í 'p TÉ[Ó

m  ÿe^ Te " ×f

□ \¼ K?L "K u=ÑMi< \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

36. K?KA< }ÚT] >e)Á¾f "Kf u=ÑKi \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

u×U >ScÓ"KG<

**APPENDIX V**

**yxþT×áÃ mDN DRJT**  
bâpÊ>ÂL o% §Y ltmdbù ç%t©C  
yo% xfÚ™M mmz¾  
 QA qÜ\_R sNç¥- 20m

Ñlù SM..... ym~wqEÃ qÜ\_R.....  
 yo% ï~ ..... yo% mdbù m«¶Ã.....  
 gpzα k..... XSk .....  
 W«αT: ZQt¾: (x<50)      bqE: (50≤x<65)      „: (65≤x<80)  
           bÈM „: (80≤x<90)      X.b.„: (x≥90)  
 mmz¾ n\_B: 1= bÈM ZQt¾    2= ZQt¾    3= „    4= bÈM „    5= XJG bÈM  
 —"

t.q Ü	m m z ¾ ã C	KBdT	yts«W n_B k5 (n)	KXn= W«αT
1	<b><u>yo% :WqT</u></b> - ltmdbbT o% y, «bQbTN y¥wQ ClÖ~ - lt«yqW xdU TKKl¾WN ymDN >ÍN >YnT ymMr_ ClÖ~ «Q§§ KBdT (yts«W n_B W«αT)	5 5 10		
2	<b><u>lo%W ÃlW xmlþkT</u></b> - y,s«WN yo% T:²Z bfÝdÝnT ymqbL ClÖ~ - o%WN l¥ššL bGL ymÈR ClÖ~ «Q§§ KBdT (yts«W n_B W«αT)	5 4 9		
3	<b><u>F_nT</u></b> - dNb©C b, «BqÜT F_nT xgLGlÖT ymS«T ClÖ~	6		

	- yts«WN o% bwQtÜ y¥«ÂqQ LMD	4		
	«QSS KBdT (yts«W n_B W«oT)	10		
4	<b><u>yo%o _%oT</u></b>			
	- %SN ClÖ ymo%T ClÖ-	5		
	- TKKl¼WN yxriN Slot ¼N«rE ym«qMÂ TKKl¼ Slot y¥SST ClÖ-	6		
	«QSS KBdT (yts«W n_B W«oT)	11		
5	<b><u>yqÜüqÜîC xÃÃZ</u></b>			
	- ybpé mgLgÃãCN b_NÝq½ ym«bQÂ ymgLgL LMD	5		
	- x§qE ybpé :ÝãCN bqÜ«Æ ym«qM LMD	5		
	«QSS KBdT (yts«W n_B W«oT)	10		
6	<b><u>ydNb©C xÃÃZ</u></b>			
	- dNb©CN y¥KbRÂ ym-mN dr©	5		
	- kdNb©C y,nsù _Ãq½ãCN bT:GST y¥B%%T fÝdÝnT	5		
	«QSS KBdT (yts«W n_B W«oT)	10		
7	<b><u>yTBBR dr©</u></b>			
	- ko% xµÆbp UR tS¥Mè ymo%T ClÖ-	5		
	- XNGiCN ymRÄTÂ tgbpWN mr© ymS«T ClÖ-	5		
	«QSS KBdT (yts«W n_B W«oT)	10		
8	<b><u>yo%o s...TN ¥KbR</u></b>			
	- bo% s>T §Y ymgßT ClÖ-	5		
	- yo% s>TN lo% BÖ y¥êL ClÖ-	5		
	«QSS KBdT (yts«W n_B W«oT)	10		
9	<b><u>SB:Â/tx¥nþnT</u></b>			
	- yDRJtÜ mm¶Ã b,fQdW m¿rT ymLbSÂ yGL NAHÂN ym«bQ LMD	4		
	- gMbp xStÃyèCN ymqbL ClÖ-	4		
	- kXMnT ¥gùdLÂ KBRN k,Ã-DF DRgþT ym-qB LMD	4		
	- yDRJtÜN ,S_R ym«bQ LMD	4		
	- lDRJtÜ mLµM SM ymÖRÖR S>T	4		
	«QSS KBdT (yts«W n_B W«oT)	20		

«QSS W«oT kmè = (KBdT bn\_B tÆZè Ydm%L) \_\_\_\_\_

«QSS ytgßW n\_B = «QSS yW«oT DMR

**xStÃyT**

tm²ßù y,msgnùÆcW tGÆ%T

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TkùrT y,¹ù dμ¥ yo% xfÚ™M

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x«Ý§Y xStÃyT

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ygMU, SM \_\_\_\_\_ ðR¥ \_\_\_\_\_

qN \_\_\_\_\_

ytgMU, SM \_\_\_\_\_ ðR¥ \_\_\_\_\_

qN \_\_\_\_\_

yxAAqEW |§ð

xStÃyT \_\_\_\_\_

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SM \_\_\_\_\_

yo% dr©

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ðR¥ \_\_\_\_\_

qN

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