



ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE
HUMAN RESORUCE MANAGEMENT
MBA PROGRAM

**THE ROLE OF PERFORMANCE MANAGEMENT PRACTICE ON
EMPLOYEES MOTIVATION: THE CASE OF COMMERCIAL BANK OF
ETHIOPIA**

BY
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**The Role of Performance Management Practice on Employees' Motivation:
The Case of Commercial Bank of Ethiopia**

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Research Paper On
The Role of Performance Management Practice on Employees' Motivation: The
Case of Commercial Bank of Ethiopia.

By ABEBE KASSAYE

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LETTER OF DECLARATION

I, **ABEBE KASSAYE**, declare that this study entitled “Role of Performance Management Practices on Employees’ Motivation: the Case on Commercial Bank of Ethiopia”, is carried out by me and only me independently except for the guidance and suggestions of the research advisor. The paper was not submitted for any other degree or diploma in this or other university by any other person so far. I also declare that I have fully acknowledged all the sources used and I have not committed plagiarism in any form.

ABEBE KASSAYE

Signature: _____

LETTER OF CERTIFICATION

This is to certify that, this research work on the “Role of performance management practices on employees’ motivation: the case on Commercial Bank of Ethiopia”, researched by ABEBE KASSAYE for the partial fulfillment of Masters of Art on HRM at Addis Ababa University school of commerce, is an original work and not submitted earlier for any degree either at this university or any other university.

DR. ABDURAZAK MOHAMMED

Research advisor

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ABSTRACT

The main objective of this research was to evaluate the role of performance management system on employees' job motivation (the case of Commercial Bank of Ethiopia) with the main independent variables of the performance management process, that are performance management pre-requisites, planning, execution, evaluation, review, and renewal and re-contracting process. Stratified random sampling technique was used and collect the data using questionnaire. The questionnaires were distributed to 330 sample size respondents from this 282 questionnaires were returned (85% response rate). Descriptive statistics using regression analysis were used to analyze the relationship of the dependent variable and the independent variables of the research. The research study reveals that the major weakens of the company on performance management practices are that the performance management evaluation results do not use for the performance management aims of maximizing or developing employees' performance, empowering, motivating and rewarding employees for their best works. In addition the organization do not involve employees in the performance planning and lack of a two way communication in the performance review meeting. Based on the major findings the researcher recommend the management of CBE to develop a procedure that effectively guide the management and employee's to use the PMS properly by involving participants in the system, use the performance result for significant decisions makings, give chances for employees to participate in the planning phase in order to get employees motivated from their involvement in the planning. In addition the bank should practice additional different tangible and intangible rewards related to employees' performance to enhance the employees' intrinsic and extrinsic level of motivation.

Key words: Performance Management Practices, Employees' Motivation

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

In an increasingly competitive work environment, organizations need to get the best out of their human resources if they are to survive and prosper. The failure of so many organizations to do just that raises serious and sensitive questions about general management competence and the absence, or faulty operation of performance management and appraisal type systems.

The term performance management was derived from the human resource management approach as a strategic and integrated approach to the management and development of people (Foot and Hook, 2002). It is a broad term which basically intended to assist organizations to manage both results and behavior which are the two vital aspects of performance (Homayounizadapanah and Baqerkord, 2012). It is also known that employee performance is tightly related to organizational performance, effective and efficient employee performance will positively influence organizational performance.

This study focused on describing and analyzing the role of performance management system in motivating employees. Performance management acts as an agent in converting the potential in to performance by removing the intermediate barriers as well as motivating the human resource (Kandula, 2006). It is also important for ensuring employees focus on their work in ways that contribute to achieving the organization's mission is indispensable for a business organization.

In addition, it is important for employees and managers to understand that performance management systems practices are the key determinants of an organization's long-term success or failure. If employees are not happy or do not agree with the performance management system, they are likely to be unwilling to take an active part in the process because they do not see any value of it. As a result, the organizational performance and productivity would decrease due to the inefficient employee's performance.

The relationship between performance management and motivation approaches viewed differently by different authors. For example, Dessler G. (2005, p.311) state that 'employee's

performance is more a function of things like training, communication, tools, and supervision than of his or her own motivation. But Foot and Hook (2002) described performance management as a process i.e. it is a result of series of actions of which seeks to find ways to get the best performance from all to motivate them to achieve the organization's objectives.

Based on the Foot and Hook description it can be considered that motivation is regarded as a concept in which embraces preferences for particular outcomes, strength of effort and persistence. When performance management is done well, it is about partnership and motivation. Also if it is done from this perspective, there is nothing to be uncomfortable about. Thus, coming to the organization under study, CBE in line with its vision of becoming world class bank in the year 2025 it has given great concern for its two basic strategy i.e. improving its human resources system and information technology. For improving its human resources system the bank has revised its HR policy and started employing highly qualified staff than it was before. In addition to assess employees' performance the bank has designed and implement performance management system. In line with this, it is crucial to know how well the system is evaluating employees' performance. Parallel to this, employees' motivation due to the performance management is the other thing that should be given great concern. In this regard, the perception of employees toward the performance management system has significant impact on the successfulness of the system that in turn affect their motivation and job performance.

Hence, this study was conducted to know the effect of performance management practice of CBE on employees' motivation that could affect their performance and CBE's vision in general.

1.2. Background of the Organization

The history of commercial bank of Ethiopia (CBE) dates back to the establishment of the state bank of Ethiopia in 1942. CBE was legally established as a share company in 1963. In 1974, CBE merged with the private owned Addis Ababa bank. Since then, it has been playing significant role, and plays as catalyst in the economic progress and development of the country.

As per the data recorded on November 30th 2016 CBE has more than 28,479 employees and it have more than 1160 branches stretched across the country. Also opened four branches in south Sudan and it has been in business since June 2009. And now it is working to reach to the vision

of the company to become” the world class commercial bank by the 2025” by combining the efforts of employees, management and other stakeholders.(CBE Website 2017).

The research in general concerned on the performance management system and effect in motivating employee’s performance of the commercial bank of Ethiopia. Specifically, from the fifteen districts that commercial bank of Ethiopia have the research select one district, because of the limitation to include all and the researcher assumed of studying one of the district can be used as a reflective finding for the remaining districts. The research was focused on the North Addis Ababa District office and its branches, effect of the implemented performance management system in motivating employees.

CBE North Addis Ababa District as of December 31 2016 has 92 branches. From the total 43 of branches are located in the city of Addis Ababa and the remaining 49 branches are located outside Addis Ababa city in the major city on the North region of the country. Specifically, braches in city of Sululta, Burayu, Chancho, Muke-Turi, Fitcha, and other outline city branches up to in the way to the city of Gindeberet.

1.3. Statement of the Problem

Performance management is important for an organization, as it helps organizations ensuring employees are working hard to contribute to achieving the organization's mission and objectives. Performance management sets expectations for employee performance and motivates employees to work hard in ways that is expected by the organization.

The commercial bank of Ethiopia implemented the practice of performance management system (PMS) in broader and well-structured way starting from July 2014. In connection to this, the researcher had made a sample of preliminary survey interview the perceptions of employees about their overall feelings on the existed performance management. The interview as a preliminary the researcher interviewed the HR Business Manager of the District, two branch Managers, three Customer Service Managers and eight Customer Service Officers of bank professionals.

From the interview the researcher observed that employees have raised some problems on some of the performance management practices. Some of particular issues they raised are that: the rating point given for some performers does not give a clear picture of the employee's effort, the evaluation system is open bias for supervisors subjective view of the performer, the existing performance management system is not related to reward (financial and non-financial rewards) , grievance on the criteria used to measure the accomplishment of the intended job, the existence of unfair target difference between the same level of job grade but with different type of activities. From the employees mentioned problems one can understand that employees perception toward performance management practice of the bank is low that would lead lowering their motivation on their job.

From the practical perspective if the ultimate objective of such systems is to improve performance, as stated by (Verma et al. 2008) often unspoken, objective of all such systems is to increase the employee's motivation in the desired direction arising from their interaction(s) with the manager or in the involvement in performance management process. Performance management as a system also expected to have an impact on motivating employees.

Based on the preliminary sample survey observation as symptom of the problem, the researcher of this study was interested to investigate the existing performance management system practice of commercial bank of Ethiopia and on employees' motivation.

1.4. Research Questions

In light of the above discussed points, this research found out answer for the following questions:

General research question:

What is the role of performance management practices on employee's motivation in the commercial bank of Ethiopia to achieve organizational and individual goals?

In addition, the research were tried to provide answers to the following specific questions:

- What is the perception of employees about the effectiveness of performance management practices in the CBE?

- What is the perception of employees' about their level of motivation?
- What is the relationship between performance management practices of CBE and employees motivation?

1.5. Objective of the Study

General Objective

This study generally was aimed to investigate the performance management practices of CBE, specifically practices' related to planning, execution, evaluation, review and, renewal and re contracting process of the performance management system effect on employee's motivation.

Specific objectives

- To describe the existing performance management practice in CBE.
- To find out the level of employees motivation perception.
- To identify the relationship between performance management practices of CBE and employees' motivation in the commercial bank of Ethiopia

1.6. Significance of the Study

The research would contribute as input for academics knowledge of the practical interlink between performance management system and employees motivation based on the theoretical literatures written on this topic.

The research conducted by this study in particular for commercial bank of Ethiopia North Addis Ababa district, is considered to be essential because it could provide information about the performance management practices of the bank in relation with its core business strategy and analyze the effectiveness of performance management practices in motivating employees in order to achieve the desire outcome of the bank.

In addition based on the findings to the research give some recommendation to the management of the CBE specifically for the performance management department to use effectively the performance management practices in the way of motivate employees. And the findings of this

research could be used as a source for the other researches to be made related to this topic in the remaining districts of the CBE as an empirical reflective research finding.

Moreover, it can serve as a reference document for future researchers would be interested in investigating the relationship between performance management and motivation of employees as well with other variables that can have impact on the organization output. In addition, the result of this study will also have greater contribution to the human resource personnel that plan to design and administer the performance management system.

1.7. Scope of the Study

Despite the fact that there was an interest to cover major concepts in the performance management practice and their applicability, to include all districts, to participate all bank professionals working for this bank and to cover all branches of the bank that are distributed throughout the country. It is impracticable economically and timely, for the researcher to cover all this population for this research. In addition, of the above reason the homogeneous nature of the districts of the bank in their human resources composition and the standardization of the effectiveness of the performance management system of the bank forced this study to be delimited to only one of the district of the commercial bank of Ethiopia.

CBE have fifteen districts from which four districts are located in Addis Ababa. Accordingly, to facilitate easier in timely and cost effective way collection of data the researcher randomly select the North Addis Ababa district from the four districts. The target group's employees are employees at clerical category including both managerial and non-managerial employees' positions within this district office and the branches under the district.

The research was also conceptually limited to give detail emphasis for the investigation of the relationship between performance management and motivation of employees. Though performance management practice of an organization not only affects employees' motivation, the research tried only to analyze the performance management practices effects on employees 'motivation. In addition temporal constraints also force the study to concentrate only on the current situation of the district chosen for this study.

1.8. Limitation of the Study

When conducting the research practically the researcher faced different limitations including difficulty of getting questionnaire filled and returned as the planned time, respondents were not give enough attention for their responses because of they are on continuous service delivery work even though given reasonable response time. In addition time and budget were major constraints of this research.

Moreover, since the research was conducted on the one of the district of the commercial bank of Ethiopia and does not cover the whole employees of the bank, the finding of the study could be hard to make generalize on the commercial bank of Ethiopia.

1.9. Research Hypothesis

This research was hypothesized the following hypothesis that need to be investigated by the research. The research assumes that there is a relationship between performance management and employees motivation, so it tries to use an alternative hypothesis approach.

H1_a= performance management has significant association with employees motivation.

H1_b= Performance management practices have effect on employees' motivation.

H1_c= Effectiveness of performance management increases, employees motivation also increases.

CHAPTER TWO

2. REVIEW OF RELATED LITREATURE

2.1. Introduction

This chapter contains the general concepts and principles of performance management and employees motivation. The chapter has two sub issues, theoretical literature and empirical literature reviews. As a general overview it summarizes the literature on the definitions of performance management by different scholars, aims of performance management, the process of performance management, supporting practices of performance management. On the empirical literates findings related to effective performance management practices are presented. The other major issues reviewed was about definitions of motivation, kinds of motivation, theoretical approaches of motivation, and the role of performance management system. Finally, based on this literature review the researcher develop the conceptual framework of the research.

2.2. Definitions of Performance Management

Different scholars define performance management system in different ways. According to (Armstrong M. 2003), Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements. Performance management helps people to get in to action so that they achieve planned and agreed results. It focuses on what has to be done, how it should be done and what is to be achieved. But it is equally concerned with developing people- helping them to learn- and providing them with the support they need to do well, now and in the future.

It is also a process by which organizations set goals, determining standards, assign and evaluate work, and distribute rewards. In effect, it is used to improve organizational, team and individual performance and development, including activities designed to ensure that goals are consistently being met in an effective and efficient manner, is an ongoing activity to all scenarios where people meet for the purpose of attaining objectives (Varma et al. 2008).

Performance management is a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors' (Armstrong and Baron, 2004). It helps the development of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organization which supports and encourages their achievement' (Lockett, 1992).

In addition (Dr. Herman 2005) also define Performance management is a continuous process of identifying, measuring and developing performance in organizations by linking each individual's performance and objectives to the organization's overall mission and goals.

2.3. The Difference between Performance Management and Performance Appraisal

Over the past decades or so, the term “performance management” has come to replace the phrase “performance appraisal” in many organizations. Whereas performance appraisal emphasized the (usually annual) evaluation of an employee's performance, performance management refers to an ongoing process that includes setting (and aligning) goals, coaching and developing employees, providing informal feedback, formally evaluating performance, and linking performance to recognition and rewards. The goal of this ongoing process is to enhance the employee's performance (as well as job satisfaction and commitment to the organization) and the performance of the organization (James W. and Manuel L. 2009).

Whereas performance appraisal is a formal management system that provides for the evaluation of the quality of an individual's performance in an organization. The appraisal is usually prepared by the employee's immediate supervisor. The procedure typically requires the supervisor to fill out a standardized assessment form that evaluates the individual on several different dimensions and then discusses the results of the evaluation with the employee.

2.4. Aims of Performance Management

The overall aim of performance management is to establish a high performance culture in which individuals and teams take responsibility for the continuous improvement of business processes

and for their own skills and contributions within a framework provided by effective leadership (Armstrong M. 1994). Its key purpose is to focus people on doing the right things by achieving goal clarity. Armstrong in this book states some of aims of performance management expressed by a variety of organizations.

- ✓ Empowering, motivating and rewarding employees to do their best.
- ✓ Focusing employees' tasks on the right things and doing the right. Aligning everyone's individual goals to the goals of the organization.
- ✓ Proactively managing and resourcing performance against agreed accountabilities and objective.
- ✓ Maximizing the potential of individuals and teams to benefit themselves and the organization focusing on achievement of their objectives.

2.5. The Process of Performance Management System

While research and experienced practitioners have identified several characteristics that are prerequisites for effective performance management systems, there are also many decisions that need to be made to design a system ideally suited for a given organization's needs. Different scholars explain the process of performance management system differently in the elements included in the process.

According to (Armstrong 2000) the process of performance management consists of four elements or activities. They are (1) **Planning**: agreeing objectives and competence requirements and producing performance agreements and performance improvement and personal development plans. (2) **Acting**: carrying out the activities required to achieve objectives and plans. (3) **Monitoring**: checking on progress in achieving objective. (4) **Reviewing**: assessing progress and achievements so that action plans can be prepared and agreed.

A well identified process is also presented by (Smither and London 2009) sitting the works of (Aguinis 2009 and Grote (1996) develops the six stage performance management process. The process has the following stages: (1) pre-requisites. (2) Performance planning, (3) performance execution, (4) performance assessment, (5) performance review, and (6) performance renewal and reconstructing. In addition another author Elaine D. (2004) also describe all of this process

in to five groups, they are performance planning, ongoing feedback, employee input (self-appraising), performance evaluation and performance review. For making the process clear the researcher tries to review the six stage process by focusing on major points raised by the above authors. Each of these stages are described in detail below.

Stage 1: Pre- requisites

There are two important prerequisites that are needed before a performance management system is implemented: (1) knowledge of the organization's mission and strategic goals and (2) knowledge of the job in question.

An organization ' s mission and strategic goals are a result of strategic planning, which allows an organization to clearly define its purpose or reason for existing, where it wants to be in the future, the goals it wants to achieve, and the strategies it will use to attain these goals.

Once the goals for the entire organization have been established, similar goals cascade downward, with departments setting objectives to support the organization ' s overall mission and objectives. The cascading continues downward until each employee has a set of goals compatible with those of his or her unit and the organization. After organizational and departmental goals and strategies were aligned, managers and employees reviewed individual job descriptions. Each job description was tailored so that individual job responsibilities were clear and contributed to meeting the department's and the organization's objectives. Involving employees in this process helped them to gain a clear understanding of how their performance affected the department and, in turn, the organization.

The second important prerequisite before a performance management system is implemented is to understand the job in question. This is done through job analysis. Job analysis is a process of determining the key components of a particular job, including activities, tasks, products, services, and processes. A job analysis is a fundamental prerequisite of any performance management system. Without a job analysis, it is difficult to understand what constitutes the required duties for a particular job. If we don't know what an employee is supposed to do on the job, we won't know what needs to be evaluated and how to do so.

Stage 2: Performance Planning

The performance planning stage has the goal for employees to have a thorough knowledge of the performance management system.

In fact, at the beginning of each performance cycle, the supervisor and the employee meet to discuss, and agree on, what needs to be done and how it should be done. This performance planning discussion includes a consideration of (1) results, (2), behaviors, and (3) development plan.

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

A performance standard is a yardstick used to evaluate how well employees have achieved each objective. Performance standards provide information about acceptable and unacceptable performance.

Behaviors-; although it is important to measure results, an exclusive emphasis on results can give an incomplete picture of employee performance. For some jobs it may be difficult to establish precise objectives and standards. For other jobs, employees may have control over how they do their jobs, but not over the results of their behaviors. Behaviors, or how a job is done, thus constitute an important component of the planning phase.

A consideration of behaviors includes discussing competencies, which are measurable clusters of knowledge, skills, and attitudes (KSAs) that are critical in determining how results will be achieved (Shippmann et al., 2000).

Development plan: an important step before the review cycle begins is for the supervisor and employee to agree on a development plan. At a minimum, this plan should include identifying areas that need improvement and setting goals to be achieved in each area. Development plans

usually include both results and behaviors. Such plans highlight an employee's strengths and the areas in need of development, and they provide an action plan to improve in areas of weaknesses and further develop areas of strength (Reyna and Sims, 1995).

The direct supervisor or line manager has an important role in the creation and completion of the employee's development plan. First, the supervisor needs to explain what would be required for the employee to achieve the desired performance level, including the steps that an employee must take to improve performance. Second, the supervisor has a primary role in referring the employee to appropriate development activities that can assist the employee in achieving her goals. Third, the supervisor reviews and makes suggestions about the development objectives. Specifically, the supervisor helps assure the goals are achievable, specific, and doable. Fourth, the supervisor has primary responsibility for checking on the employee's progress toward achieving the development goals. Finally, the supervisor needs to provide reinforcements so the employee will be motivated to achieve the development goals. Reinforcements can be extrinsic and include rewards such as bonuses and additional benefits, but reinforcements can also include the assignment of more challenging and interesting work that takes advantage of the new skills learned.

Finally, a tool that has become popular in helping employees, particularly those in supervisory roles, improve performance by gathering information from different groups is the 360 – degree feedback system (Morgeson et al. 2005). These systems are called 360 - degree systems because information is gathered from individuals all around the employee. Specifically, information on what performance dimensions could be improved is gathered from superiors, peers, customers, and subordinates. This information is usually collected anonymously to minimize rating inflation. Employees also rate themselves on the various performance dimensions and compare self - perceptions with the information provided by others. A gap analysis is conducted to examine the areas for which there are large discrepancies between self - perceptions and the perceptions of others. A 360 - degree feedback system report usually includes information on dimensions for which there is agreement that further development is needed. This information is used to create a development plan. Implementing a 360 - degree feedback system should not be a one - time - only event. The system should be in place and data collected over time on an ongoing basis. The implementation of ongoing 360 - degree feedback systems is sometimes

labeled a 720 - degree feedback system, referring to the fact that the collection of 360 - degree data takes place at least twice. In short, administering the system only once will not be as beneficial as administering the system repeatedly.

The results or goals to be achieved by employees should be tied to the organization's strategy and goals. The employee's development needs should also be taken into account in the goal setting process. Development goals can be targeted either to improving current job performance or preparing for career advancement.

The framework for performance management is provided by the performance agreement, which is the outcome of performance and development planning. The agreement provides the basis for managing performance throughout the year and for guiding improvement and development activities. It is used as a reference point when reviewing performance and the achievement of improvement and development plans.

Stage 3. Performance Execution

Once the planning cycle ends, the employee strives to produce the results and display the behaviors agreed on earlier as well as to work on development needs. Although the employee has primary responsibilities for performance execution, the supervisor also needs to do his or her share of the work.

What determines whether an employee is performing well or not? A combination of three factors allows some people to perform at higher levels than others: (1) declarative knowledge, (2) procedural knowledge, and (3) motivation. Declarative knowledge is information about facts and things, including information regarding a given task's requirements, labels, principles, and goals. Procedural knowledge is a combination of knowing what to do and how to do it and includes cognitive, physical, perceptual, and interpersonal skills.

Motivation involves three types of choice behaviors: (a) choice to expend effort, (b) choice of level of effort, and (c) choice to persist in the expenditure of that level of effort. Because performance is affected by the combined effect of three different factors, managers must find information that will allow them to understand whether the source of the problem is declarative knowledge, procedural knowledge, motivation, or some combination of these three factors.

During this execution stage performance in both behavior and results should be discussed and feedback provided on an ongoing basis throughout the rating period. In addition to providing feedback whenever exceptional or ineffective performance is observed, providing periodic feedback about day to day accomplishments and contributions is also very valuable

According to Elaine about her observation on feedback from experienced practitioners understand that, for the feedback process to work well it must be a two-way communication process and a joint responsibility of managers and employees, not just the managers. This requires training to both managers and employees about their roles and responsibilities in the performance feedback process. Ongoing feedback can be informal and should occur as part of the daily work routine.

Stage 4: Performance Assessment/evaluation

In the assessment phase, both the employee and the manager are responsible for evaluating the extent to which the desired behaviors have been displayed, and whether the desired results have been achieved. Although many sources can be used to collect performance information (for example, peers or subordinates), in most cases the direct supervisor provides the information. This also includes an evaluation of the extent to which the goals stated in the development plan have been achieved.

It is important that both the employee and the manager take ownership of the assessment process. The manager fills out his or her appraisal form, and the employee should also fill out his or her form. The fact that both parties are involved in the assessment provides good information to be used in the review phase.

When both the employee and the supervisor are active participants in the evaluation process, there is a greater likelihood that the information will be used productively in the future. Specifically, the inclusion of self - ratings helps emphasize possible discrepancies between self - views and the views that important others (that is, supervisors) have. It is the discrepancy between these two views that is most likely to trigger development efforts, particularly when feedback from the supervisor is more negative than are employee self - evaluations. The inclusion of self - appraisals is also beneficial regarding important additional factors. Self -

appraisals can reduce an employee's defensiveness during an appraisal meeting and increase the employee's satisfaction with the performance management system, as well as enhance perceptions of accuracy and fairness and therefore acceptance of the system (Shore et al 1998).

According to Eliana D. (2004) also support the importance of employees input (self-rating) in three ways. First, it involves employees in the process, enhancing ownership and acceptance. Second, it remind managers about the results employees have delivered and how they were achieved. Third, employee input increases communication and understanding.

There are two important evaluation aspects evaluation of results and performance.

A. Evaluating Results

Evaluating employees' results is one of the important part of the performance management process. Key results to be achieved within an organization will vary for different employees, depending on the nature of the individual's job and assignments.

A critical issue faced by organizations is how to measure and evaluate results. Some results can be evaluated by tracking various objective indicators of performance, such as dollar volume of sales, profitability and amount of products produced. Others results can be evaluated by collecting information on employees' most meritorious accomplishments and the impact of these contributions.

If performance information is to be used for decision making, a numerical rating on which employees can be rank-ordered or identifies as top, middle and bottom performers is often required. A five to seven – point scale is typically used because it provides a sufficient number of rating points to help differentiate between employees. If a rating scale is to be used, the rating points should be defined sufficiently so that raters can apply them in a uniform and fair manner. Ratings made with numerical scales can easily be averaged or summed across rating categories to derive a summary score for decision making.

B. Evaluating Behaviors

Today many organizations are using competency models as a basis for their performance management systems. According to (Hough et al. 1983) competency models articulate the

knowledge, skills, abilities and other characteristics that are deemed to be most instrumental for achieving positive organizational outcomes. Job analysis techniques, such as job observations, interviews, focus groups and surveys, are used to identify key competencies and associated critical work behaviors.

An advantage of competency models is that they typically include the full array of factors associated with success- technical, leadership and interpersonal. Organizations usually identify between five and 10 key competencies that are linked to their strategic objectives and critical success factors. A reasonable number of competencies should be selected to capture the most important aspects of performance. Related competencies can be combined in to larger competency factors.

For performance management purposes, experienced practitioners agree that competencies should be defined in terms of important job behaviors and expectations that are associated with them. Defining competencies behaviorally provides a solid basis for differentiating between employees who are performing more or less effectively than others. The competencies should also be defined to reflect different levels of responsibility, complexity and difficulty that characterize employees' jobs at different levels in an organization. The primary advantages of defining competencies in terms of behavioral performance standards are (1) to help employees understand what is expected of them and (2) to provide uniform standards that managers can apply in evaluating employees, thereby increasing consistency, transparency and fairness. Research has shown that it is important for employees to perceive that the performance management system is fair because perceived fairness can mitigate negative outcomes such as unfavorable rating.

Stage 5: Performance Review

The performance review stage involves the meeting between the employee and the manager to review their assessments. This meeting is usually called the appraisal meeting or discussion. The appraisal meeting is important because it provides a formal setting in which the employee receives feedback on his or her performance. In spite of its importance in performance management, the appraisal meeting is often regarded as the "Achilles' heel of the entire process" (Kikoski1999).

In most cases, the appraisal meeting is regarded as a review of the past, that is, what was done (results) and how it was done (behaviors). However, the appraisal meeting should also include a discussion of the employee's development progress as well as plans for the future. The conversation should include a discussion of goals and development plans that the employee will be expected to achieve over the period before the next review session. In addition, a good appraisal meeting includes information on what new compensation, if any, the employee may be receiving as a result of his or her performance. In short, the appraisal discussion focuses on the past (what has been done and how), the present (what compensation is received or denied as a result), and the future (goals to be attained before the upcoming review session).

Stage 6: Performance Renewal and Re-contracting

The final stage in the performance process is renewal and re-contracting. Essentially, this is identical to the performance planning component. The main difference is that the renewal and re-contracting stage uses the insights and information gained from the other phases.

The performance management process includes a cycle that starts with prerequisites and ends with performance renewal and re-contracting. The cycle is not over after the renewal and re-contracting stage. In fact, the process starts all over again: there needs to be a discussion of prerequisites, including the organization's mission and strategic goals and the job's KSAs. Because markets change, customers preferences and needs change, and products change, there is a need to continuously monitor the prerequisites so that performance planning, and all the subsequent stages, are consistent with the organization's strategic objectives. Recall that, in the end, one of the main goals of any performance management system is to promote the achievement of organization - wide goals. Obviously, if managers and employees are not aware of these strategic goals, it is unlikely that the performance management system will be instrumental in accomplishing the strategic goals.

2.6. The Practices of Performance Management

There are many supportive practice that are done in parallel to the performance management process activities that help performance management system to produce good results in terms of

individual, team and organizational performance. According to (James and Manueal 2009) they summarized major practices of performance management.

- ***Strategic congruence.*** The system should be congruent with the unit and organization's strategy. In other words, individual goals must be aligned with unit and organizational goals.
- ***Thoroughness.*** The system should be thorough regarding four dimensions. First, all employees should be evaluated (including managers). Second, all major job responsibilities should be evaluated (including behaviors and results). Third, the evaluation should include performance spanning the entire review period, not just the few weeks or months before review. Finally, feedback should be given on positive performance aspects as well as those that are in need of improvement.
- ***Practicality.*** Systems that are too expensive, time consuming, and convoluted will obviously not be effective. Good, easy-to-use systems help managers to make decisions. Finally, the benefits of using the system must be seen as outweighing the costs.
- ***Meaningfulness.*** The system must be meaningful in several ways. First, the standards and evaluations conducted for each job function must be considered important and relevant. Second, performance assessment must emphasize only those functions that are under the control of the employee. Third, evaluation must take place at regular intervals and at moments. Because one formal evaluation per year is usually not sufficient, informal quarterly reviews are recommended. Fourth, the system should provide for the continuing skill development of evaluators. Finally, the results should be used for important administrative decisions. People will not pay attention to a system that has no consequences in terms of outcomes that they value.
- ***Specificity.*** A good system should be specific: it should provide detailed and concrete guidance to employees about what is expected of them and how they can meet these expectations.
- ***Identification of effective and ineffective performance.*** The performance management system should provide information that allows for the identification of effective and ineffective performance. That is, the system should allow for distinguishing between effective and ineffective behaviors and results, thereby also allowing for the identification

of employees displaying various levels of performance effectiveness. In terms of decision making, a system that classifies or ranks all levels of performance, and all employee, similarly is useless.

- **Reliability.** A good system should include measures of performance that are consistent and free of error. If two supervisors provide ratings of the same employee and performance dimensions, ratings should be similar.
- **Validity.** The measures of performance should also be valid. In this context, validity refers to the fact that the measures include all relevant performance facets and do not include irrelevant performance facets. In other words, measures are relevant (include all critical performance facets), not deficient (do not include factors outside of the control of the employee or factors unrelated to performance). In short, measures include what is important and do not assess what is not important and outside of the control of the employee.
- **Acceptability and fairness.** A good system is acceptable and is perceived as fair by all participants. Perceptions of fairness are subjective, and the only way to know whether a system is seen as fair is to ask the participants. We can ask about distributive justice, which includes perceptions of the performance evaluation received relative to the work performed, and perceptions of reward received relative to the evaluation received, particularly when the system is implemented across countries. In addition, we can ask about procedural justice, which includes perceptions of the procedures used to determine the ratings as well as the procedures used to link ratings with rewards. Because a good system is inherently discriminatory, some employees will receive ratings that are lower than those received by other employees. However, we should strive to develop systems that are regarded as fair from both distributive and procedural perspectives because each type of justice perception leads to different outcomes. If there is a perception that the system is not fair from a distributive point of view is likely to lead to a poor relationship between employee and supervisors and lowered satisfaction of the employee with the supervisors. On the other hand, a perception that the system is unfair from a procedural point of view is likely to lead to decreased employee commitment toward the organization and increased intentions to leave (Erdorgan, 2002). One way to improve

both distributive and procedural justice is to set clear rules that are applied consistently by all supervisors.

- ***Inclusiveness.*** Good systems include input from multiple sources on an ongoing basis. First, the evaluation process must represent the concerns of all the people who will be affected by the outcome. Consequently, employees must participate in the process of creating the system by providing input regarding what behaviors or results will be measured and how. Second, input about employee performance should be gathered from the employees themselves before the appraisal meeting (Cawley and Levy, 1998). In short, all participants must be given a voice in the process of designing and implementing the system. Such inclusive systems are likely to lead to more successful systems, including less employee resistance, improved performance, and fewer legal challenges (Elicker et al 2006).
- ***Openness.*** Good systems have no secrets. First, performance is evaluated frequently and performance feedback is provided on an ongoing basis. Therefore, employees are continually informed of the quality of their performance. Second, the meeting consists of a two-way communication process during which information is exchanged, not delivered only from the supervisor to the employee without his or her input. Third, standards should be clear and communicated on an ongoing basis. Finally, communications are factual, open and honest.
- ***Correct ability.*** The process of assigning ratings should minimize subjective aspects; however, it is virtually impossible to create a system that is completely objective because human judgment is an important component of the evaluation process. When employees perceive an error has been made, there should be a mechanism through which this error can be corrected. Establishing an appeals process, through which employees can challenge what may be an unjust decision, is an important aspect of a good performance management system.
- ***Standardization.*** Good systems are standardized. This means that performance is evaluated consistently across people and time. To achieve this goal, the ongoing training of the individuals in charge of appraisals, usually managers, is a must.
- ***Ethicality.*** Good systems comply with ethical standards. Operationally, this means that the supervisors suppresses his or her personal self-interest in providing evaluations. In

addition, the supervisor evaluates only performance dimensions for which he/she has sufficient information and the privacy of the employee is respected (Eddy and Stone 1999).

2.7. Definitions of Motivation

There are various definitions of the concept of motivation. The following definitions are among the most recognized.

Concise oxford dictionary (10th edn.) define:

- Motivation (n): is a motive or enthusiasm.
- Motive(n); a factor inducing a person to act in a particular way
- Motivate (v): provide with a motive or stimulate the interest.

Motivation is defined as those forces within an individual that pushes or propel him to satisfy basic needs or wants (York 1976).

Benjamin B. (eBook) define motivation in its broadest sense, that motivation is a forces acting either on or within a person to initiate behavior. It is what gets the person going. And it is what potentially makes that person truly enjoy his/her job.

2.8. Kinds of Motivation

According to Benjamin B. (e-book) there are a few polarities of motivation that will find in the theories and that serve to create clarity on one's own motivation. As with all polarities, it's not about wither/or, but about the position one has in a certain spectrum. They are:

▪ Internal vs. External

There is internal motivation, or push. It's an internal state that impels one to act towards achieving a certain goal. (Cronje et al. (2003:222) Internal Motivation originates from the satisfaction that occurs when a task is executed or a duty is performed.

Then there is external motivation, or pull. It is when an external goal influences one's behavior towards them. Behavior is a complex blend of internal pushes and external pulls.

In contrast to internal motivation, external motivation usually involves action taken by a third party. These external forces take the form of external rewards or punishment whereby a person is motivated because it is in anticipation that a reward of some kind, for example money, awards or feedback regarding performance, will be given. Incentives such as profit sharing, bonuses and award are used by the organization and the individual. Unfortunately, external rewards are not enough to motivate people in the long term (Cronje et al., 2003:223).

- **Positive vs. Negative**

Motivating forces can be positive, as in impelling one to reach a certain goal. They can also be negative, as in driving one away from an unwanted situation.

One can be positively motivated about going to work because he/she like their colleagues and some parts of the work, and negatively motivated because he/she have bills to pay(moving away from poverty) and he/she would not date not show up.

- **Basic vs. Learned**

Motivation leans on motives. Motives are often categorized in to basic motives and learned motives. Basic or primary motives are unlearned and common to both animals and humans. That are like hunger, thirst, sex, avoidance of pain, and perhaps aggression and fear. The learned or secondary motives include achievement, power, recognition, love...

For example somebody will go to work to get food and avoid social exclusion. And also will go to work to achieve something, and possibly order others around.

2.9. Theoretical Approaches to Motivation

There are several theories in motivation and no recognized theory can integrate these theories. But (Jorgen and Mile2006) develop a model which collect some of the most important theories on motivation in one key model, which structures and systematizes the many aspects of motivation. The model divides the theories in to two main categories inner motivation theories and theories relate to outer motivation, thus motivation coming from the inside and outside

respectively. This model of motivation allow to explain major theories that motivate employees studied by many authors on employee motivation.

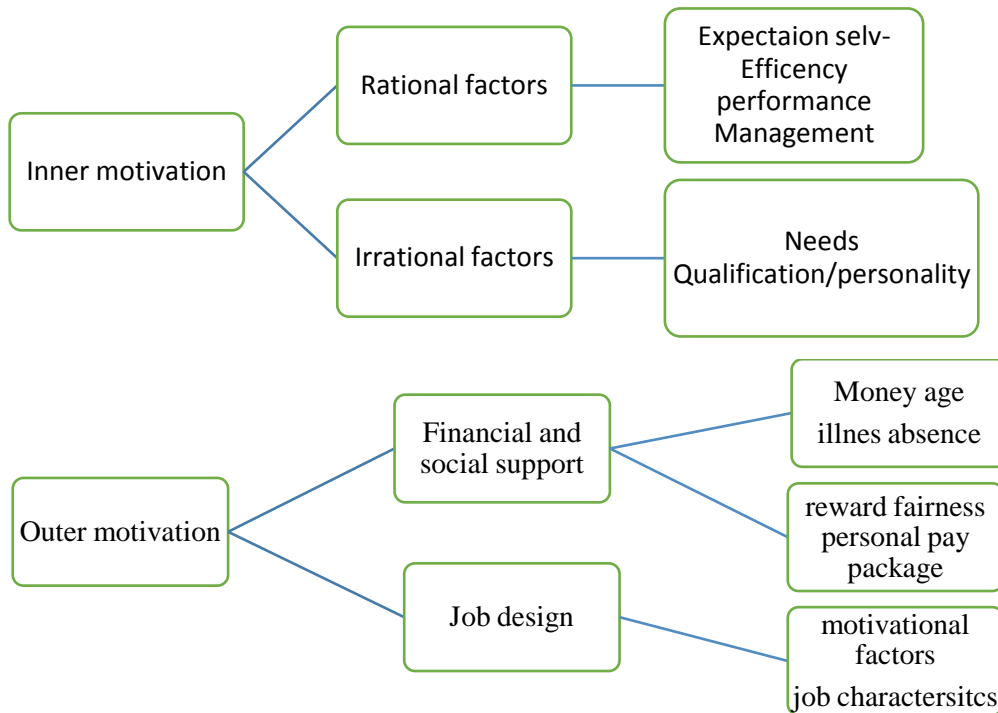


Figure 2.1: Outline Approaches of Motivation

2.9.1. Inner Motivation

Motivation that comes from the inside and deals with both conscious and unconscious needs. Theories on inner motivation may be divided in to several groups and each consist different related theories.

- A. Rational factors: expectancy theory, self-efficacy, management by objectives
- B. Irrational factors (needs theories): Maslow’s needs theory, C. Aldefer’s needs theory, D. McClelland’s theory, and Qualification/ personality.

They are each explained below by order of above

A. RATIONAL FACTORS

I. EXPECTANCY THEORY

The Expectancy theory attempts to explain and predict motivated behavior. It tries to answer the following question: what determines a person's readiness for motivated behavior?

The expectancy theory draws on thoughts from rational science, including the idea that human behavior is controlled by a desire for maximum use of a given behavior. A formula can be used to express the theory:

Motivation = Expectancy × Instrumentality × Valence

Expectancy= the relevant employee's expectations that his performance leads to the desired result.

Instrumentality= personal assessment of the probability of different rewards as a consequence of successful task performance.

Value= the value attached to these rewards by the employee concerned.

The above is a mathematical formula and that means that if just one of the factors has very low value, the total motivation will be low as well.

According to the theory, motivation only exists if there is a certain concurrence between the probability of success, the expectation that there will be rewards and the value of these rewards to the employee concerned. In short motivation is controlled by the employee's faith in a positive connection between efforts, success and reward value.

II. SELF-EFFICACY

Bandura (1989), cited by Jorgen and Mille 2006) defines self- efficacy as:

The faith in one's own ability to mobilize motivation, one's cognitive resources, and one's own ability to choose the right actions in relation to the specific expectations.

A large part of the research in this area has concentrated on the so-called Pygmalion/Golem effect. In short the Pygmalion effect refers to the notion that by communicating high expectations, it is possible to strengthen the self-efficacy and hereby improve performance. In contrast, the Golem effect refers to the notion that by communicating low expectations, self-efficacy and hereby performance is decreased.

III. MANAGEMENT BY OBJECTIVES

The theory of management by objectives (MBO) is based on the notion that most human behavior is based on unconscious choices of objectives and intentions. Action has a direction and a desired result. The notion is that the objectives and the process of setting objectives itself may have a positive influence on motivation and thereby performance.

It argued that positive objectives benefit both the company and the employee in such a way that both parties' interests and intentions are taken into account. From a company point of view, objectives must be broken down and composed in a way that allows the employee's behavior and performance to be held together in a balanced whole. From an employee point of view, clear and accepted objectives generate better possibilities of independence and autonomy in the job, i.e. what in some connections is referred to as self-management.

Researches indicates that, high objectives tend to increase performance. Furthermore, research indicates that objectives have a poor or even negative impact when it comes to complex and new tasks.

People tend to the things, which are measurable, especially if a reward/punishment is linked to the achievement of set objectives. This is why objectives contribute to shaping and directing organizational behavior.

B. IRRATIONAL FACTORS

Most needs theorists agree that needs are unobservable, internal forces, which create tension when objectives are not reached. People will try to reduce this tension through action. Needs are considered motivating because the tension triggers attention, action and persistence.

I. MASLOW'S NEEDS THEORY

It is probably the most well-known and popular model on needs. Maslow believed that human needs could be classified in a hierarchy of five basic needs:

- Physiological needs: primary needs; water, food and a home.
- Safety needs: need for physical and psychological stability and safety.
- Social needs: need to socialize with other people, need for relationships based on emotions, need for friendships.
- Esteem needs: need for self- esteem, self –respect and appreciation from others.
- Self- actualization needs: need to realize one's deepest creative and productive potential.

It is hierarchical that needs on a given level must be must be satisfied before the needs on the next level before become interesting. Or expressed in another way, the lowest unsatisfied need will be the most dominant for human behavior. Furthermore, only unsatisfied needs can function as motivation.

II. ALDERFER'S NEEDS THEORY

C. Alderfer's needs theory is among other things an attempt to modify A. Maslow's needs model in the sense that the number of basic levels is reduced from five to three. It is called Alderfer's ERG theory. These are:

- Growth: Need for creative and productive development (corresponds with Maslow's self- actualization need)
- Relatedness : Need for meaningful interaction and relationships(corresponds with Maslow's social needs)
- Existence: Basic survival needs(corresponds with Maslow's Psychological need and safety needs)

The model contains the same satisfaction progression as Maslow's model, but there is an additional element to the theory in that Alderfer believed that unsatisfied needs can make the person regress at a lower needs level, i.e. place even more emphasis on the satisfaction of needs

placed lower in the hierarchy. A frustration progression. The ERG model is supported by empirical studies to a higher degree than Maslow's model, and conceptually, it corresponds better with the way we generally express our needs. Therefore, the model may be better for interpreting how needs influence individual behavior. Furthermore, Alderfer believed that the importance of higher needs increase when they are satisfied.

III. McClelland's MOTIVATIONAL THEORY

D. McClelland's theory uses the management group as a starting point, and he focuses on three meaningful needs, which he believe are culturally acquired and therefore possible to change through training.

He does not deal with progression and regression between needs but with the needs/motives that have significant influence on productivity and efficiency in working life.

McClelland's three needs, which are often called APA needs are:

- Achievement need: Need to achieve high performance and to master difficult and complex tasks.
- Power need: Need to take responsibility, take charge, gain influence, and the willingness to make a difference. McClelland distinguishes between social power needs, i.e. the need to perform well for others and/or the entire company, and personal power needs, i.e. the need to create personal gain.
- Affiliation need: Need for social interaction and need to create and maintain friendships.

McClelland believes that all people have different composition of the three needs, but that one of the needs is usually dominating. According to him people with a high achievement need to be very objective – oriented and aim at high, but not unrealistic objectives. They want to have influence in on the solution to their own tasks and they have a high energy level and work hard. They demand quick and concrete feedback and appreciate performance management and performance pay. Furthermore they have approach level, i.e. they tend to be very proactive.

People with a high social power need should be placed in positions where they are able to practice legitimate, social control. People with a high affiliation need seek closeness with others and generally want extensive interpersonal interaction. People with a low affiliation need did not have problems with working alone for longer periods of time.

2.9.2. Outer Motivation

There are a number of recognized theories to help managers create motivated behavior by means of outer factors in relation to the employees. Major of these are job design, Herzberg's 2 Factor Hygiene and Motivation Theory, Hackman & Oldham's job characteristics model, Reinforcement theory, social justice, and Organizational culture. (Jorgen and Mile2006)

I. Job Design

The link between Job design, by which we understand the arrangement, design and contents of the job, and motivation and job satisfaction has not been given much attention in the research industry in the last decades despite that:

- Job design has proven to play a great role in practical attempts to generate more satisfaction and greater effectiveness.
- A large part of many manager's jobs is to further develop existing job designs.
- The structure of the job has significance influence on the person who is to perform the job.
- Additional knowledge in this field may create insight in to motivational relationships.

II. Herzberg's 2 Factor Hygiene and Motivational theory

F. Hertzberg's 2 Factor Hygiene and motivation theory is an empirically founded theory about the factors that influence job satisfaction and thereby motivation. Herzberg's empirically studies are based on conditions in 11 American companies in the 1960's and should be viewed in that perspective.

According to Hertzberg, Job satisfaction is influenced by a number of job factors, which separately give the individual employee either more or less satisfaction, or more or less

dissatisfaction. Through his studies, Herzberg discovered that employees do not evaluate the significance of the individual factors on one scale ranging from satisfied to dissatisfied, but rather on two separate scales: one that range from satisfied to dissatisfied, and one ranging from dissatisfied to satisfied. Therefore, job factors can be divided in to two groups: one group of job factors which influences the degree of satisfaction (motivational factors), and one that influences the degree of dissatisfaction (maintenance factors).

According to Herzberg, the maintenance factors in this way contributes to removing dissatisfaction, but they cannot generate satisfaction (motivation), only motivational factors can do that. Thus, motivation cannot be generated by ensuring extra good maintenance factors-including extra good pay and bonus conditions.

Both groups of job factors are important, and one group is not more important than the other. The factors are complementary but cannot replace each other in the long term. Herzberg believed that particularly good maintenance factors/ working conditions generate increased effort in the short term, but merely move the expectancy level in the long term and thereby do not change the effort.

Studies shows that fundamentally, there is some truth to this two-dimensional division, but the distinction between maintenance and motivational factors is not as clear as Herzberg assumed. The greatest merit of the theory lies in the confrontation with the one-dimensional thinking, i.e. that satisfaction and dissatisfaction are contrasts. The conclusion is that the different job factors have different significance for the motivation of the individual employee.

The weakness of the theory is that it does not take account of the fact that individual have their own personal motivational structure, or that groups of employees have differentiated needs-orientation.

III. Hackman & Oldham's Job Characteristic Model

Hackman & Oldham developed Herzberg's theory further as they believed that it had a number of weaknesses. They wanted more detailed understanding of how job characteristics are related to job satisfaction. They suggested five job characteristics which all have significant influence on the job owner psychological relation with the job:

- Variety in competence requirements: i.e. the job allows broad employment of the employees' collective skills.
- Meaningful work: i.e. to what extent the employee feels responsible for a meaningful entirety of the total job.
- Covering stakeholders' needs: i.e. to what extent the employee's work has a positive influence on the life and welfare of others.
- Degrees of freedom: i.e. the extent to which the results of the work function as feedback for the employee (not the manager's feedback).

IV. Skinner's Rewards/Reinforcement Theory

The basis for the rewards/reinforcement theory is B.F. Skinner's belief that human behavior is controlled and maintained by conditions in the surroundings (operant conditioning).

Behavior may be random and influenced by experiments, but there is a tendency that behavior which is rewarded will be repeated- and that behavior, which is punished, will be avoided. This is called positive and negative reinforcement.

Thus, motivating becomes a question of identifying the current needs in order to be able to provide the proper rewards.

According to Skinner, modern reward system such as 'personal pay packages' are systems that allow the individual employee to decide how much of the pay will be set aside for pension and other packages of benefit. The motivational aspect is that the employee feel appreciated because he is given the opportunity to influence the composition of his pay package. In terms of motivation. Performance is ascribed too much value when adjusted to the individual employee and his valence.

V. Pathfinder Theory

The Pathfinder theory is closely connected to the Expectancy theory, which states that organizational behavior is the result of a choice between various possible actions with different value for the person who choices. The rational person will always choose the action which generates the expected personal value.

Among other things, the expectations depend on the extent to which the employee assesses that 'the efforts bear fruit'. The Pathfinder Theory is a theory about how and on which conditions the manager can strengthen motivation by clarifying how the desired objective is reached easiest.

For the manager, it is about clarifying vague information and removing elements of uncertainty and organization barriers. The extent and character of the help and interference are closely connected with the management's choice of management style, and the entire theory is closely connected with the theory on situational management.

VI. Organizational Justice

It deals with people's perception of fair treatment, and a distinction is made between what is referred to here as distributive and procedural justice.

A. Distributive justice

A number of motivational theories are based on the assumption that the starting point of the individual person's choice of motivated or non-motivated behavior is the person's personal situation. This may be a needs situation of considerations concerning physical or psychological rewards.

The fundamental idea of the theory of distributive justice is that people compare the relationship between input and output for themselves to the same relationship other comparable person, i.e. how do I perform, and what do I receive compared to what others perform and receive?

If a person assesses that the result of this comparison is not fair, the person will be motivated to create justice by changing the sizes of input and output either for himself, or for the persons who he has compared himself with. This may happen by e.g. reducing his input, or demanding higher pay or better conditions. It may furthermore happen by simply finding other people to compare with. Finally, lack of justice may result in the person quitting his job.

B. Procedural justice

One thing is whether the benefits are fairly distributed; another is whether the distribution process per se is perceived as fair- i.e. whether a person has had the expected influence on the process, whether his opinions have been heard, whether the information has been sufficient etc.

Research indicates that the two types of justice can replace each other to a certain degree i.e. that if the distribution seems fair, the process itself does not play as great a role, and conversely, if the process seems fair, then unsatisfactory distribution is acceptable to a certain extent.

2.10. Role of Performance Management System in Motivation

According to (MTD Training Academy 2010) on their training book on Motivation Skill, there are many benefits from performance management system many of which are directly related to motivation. These benefits are fully attainable when the organization laid foundation of a fair, consistent and achievable performance management plan. Some of them benefits are:

- When roles and responsibilities are clear, motivation is increased. If employees know what they are supposed to be doing, there is no loss of motion due to confusion or uncertainty. Instead a motivated individual will be in action, and a team full of motivated individual will feed off of each other and help keep that motivation going.
- When expectations are clear, employees are more likely to take ownership of their work and to be committed to the expected outcome. They will be more likely to be willing to take risks, to put in extra effort, and to view their own role of that of a partnership with the organization.
- Performance management also helps to develop a team. Can use it to stretch their capabilities, to challenge them to step outside of their comfort zone. Doing so will provide opportunities for individual growth, which in turn will help to fuel their enthusiasm for their job.
- A solid, well-performed performance management process gives a powerful tool for addressing poor performance issues, should they arise. If the organization and the employee have agreed upon what their duties and responsibilities are, then the organization has something to refer to when they are not holding up their end of agreement.
- Securing in knowing employees are doing the job the way the organization want it done
- A clear understanding of what the organization expect and what the corresponding rewards or consequences will be.
- Employee's uses it as a framework for gauging their own performance

- Help employee's knowing that they have the ability to determine their own success by following the performance plan the organization set in place.
- An enjoyment of the achievements they reach, which help foster their self-esteem and their future motivation.

2.11. Guidelines for a Motivational Performance Management System

In use the performance management as means to motivate employees according to (MTD Training Academy 2010) also indicated the guidelines should done as follows.

1. Maintain Consistency

First, maintain consistency. Once performance targets sets, it need to act and evaluate according to them. If employees know what is expected from them one thing but evaluate them based on something else, employees will lose trust on the supervisors and in the validity of performance management process.

Certainly, there are times when the nature of the job or the goals of the organization may shift, requiring that need to adjust performance targets. However, the reason for these change should be made clear and should remain as consistent as possible in the future.

2. Follow Through

Next, be sure to follow- through performance management process. If employees aware that they have quarterly performance evaluations, then be sure have them. If there is a goal for employees that they learn a new skill, be sure that the employees get the necessary training or resources. If the organization do not take the plan sets seriously and follow-through on what is said to do, then it is difficult to expect employees to do so.

3. Demonstrate the Right Attitude

If management attitude towards performance management is one that focus on the benefits and the actions mirror that attitude, then employees will learn to appreciate the process. They will

understand that performance management is not about punishment or criticism- it is about growth, productivity, and success as a team.

4. Reviewing the System

The only way to certain that experience the benefit from the performance management system is to review the existing process and make sure that it is set up as well as possible. Does the current system foster an environment of partnership and motivation, or does it perpetuate a negative perception of what performance management means? By taking time to review the foundations of the existing performance management process, it will be in an excellent position for exploiting all of the possible benefits.

2.12. Empirical Literatures

There are many researches made on how organizations put performance management in to effect and reached at some findings and conclusions by IRS, Ed Lawler and Michael McDermott, CIPD, and e-reward. Some of the significant implications of the survey are summarized by the Armstrong M. (1994 PP 40-52). Among the practical and realistic comments from respondents on what make performance management work are:-

1. Achieving Buy- In from Top Management

A constantly recurring plea in every area of HR policy is that there must be active support from top management if it is to be effective. This is particularly the case with performance management as it is up to them to impress on everyone in the organization that the achievement of high levels of performance is a fundamental part of the organization's method of operation and that performance management is regarded as a major instrument in developing and maintain a performance culture. Clearly, this means that they must engage wholeheartedly in performance management processes themselves as an integral part of how they approach their role as managers. But they have also to deliver and inform repeatedly the message that they expect all line managers to do the same. In other words, it is top management, and only top management that can ensure that performance management becomes a key part of the culture of the organization.

It is argued that without that support, in deeds as well as words, there is no real point in pursuing performance management. In some cases, the support is readily available in others, HR as a business partner has a key role to play in enlisting and perpetuating it. A business case has to be made for performance management, which means it has to be presented as a business process (a business improvement model), not an HR activity. HR is concerned because performance management is about the management and development of people and it is the role of HR to manage communications about performance management on behalf of top management, to ensure the involvement of staff in its development and to provide the training, coaching and guidance that are essential to its success. Ultimately, however, performance management has to be seen and presented by top management as a means of helping them run the business.

2. Achieving Line Management Commitment and Capacity

The comments from respondents about the issues surrounding performance management confirmed that, given top management support, its effectiveness depended largely on the commitment of line managers to the processes and the levels of skill they could bring to bear in carrying them out. It is line managers who ‘do’ performance management. If they do it badly it will fail. Carried out reviews with minimum effort, inadequate or biased feedback, a judgmental approach and unwillingness to engage in dialogue can all demotivate people.

But according to Armstrong M. (1994), this should not be regarded as a blanket criticism of line managers. It is up to HR to ensure through communication, involvement and above all, training and coaching that they believe in what they have to do, willingly find time to do it, and have the skills to do it well. And these skills such as agreeing objectives, using competency frameworks, providing feedback, coaching, and discussing improvement and development plans are demanding.

3. Clarity in Purpose and Process and Simplicity in Operation

Again and again respondents emphasized the need to be clear about the objectives of performance management and about the process to be used. The whole system must be transparent- everyone should know how it works, how it affects them and how the outcomes of performance management will be used. Above all, the message delivered by respondents was

‘keep it simple’. Elaborate forms, lots of paperwork and bureaucratic procedures are the death of performance management and provides the best way of putting everyone concerned off the process.

4. Alignment and Integration

As a business improvement model, performance management must ensure that individual objectives are aligned to organizational objectives and any discrepancies in performance need to be dealt with through improvement and personal development plans. Performance management should not be regarded as a stand-alone process; it needs to be treated as part of the normal way of doing business, which is linked strongly to other HR activities, especially those concerned with learning and development.

5. Cultural Fit

Performance management processes must fit the culture of the organization the way it ‘does the business’, and its values and norms. As a number of respondents commented, the system should never be ‘lifted down from the shelf’ and if management consultants are used they should demonstrate that they understand the culture and are presenting recommendations that are aligned to that culture.

6. Contribution and Performance Pay

There was a strong tendency for respondents to question too much focus on financial reward as an outcome of performance management. According to Armstrong it is strongly accepted that, if people are going to be rewarded according to their contribution or performance then some attempt has got to be made to assess that contribution or performance. But the danger of creating a formulaic link between a performance appraisal rating and a pay increase is that performance management is regarded simply as a means of creating a link rather than as an approach to performance improvement and development.

7. The Care and Time Factors

Respondents frequently mentioned the need to take great care in planning performance management – obtaining the views of stakeholders, pilot testing, considering all the implications,

obtaining buy-in and commitment. The overall message was that developing performance management ‘takes longer than we think’ and some respondents commented that it is best not to be too ambitious to start with. It was also remarked by several respondents that time has to be allowed to become fixed firmly the performance management. It won’t happen overnight. People have got to be given time to get used to the idea and develop the attitudes and skills required for it to work.

8. Evaluation

It is hard to see how performance management can be improved as it is progressively embedded without evaluating its effectiveness. It is essential to find out how well it is operating so that communication, training, coaching and guidance can be provided where necessary. But several respondents warned against tinkering too much with the basic processes on the grounds that this only serves to confuse people.

2.13. Conceptual Framework

Based on the literature review the researcher develop the research frame work that are concerning the variables of the research topic. In this research the dependent variable is employee’s motivation and the independent variables were performance management process. The research hypothesized that the employee’s motivation is positively affected by the effective performance management practices. According to (William 1986) performance management is a continuous process passing through the four cycles, cycle of plan, act, monitor and review. This is not a coincidence. Performance management is all about continuous improvement. In related to this the performance management process stated briefly in the literature review are passing through this cycle and in each cycle and process employees are involved and/ or affected by the process. So each the performance management process pass through this cycle. According to (Anshual 2013 as cited on Samson T. (2015) this major performance management practices outcomes have significant impact on employees’ motivation. They are pay, recognition, working condition, career development, leadership, communication and feedback practices. Based on this two major concepts the researcher developed the following conceptual framework.

INDEPENDENT VARIABLE DEPENDENT VARIABLE

(PMS PROCESS)EMPLOYEE'S MOTIVATION

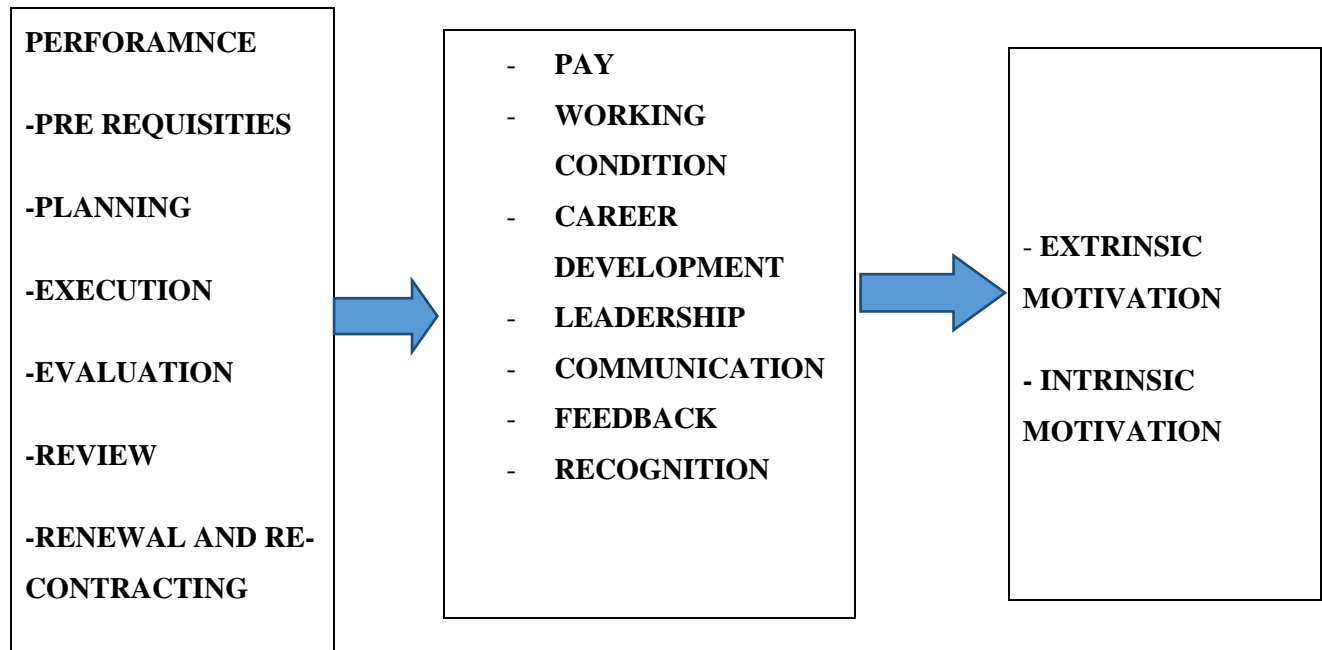


Figure 2.2: Conceptual Framework (self- developed 2017)

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Introduction

In this chapter the practical methods used in the way to answer the research questions, that help to achieve purpose of the research are presented. It constitutes an overview of the research design approaches, a description of data collection method and the instrument used for data gathering, targeted population and sampling procedures, tools for data analysis and the research ethical issues.

3.2. Research Design

The research design for this study was explanatory research design because of it tried to figure out a causal relationship between the performance management practices and employees motivation. According to (Saunders et al. 1997) an explanatory research emphasizes on studying a situation or a problem in order to explain the relationship between variables.

To study the existing situations that prevail in the company accurately and timely in an economic manner, to gathering and analyzing of the necessary data, to examine the performance management practice and motivation of employees, the researcher used a quantitative research approach. The research used this type of approach because of quantitative research generates statistics through the use of large-scale survey research, using methods of questionnaires (Dr. Catherine D.2002). This type of research approaches reaches many people and the contact with those people is much quicker than it is in qualitative research approach.

3.3. Population And Sample

Branches at CBE are grouped according to the geographic location in to fifteen districts throughout the country. The target group population is reduced to employees that are working at the North Addis Ababa District. According to the Human Resource Business of North Addis district, the general target group for this study is comprised of 2,515 bank professionals as of December 31 2016 their job performance rated quarterly. From this general target group the

research concerned more on the clerical employees of the bank which comprises total of 2,332 employees. Because of most of non-clerical employees are outsourced, related to this there is a different administration of performance evaluation at non-clerical permanent employees of CBE and the outsourced non-clerical contract employees. So in order to control the difference of employees' administration effect on this research finding, the research focuses only on the clerical employees of the North Addis district employees.

The sample size n is determined by using the following formula developed by (deVaus D. 2002). The researcher used this formula because it allows to predict the level of estimation accuracy and consider which percentile of the sample should represent the target population.

Using this formula the researcher decides that the proportion of an element of the sample belonging and not belonging to a sample is 50 % of each. Accordingly, the researcher will use confidence interval of 95%, which is the level of certainty whether the response for each question is the true answer or not. 5% margin of error which is the amount of error from difference in the responses the researcher can tolerate when drawing a conclusion from the data. The margin of error is lowered to 5% so that the conclusions drawn from the sample is a representative of the target population. The response distribution probability is set to 50% because the respondents have half equal probability of agreeing or disagreeing for each question.

In addition comparatively it seems easy to compute by the researcher in order to select an appropriate sample size. The formula is put as follows:

$$n = p\% \times q\% \times (z/e\%)^2$$

Where n = the minimum sample size required

$P\%$ = the proportion belonging to the specified category (sample) (assume that 50%)

$q\%$ = the proportion not belonging to the specified category (50 %)

z = level of certainty sample represent characteristics of population (95%, z value of 1.96)

$e\%$ = accuracy required for any estimate made from sample (margin of error is 5%)

$$\begin{aligned}
n &= 50 \times 50 \times (1.96/5)^2 \\
&= 2500 \times 0.154 \\
&= 385
\end{aligned}$$

Therefore, the minimum sample size required for the population is 385. But according to (deVaus 2002) where the population is less than 10,000, a smaller sample size can be used without affecting the accuracy. This is called Adjusted Minimum Sample Size. It is calculated by using the following formula:

$$n' = \frac{n}{1 + (n/N)}$$

Where n' is the adjusted minimum sample size

n is the minimum sample size required calculated early (385)

N is the total target population (2,332)

$$\begin{aligned}
\text{Hence } n' &= \frac{385}{1 + (385/2332)} \\
&= 385/1.165 \\
&= 330.47
\end{aligned}$$

So the minimum sample size for this research in approximate is 330 employees.

To collect the primary data from the calculated sample size the researcher used stratified random sampling. Because of commercial bank of Ethiopia is one of the largest organization in Ethiopia and have a large number of employees, for this research stratified random sampling allows to group the population in to two or more relevant and significant strata using one or more common variable that relate each other. In addition use of stratified sampling advantage is that, it is more likely to be representative as it ensure of each strata is representing within the sample. As

Greener (2008) described, this sampling method recommend for the reason that it can specify any characteristics and the sampling frame can be easily identified by these characteristics.

The basis for forming the strata in this study from the targeted population was based on the job grades level exists within the sample. So that the target population is divided in to twelve strata (Job grade 5,6,7,8,9,10,11,12,13,14,15 and 17). Assuming that the population is uniformly distributed over these strata. Then samples are selected using simple random sampling specifically lottery system of simple random sampling from the identified strata's.

According to (Dawson 2002) even if the population assumed to be uniformly distributed, the size of each stratum varies, then the researcher decide to choose a disproportionate stratified sample to increase the sample size of those stratum with lower number of respondents to make sure that the data are meaningful.

Table 3.1: Population and Sample Distribution

Stratum	Job Grade	Number of Employees	Percentile	Sample Size
S1	5	6	0.26	1
S2	6	7	0.30	1
S3	7	405	17.37	57
S4	8	17	0.73	2
S5	9	1243	53.30	176
S6	10	252	10.81	35
S7	11	235	10.08	33
S8	12	112	4.80	16
S9	13	44	1.89	6
S10	14	5	0.21	1
S11	15	5	0.21	1
S12	17	1	0.04	1
	TOTAL	2332	100.00	330

3.4. Data Sources and Data Collection Method

The researcher collected the data that are needed to accomplish the proposed research questions and objectives through survey method of data collection because the data collected using this method uses to suggest possible reasons for particular relationship between variables and allows to produce models of this relationship. In order to collect the data from the targeted population the research use survey research methods. According to (Saunders et al. 1997) Survey research strategies allow to collect large amount of data from sizable population in a highly economic way, in addition it is possible to generate findings that are representative of the whole population at a lower cost than collecting data for whole population.

As source of data the research used both primary and secondary data sources. The main sources of primary data related to the current performance management practice and employees' motivation are collected from the sample frame list of employees of the district.

In order to get first-hand information as primary data, questionnaires were prepared and distributed to the selected sample employees. Demographic variables such as gender, age group, year of experience, marital status, educational status, current job grade in which the respondent working also gathered through the questionnaire. In addition, main facts about the issues related with the performance management practice of the bank and employee's motivation are collected by using designed questionnaire. And also informal interview with the district human resource department workers and the banks employees as primary source of data.

The Secondary data was gathered from published reference material such as books, on the field and related fields, research papers conducted on performance management system and motivation of employees, internet, the bank's website and fliers.

3.5. Data Collection Procedures

Employees who are grouped in accordance their job grade level, questioners was distributed based on the simple stratified random sampling method. A total of 330 questionnaires were distributed that are directly related to the performance management system and employees motivation. The questioners were divided in to three sections. Questionnaire for Addis Ababa city branches were distributed by the researcher in person and for those employees work outside

the city their response collected through the company's intra portal email address for each of selected employees' mail with detail description of the benefit and purpose of the research.

In order to collect the data through the questionnaires the researcher pass through different lines organs. First accept the cooperation letter from the Human Resource Management program AAUCC department of Business Administration and Information System to the commercial bank of Ethiopia manager of Learning and Development office. Secondly the learning and Development office write a supporting letter for the selected target group of North Addis district CBE. At third the district office wrote to all branches under its domain to support the collection of data for the project paper. Finally using the permission letter data's are collected.

3.6. Validity and Reliability

- **Validity**

To make the research valid, the researcher used reliable sources such as published books and recent articles written by well-known authors in the field of performance management and employee's motivation, research method books and other related topics.

In order to insure the research validity, one of the major point to consider is the research questioner validity. Because of valid questioner that collect the data that really wants by the research makes the research valid. For this research the questioners are designed by considering the research questions and objectives. The questioner are prepared in combination of some of questioners are self-developed and most of the questioners are adapted from (Samson T. 2015). He developed the questions from books of Armstrong M. (2009 p.331, p1021) and Hume D. (2000, p.6).

To strengthen the accuracy of the instrument, some number of questionnaires were criticized before full dispersal by randomly selected employees, district HR managers and officers.

- **Reliability**

In order to insure the reliability, the research used an internal consistency type of reliability. The research used this internal consistency reliability because the research uses to measure each variable of the research using different type of question but they are related to each other to

measure the identified variable. From the internal consistency sub categories the research used Cronbach's Alpha reliability test.

According to Robert S. (Y520 strategies for educational inquiry), Cronbach's alpha indicates the degree of internal consistency. It is a function of the number of items in the scale and the degree of their inter correlations, the value ranges from 0 to 1 (never see 1). When the items all measure the same things, alpha is high so high reliable, whereas when items measures different things, alpha is low show low reliability. In addition, Lombard (2010) strengthen this concept that Coefficients of .90 or greater are nearly always acceptable, .80 or greater is acceptable in most situations, and .70 may be appropriate in some exploratory studies for some cases.

The reliability test of the data for this study shows as seen in the below table.

Table 3.2: Reliability Statistics

Cronbach's Alpha	N of Items
.816	38

As it can be seen in the above table the figure from analysis Cronbach's alpha results $\alpha=0.816$ is ranged on higher reliability. So we can conclude that the research question items were reliable and acceptable.

3.7. Data Analysis Method

After collecting the essential information from the respondents, the gathered data were analyzed by using quantitative analysis method. According to (Dawson C. 2002) quantitative data analysis is best for large data survey. Also make the analysis easiest and when most efficient statistical software used.

The data obtained from questionnaire was coded, processed and analyzed using suitable statistical software called statistical package for the social science (SPSS). To generate the required results correlation and regression used to answer the basic question for the relationship and effect of PM practices and employees motivation. In addition frequencies, arithmetic mean,

standard deviation and percentage were used. The outputs of the analyzed data was presented using tables and diagrams.

3.8. Ethical Issues

To get the required result, during data collection and the data interpretation process, the researcher tries to make it realistic and free from bias as much as possible. Furthermore the researcher also made effort to convince Participants of the survey about the importance and purpose of such study that helps the bank in identifying the gap on the practice of performance management in motivating employees. The researcher also promised that any confidential information that they disclose is kept confidential and as promised information will not disclosed to nobody are used for academics purpose.

CHAPTER FOUR

4. DATA ANALYSIS AND INTERPRETATION

4.1. Introduction

This chapter presents the data that are collected from primary sources using the close ended questioner by analyze using quantitative data analysis. The tool used for compiling and organizing the data was statistical package for social science (SPSS) version 20 software. The results are presented using tables and charts. Using the figure what they indicate the researcher interpret them in accordance with the research aim.

4.2. Number of Distributed and Returned Questionnaires

Questionnaire was adapted from Samson T. (2015) by making suitable to this research as stated in the research methodology and distributed by the researcher on the selected strata samples of North Addis Ababa District employees. Out of the total 330 questionnaires distributed (sample size), 282 of respondents filled and returned the questionnaire which is approximately 85 % response rate. Detail of the response rate is as shown in the following table.

Table 4.1: Summary of the Questionnaires distributed and returned

Stratum	Job grade	Number of Employees	Proportionate Percentile	Distributed questionnaires' (Sample Size)	Returned Questioner
S1	5	6	0.26	1	1
S2	6	7	0.30	1	1
S3	7	405	17.37	57	53
S4	8	17	0.73	2	2
S5	9	1243	53.30	176	144
S6	10	252	10.81	35	35
S7	11	235	10.08	33	27
S8	12	112	4.80	16	11
S9	13	44	1.89	6	6
S10	14	5	0.21	1	1
S11	15	5	0.21	1	1
S12	17	1	0.04	1	-
	TOTAL	2,332	100.00	330	282

4.3. Demographic Characteristics of Respondents

Under this topic of the analysis the personal information of the respondents, as filled by the respondents on the questionnaire are compiled, presented in charts and tables. Then each of personal information's i.e. gender, age, educational level, marital status and work experience are analyzed one by one as follows.

Gender Proportion of Respondent's

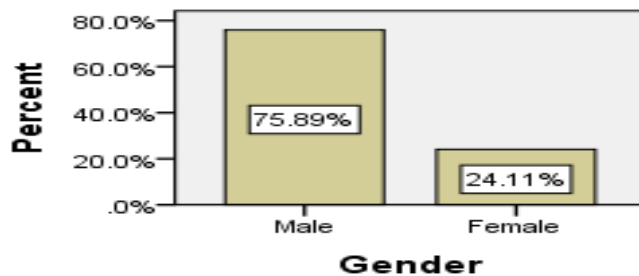


Figure 4.1: Gender Distribution of Respondents

As shown on the above graph from total 282 respondents of the questioner majority of respondents were male in number 214(75.89%) and the remaining were female a total of 68(24.11%). This shows that the North Addis Ababa District employees were dominantly male and the analysis accommodated the reflection of their views.

Table 4.2: Demographic Characteristics

Categorized Group		Frequency	Percent	Cumulative Percent
Age of Respondents	18-30	219	77.7	77.7
	31-40	51	18.1	95.7
	41-50	12	4.3	100.0
	Total	282	100	
Educational Status	Diploma	1	.4	0.4
	Degree	270	95.7	96.1
	Master's degree	11	3.9	100.0
	Total	282	100	
Marital Status	Single	179	63.5	63.5
	Married	103	36.5	100.0
	Total	282	100	
Work Experience	<1	45	16.0	16.0
	1-5	190	67.4	83.3
	6-10	31	11.0	94.3
	11-15	4	1.4	95.7
	16-20	12	4.3	100.0
	Total	282	100	

The above table shows, 77.7% of the respondents were below age of 30, which depicts the majority work force of the company, were in young age group. This age group is known to be very energetic .For this reason the company use of the performance management is the best option to use this energetic work force to meet the banks strategic goals. The remaining employees of the sample are between 31 and 40 years which comprised of (18.1 %) of the respondents still this age group is active and energetic.

Employees' educational level that stretched from diploma to master's degree is tabulated on the above table.

The results shows that majority of respondents 95.7 % are first degree holders. From the total of respondents only one employee is a diploma holder, who is at job grade level 5(the minimum clerical job grade level in this bank)and the remaining 11 employees of respondents(3.9%) are post graduated level of respondents. This shows that under normal conditions they can express ideas related to the study consistently and with good understanding. So their response can be taken as acceptable to the study.

From total of 282 respondents 63.5% are not married and the remaining of 36.5 % are married. This show majority of respondents are at single marital status.

As the above figures also shows 190 respondents that accounted for 67.4% of the respondents has served the bank not more than 5 years. Only 5.7 % of respondents had greater than 10 years. This information suggests that most of the respondents were well experienced and hence they can provide vital information regarding the practice and problems related to performance management and employees motivation.

4.4. Analysis of Questionnaire Responses on the Performance Management Process

In this part of the analysis respondents participation about the practices of performance management under each of major performance management process (performance pre-requisites, planning, execution, evaluation, review, and renewal and re contracting) question responses are analyzed in detail below.

4.4.1. Performance Management Pre Requisites

There are two important prerequisites that are needed before a performance management system is implemented: (1) knowledge of the organization's mission and strategic goals and (2) knowledge of the job in question. This section designed to have three questions (particulars) that intended to probe this situation.

Table 4.3: Performance management Prerequisite Response Frequency

	Degree of agreement	Frequency	Percent	Cumulative Percent
(1). I clearly know the bank's vision, mission and strategic goals	strongly disagree	10	3.5	3.5
	Neutral	11	3.9	7.4
	Agree	72	25.5	33.0
	strongly agree	189	67.0	100.0
	Total	282	100.0	
(2). My objectives support the bank's strategic goals and objectives	Disagree	11	3.9	3.9
	Neutral	29	10.3	14.2
	Agree	108	38.3	52.5
	strongly agree	134	47.5	100.0
	Total	282	100.0	
(3). I am clear with my duties and job responsibilities	strongly disagree	5	1.8	1.8
	Disagree	10	3.5	5.3
	Neutral	11	3.9	9.2
	Agree	114	40.4	49.6
	strongly agree	142	50.4	100.0
	Total	282	100.0	

(Source: the research survey 2017)

From the above table question number one shows knowledge of employees about the CBE's vision, mission and strategic goals 92.5% of respondents agreed that they well known it. Whereas 3.9% (11) were not sure that they were clear of the vision mission and strategic goals and 3.5% (10) do not agree on this.

Related to this organization mission and strategic goals are assigned to each employees through job description. Clarity on employees roles help to meet the organization objective. Sample of this research also asked on this issue and 90.4 % of respondents agreed that they are clearly know their job duties and responsibility well.

On the supportiveness of employee’s objective on the organization strategic goals and objectives 85% of respondents agreed. On the other hand few of 3.9% (11) employees were not confident that their objective support the organization’s goals. From this result, it can be said that most of employees’ objective supports the bank’s goals and objectives.

4.4.2. Performance Management Planning

At the beginning of each performance cycle the supervisor and the employee meet to discuss, and agree on, what needs to be done and how it should be done. In this section, particulars designed to examine the nature of alignment of employees’ objectives with the bank’s overall objectives, their degree of participation in goal setting process, in the establishment of criteria and expectations for measuring employees’ performance.

Table 4.4: Performance Management Planning Responses Frequency and Mean Value

	Degree of Agreement	Frequency	Percent	Cumulative Percent
(1). I have a chance to participate in setting goals, objectives and measurement standards of the job	strongly disagree	80	28.4	28.4
	Disagree	42	14.9	43.3
	Neutral	68	24.1	67.4
	Agree	67	23.8	91.1
	strongly agree	25	8.9	100.0
	Total	282	100.0	
(2). The bank's strategic goals are aligned with my personal objectives	strongly disagree	17	6.0	6.0
	Disagree	53	18.8	24.8
	Neutral	95	33.7	58.5
	Agree	96	34.0	92.6
	strongly agree	21	7.4	100.0
	Total	282	100.0	
(3). The standards that used to evaluate my job are clearly explained to me by my supervisors	strongly disagree	16	5.7	5.7
	Disagree	50	17.7	23.4
	Neutral	53	18.8	42.2
	Agree	117	41.5	83.7
	strongly agree	46	16.3	100.0
	Total	282	100.0	

Source: the research survey, 2017

Table 4.5: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
performance management planning	282	1.00	4.67	3.1099	.81172
Valid N (listwise)	282				

43.3% of respondents expressed by their rating that they had no a chance to express their idea on the goals, objectives and measurement standard setting of their job. 32.7% says there is a way to participate.

Alignment of organization goals with employee's personal goals responses show that 41.4% cumulatively agree there is an alignment. 18.8 % and 6% disagree and strongly disagree respectively (24.8) that the banks strategic goals are not interlinked to employees' personal goals. Whereas not that much ignorable number (95) or 33.7% of respondents are unable to measure existence of the alignment.

Prior to go work to execution of performance management it is know that employees should be informed what they do, what expect from them and in what manner should they do their jobs. From the total respondents' majority of employees agreed (57.8%) they are clearly explained the standards that used to evaluate their jobs by their supervisors but the cumulative disagreement of 23.4% do not accept this idea totally.

The mean and standard deviation for performance planning is found to be 3.10 and 0.812. This result shows that participants who agrees on the existence of performance planning and incorporates those points that are cited in the questionnaire are not that much have difference to those who disagree and neutral.

4.4.3. Performance Management Execution

Once the planning cycle ends, the employee strives to produce the results and display the behaviors agreed on earlier as well as to work on development needs. In this section five questions are raised about the purpose of performance management, availability of ongoing feedback of supervisors and the formats used to follow employees' performance.

Table 4.6: Performance management execution responses frequency

	Degree of agreement	Frequency	Percent	Cumulative Percent
(1). I know the purpose of the existing performance management system.	strongly disagree	10	3.5	3.5
	disagree	16	5.7	9.2
	neutral	57	20.2	29.4
	agree	161	57.1	86.5
	strongly agree	38	13.5	100.0
	Total	282	100.0	
(2). The focus of the existing performance management is developmental.	strongly disagree	10	3.5	3.5
	disagree	53	18.8	22.3
	neutral	54	19.1	41.5
	agree	133	47.2	88.7
	strongly agree	32	11.3	100.0
	Total	282	100.0	
(3.) I get ongoing feedback throughout the rating period.	strongly disagree	10	3.5	3.5
	disagree	55	19.5	23.0
	neutral	63	22.3	45.4
	agree	130	46.1	91.5
	strongly agree	24	8.5	100.0
	Total	282	100.0	
(4). In the performance appraisal form, job related contents are fairly included.	strongly disagree	33	11.7	11.7
	disagree	69	24.5	36.2
	neutral	50	17.7	53.9
	agree	115	40.8	94.7
	strongly agree	15	5.3	100.0
	Total	282	100.0	
(5). The performance appraisal system applies similar format and technique to evaluate all jobs in similar grades.	strongly disagree	36	12.8	12.8
	disagree	56	19.9	32.6
	neutral	50	17.7	50.4
	agree	91	32.3	82.6
	strongly agree	49	17.4	100.0
	Total	282	100.0	

Source: the research survey, 2017

As it can be seen on the above table question number one 70.6% of respondents agree that they know the purpose of the existing performance management system of the bank. However not negligible number of respondents (20.2%) have neither agree nor disagree. This implies that there is awareness of employees on existing performance management system.

Expressing the main aim of performance management system that is applied not for punishment and blaming instead it is for development of employees performance at the beginning make employees' not to perceive it on a negative way of implementation. From total respondents 58.5% of employee's agree that the existing performance management is focus on developmental and 22.3% of employees disagree on its purpose of developmental. The result indicates that majority of employees' believe that the existing performance management is based its aim to developing employees' performance.

Performance management system to be developmental need to give ongoing feedback to employees on their performance throughout the rating period. On this while 54.6% of respondents agree there is ongoing feedback on the performance management execution, on the contrary 23% (65) of employees do not get consecutive feedback on their performance. This shows that majority of employees receive ongoing feedback from their supervisors following their work performance.

Question number four shows that 46.1% of employees of respondent agreed on the performance appraisal form job related contents were fairly included. Whereas 24.5% disagree on the fairness of the contents job relatedness and 11.7% (33) absolutely concluded that the contents are unfair.

On the format and techniques similarities to evaluate jobs in similar job grades question, 49.7% of respondents agreed it was similar whereas 32.7% of employees disagree that the technique is different to evaluate employees even though their job is lay on similar job grade in related to other of their colleagues.

Question number 4 and 5 results indicate that majority of respondents believe that the evaluation standards set to evaluate employees' performance are fairly related the real work activities and uses similar formats to measure jobs at similar job grade level in the bank.

4.4.4. Performance Management Evaluation

The items analyzed in this section administrated to get some relevance whether supervisors and employees take the necessary steps to evaluate the extent to which employees' demonstration of the desired behaviors and whether the desired results have been achieved.

Table 4.7: Performance Management Evaluation Responses Frequency (A)

	Degree of agreement	Frequency	Percent	Cumulative Percent
(1). The evaluation process in the bank is fair, objective and reasonable	strongly disagree	40	14.2	14.2
	Disagree	54	19.1	33.3
	Neutral	54	19.1	52.5
	Agree	108	38.3	90.8
	strongly agree	26	9.2	100.0
	Total	282	100.0	
(2).Supervisors, peers and customers participate in evaluation process	strongly disagree	71	25.2	25.2
	disagree	73	25.9	51.1
	neutral	56	19.9	70.9
	Agree	69	24.5	95.4
	strongly agree	13	4.6	100.0
	Total	282	100.0	
(3).Performance evaluation emphasize on functions that are under the control of the employee	strongly disagree	18	6.4	6.4
	disagree	78	27.7	34.0
	neutral	83	29.4	63.5
	agree	95	33.7	97.2
	strongly agree	8	2.8	100.0
	Total	282	100.0	

Source: the research survey, 2017

From the above table the question number one, does performance management process in the bank is fair, objective and reasonable 47.5% agreed, in contrast 33.3% disagree. From this one can say that most employees accept and perceived the ratings is related to the work performed.

On the question number two of this table 51% of respondents' employees of the bank not accept this statement.29.1% of sample employees agree that there is an involvement of supervisor, peers and customers in the evaluation process. This shows less involvement of necessary stakeholder

who are near to performer to evaluate employees' performance, this leads to biasedness in the evaluation process.

36.5% of respondents agree on the controllability of target and goals given to employees to evaluate their level of performance. On the contrary 34.1 % disagree that the performance evaluation practices did not give emphasis on the functions that are under the control of the employee. This indicates that the measures of employees performance is based on the all relevant facts related to the job contexts and no include irrelevant performance that have external force make employees not to achieve their goals.

Table 4.8: Performance Management Evaluation Responses Frequency (B)

	Degree of agreement	Frequency	Percent	Cumulative Percent
(4). I believe the performance evaluation result express my true performance	strongly disagree	57	20.2	20.2
	disagree	63	22.3	42.6
	neutral	55	19.5	62.1
	agree	88	31.2	93.3
	strongly agree	19	6.7	100.0
	Total	282	100.0	
(5). The performance result I received has helped me to improve my performance	strongly disagree	17	6.0	6.0
	disagree	51	18.1	24.1
	neutral	43	15.2	39.4
	agree	133	47.2	86.5
	strongly agree	38	13.5	100.0
	Total	282	100.0	
(6). The bank's performance evaluation system is transparent	strongly disagree	22	7.8	7.8
	disagree	56	19.9	27.7
	neutral	74	26.2	53.9
	agree	96	34.0	87.9
	strongly agree	34	12.1	100.0
	Total	282	100.0	
(7). Performance evaluation of the bank is source of conflict between supervisors and subordinate	strongly disagree	35	12.4	12.4
	disagree	73	25.9	38.3
	neutral	84	29.8	68.1
	agree	70	24.8	92.9
	strongly agree	20	7.1	100.0
	Total	282	100.0	

Source: the research survey, 2017

Great number of respondents 42.6% employees do not agree that the performance evaluation result they get at the end of each quarter and average at yearly basis do not express their true exact effort exploit to perform their jobs, whereas 37.9% (107) employees agreed that the result they get express their performance exactly. This indicates that there are some problems of the standards unable to measure employees' performance exactly even though on the execution stage employees respond the contents of evaluation are fair.

Total of 60.7% of employees agreed the performance management result they receive helped them to identify their weaknesses and motivate them to improve their performance. The result show that most of employees benefits to understand their weaknesses from the performance evaluation results.

46.1% of respondents agree that there is a transparent evaluation system. 27.7% of respondents on the contrary disagree on the existence of the transparency that done during the evaluation system. This figures indicates that there is a transparent performance evaluation process in the company in which performance management process could be passed through in order to achieve the corporate objectives.

Related to this does the evaluation system is source of conflict between the supervisors and the subordinates 31.9% agree the evaluation is one of a means for the conflict between supervisors and subordinate. On the other hand 38.3% do not agree by this, instead they agree that it is one of a means for collaboration with in each other and the remaining 29.8% have no idea does the performance evaluation system is either source of conflict or not. This indicates that there is a gap between what employees do really and on the other hand what the rater gives score for performers using the existed performance management system.

4.4.5. Performance Management Review, and Renewal & Re-contracting

This section was prepared with the aim to find out how the performance review is conducted, the magnitude of employees' active involvement in appraisal discussion, the nature of feedback that employees receive on their performance and the actions taken using the performance evaluation results.

Table 4.9: Performance Management Review, and Renewal & Re-contracting Responses

	Degree of Agreement	Frequency	Percent	Cumulative Percent
(1). I asses my own performance before performance review meeting	strongly disagree	21	7.4	7.4
	Disagree	51	18.1	25.5
	Neutral	80	28.4	53.9
	Agree	98	34.8	88.7
	strongly agree	32	11.3	100.0
	Total	282	100.0	
(2). There is a two way communication with my supervisors during performance review meeting	strongly disagree	25	11.3	11.3
	disagree	73	28.4	39.7
	Neutral	72	25.5	65.2
	Agree	80	25.9	91.1
	strongly agree	32	8.9	100.0
	Total	282	100.0	
(3). There is a reward and recognition for good performers	strongly disagree	43	15.2	15.2
	disagree	84	29.8	45.0
	Neutral	53	18.8	63.8
	Agree	70	24.8	88.7
	strongly agree	32	11.3	100.0
	Total	282	100.0	
(4). There is a developmental training for poor performers	strongly disagree	44	15.6	15.6
	disagree	84	29.8	45.4
	Neutral	88	31.2	76.6
	Agree	42	14.9	91.5
	strongly agree	24	8.5	100.0
	Total	282	100.0	
5). There is an appeal process if you don't agree how you are evaluated.	strongly disagree	31	11.0	11.0
	disagree	55	19.5	30.5
	Neutral	74	26.2	56.7
	Agree	100	35.5	92.2
	strongly agree	22	7.8	100.0
	Total	282	100.0	
(6). I think the current performance management is a waste of time and used only for formalities	strongly disagree	19	6.7	6.7
	disagree	49	17.4	24.1
	neutral	97	34.4	58.5
	Agree	52	18.4	77.0
	strongly agree	65	23.0	100.0
	Total	282	100.0	

Source: the research survey, 2017

Self-review is recommended by most professional experts on the performance management review stage because of it helps to prevent employees from being self-defensive and employees to know their weakness and strength by rating themselves and also open themselves for discussion. In addition this helps the review meeting to be a two way communication. Depending on this question raised for the sample respondents of the research, 46.1% agree that there is self-rating of own performance and 25.5% of respondents disagree on this.

39.7 % of employees disagree on the existence of a two way communication between supervisors and subordinate during the performance review discussion. On the other's side 34.8 % of employees accept there is a two way communication on the review meeting.

45% of respondents replies that there is no a reward and recognition for good performers in return for their success of meeting the expected goals and targets. 36.1% of respondents on the other side agree, that there is reward and appreciation for icon performers.

On the existence of training for poor performance 45.4% of employees experienced there is no a developmental training to improve their weak part of the work and increase their level of performance. On the other hand 23.4% agree there is a section of training for poor performers to improve their result.

The analysis results of question number 3 and 4 on the above tables replies that there is no a link to use the output result of evaluation to improve poor performance and develop the existed good performance after review employees performance at the closing of each period of appraisal. Link of contribution with pay make employees motivated to meet their goals.

43.3% of representative of the population employees agree on the existence of appeal system if they did not agree on the way of evaluation process. Some of employees 30.5% do not accept the existence of appeal process to correct improper evaluation activities. Whereas 26.2% of respondents restrains themselves on this idea. This result can be used as an evidence for the transparency of the PMS as replayed by earlier responses.

41.4% of employees think that the current performance management is a waste of time and used only to fulfill the formalities set to process its activities. Contrary to this 24.1 % of employees do not think of that it is only for formalities, it has a further advantage than formalities. From total

of respondents the left percent of 34.4 do not want to say exactly one of the agreement. Their silence replies it has a weakness and also advantage of the existing performance management. This responses are clue for that there is no consistent and well managed performance management practices throughout the branches and in the district offices.

4.5. Analysis of Questionnaire Responses on Employees Motivation

4.5.1. Analysis of Extrinsic Motivation - PAY Responses

Table 4.10: Frequency table of employees' motivation-pay

	Degree of Agreement	Frequency	Percent	Cumulative Percent
(1). I feel that the existing pay in return for my performance motivate me to perform	Strongly agree	22	7.8	7.8
	Agree	64	22.7	30.5
	Neutral	44	15.6	46.1
	Disagree	67	23.8	69.9
	Strongly disagree	85	30.1	100.0
	Total	282	100.0	
(2). The pay scale and benefits of the bank treats each employee in a fair manner.	Strongly agree	17	6.0	6.0
	Agree	78	27.7	33.7
	Neutral	37	13.1	46.8
	Disagree	90	31.9	78.7
	Strongly disagree	60	21.3	100.0
	Total	282	100.0	
(3). The company uses performance based payment, such as bonus and incentives to motivate employees.	Strongly agree	33	11.7	11.7
	Agree	121	42.9	54.6
	Neutral	46	16.3	70.9
	Disagree	48	17.0	87.9
	Strongly disagree	34	12.1	100.0
	Total	282	100.0	

Source: the research survey, 2017

53.9 % disagree cumulatively that they are not motivated by the existing payment in return for their effort. But 30.5 % of respondents are motivated by the current pay. This shows that majority of employee are not motivated by the existing payment.

From total respondent employees of 53.2% disagree on the issue of bank treats each employee equitably by pay and benefits. On the other hand cum. 33.7% of respondents agree on the statement applicability.

On the question of does the company uses performance based pay to employees to motivate them, 54.6 % say's yes it is. 29.1 % of employees says no. This shows that there is a tangible reward by the bank based on the performance. It is also confirmed by the informal interview with the district management employees that there is an annual branches', district offices and different head office departments performance based bonus payment by considering the profit of the CBE not specifically individual based.

4.5.2. Analysis of Extrinsic Motivation –Recognition & Feedback Responses

Table 4.11: Frequency table of employees' motivation-Recognition and Feedback

	Degree of Agreement	Frequency	Percent	Cumulative Percent
(1). The acknowledgment I get for my accomplishment has made me to exert more effort	Strongly agree	19	6.7	6.7
	Agree	109	38.7	45.4
	Neutral	69	24.5	69.9
	Disagree	47	16.7	86.5
	Strongly disagree	38	13.5	100.0
	Total	282	100.0	
(1). I receive adequate feedback from my supervisors.	Strongly agree	31	11.0	11.0
	Agree	114	40.4	51.4
	Neutral	76	27.0	78.4
	Disagree	53	18.8	97.2
	Strongly disagree	8	2.8	100.0
	Total	282	100.0	
(2). Feedback from my supervisors is clear and directed at improving my performance.	Strongly agree	12	4.3	4.3
	Agree	102	36.2	40.4
	Neutral	78	27.7	68.1
	Disagree	68	24.1	92.2
	Strongly disagree	22	7.8	100.0
	Total	282	100.0	

Source: the research survey, 2017

45.4 % agreement of responds shows that the acknowledgment they get for their accomplishment help them to exert more effort in their career. 30.2% of employee do not accept this

acknowledgment they get as an external effort to do better of their jobs. From this can show that there is recognition and acknowledgment gives for employees in a way that motivate employees. 51.4 % of employees believe that they receive adequate feedback from their supervisors on their work performance. 21.6% of respondents say's we did not get the required motivator and criticizer feedback from our supervisors on the job.

The major aim of feedback is to improve and motivate employees in order to enhance their efficiency. So on this issue 4.3% strongly agree and 36.2% agree, in general 40.4% respondents agree that the feedback they get from their supervisors is clear and help them to improve their performance. On the belief of 31.9% of employees they do not get a clear feedback that aims to improve their performance.

Generally both results of feedback indicated that employees are happy with the feedback they received from superiors.

4.5.3. Analysis of Extrinsic Motivation – Leadership and Communication Responses

Table 4.12: Frequency table of employees' motivation-leadership and communication

	Degree of Agreement	Frequency	Percent	Cumulative Percent
(1).The supervisors are ready and capable to assisting me whenever I need support	Strongly agree	48	17.0	17.0
	Agree	110	39.0	56.0
	Neutral	64	22.7	78.7
	Disagree	29	10.3	89.0
	Strongly disagree	31	11.0	100.0
	Total	282	100.0	
(2). The bank's supervisors are willing to invest on employee's development, motivation and job satisfaction based on performance evaluation results	Strongly agree	23	8.2	8.2
	Agree	97	34.4	42.6
	Neutral	58	20.6	63.1
	Disagree	58	20.6	83.7
	Strongly disagree	46	16.3	100.0
	Total	282	100.0	
(1). My supervisors are frequently and honestly communicate about issues affecting my job.	Strongly agree	23	8.2	8.2
	Agree	139	49.3	57.4
	Neutral	65	23.0	80.5
	Disagree	33	11.7	92.2
	Strongly disagree	22	7.8	100.0
	Total	282	100.0	

Source: the research survey, 2017

56% agreed on supervisor's readiness and capability to assist their subordinate whenever they need support. 21.3% disagreed on their supervisor's readiness and capability. In relation to this from total respondents 42.6% of respondents agree that supervisors are also willing to invest on employee's development, motivation and job satisfaction based on the performance evaluation results. PM to be effective good involvement of top management is one of the requirement. The analysis result also shows that supervisors take active participation by helping employee increase their motivation to achieve the organization goal.

57.4 % agreed that there is a frequent and honest communication from supervisor on the issue of job that affect employees. 19.5% of respondents blames their supervisors that they do not do this. 23% of respondents do not agree and do not disagree, they remain silence to decide. This show that employees are encouraged by the supportiveness of the supervisors in the day to day work operation.

4.5.4. Analysis of Extrinsic Motivation – Working Environment Responses

Table 4.13: Frequency of employees' motivation-working condition

	Degree of Agreement	Frequency	Percent	Cumulative Percent
(1). The existing safe and conducive working condition has encouraged me to produce high performance at work.	Strongly agree	47	16.7	16.7
	Agree	92	32.6	49.3
	Neutral	47	16.7	66.0
	Disagree	57	20.2	86.2
	Strongly disagree	39	13.8	100.0
	Total	282	100.0	

Source: the research survey, 2017

49.3% of respondents agree that the existing work environment is encouraged them to perform better in their work place. 34% respondents disagreed on the existence of a safe and conducive working condition that motivate them to produce high performance. Safe and conducive environment availability creates a smooth condition for employee work place achievement by minimizing factors that hinder their performance this in return increases employees motivation the figures from this research also show's this.

4.5.1 Analysis of Extrinsic Motivation–Career Development Responses

Table 4.14: Frequency table of employees’ motivation-Career Development

	Degree of Agreement	Frequency	Percent	Cumulative Percent
(1).There are good promotion opportunities for employees within the bank	strongly agree	26	9.2	9.2
	Agree	87	30.9	40.1
	Neutral	94	33.3	73.4
	Disagree	40	14.2	87.6
	strongly disagree	35	12.4	100.0
	Total	282	100.0	
(2). The advancement and growth opportunities within the bank motivate me to perform better	strongly agree	26	9.2	9.2
	Agree	105	37.2	46.5
	Neutral	73	25.9	72.3
	Disagree	60	21.3	93.6
	strongly disagree	18	6.4	100.0
	Total	282	100.0	

Source: research survey 2017

40.1% of employees are agreed by existence of good promotion opportunities for employees. 26.6 % of respondents do not believe there is a remarkable growth opportunities for employees within the bank. On the issue of how much motivated by the growth and advancement opportunities 46.5% of respondents are motivated and highly initiated for their work to get the advantage from the promotion opportunities. Whereas 27.7 % of were not feel motivated and claims it is not sufficient. From this majority percentiles figure understand that there is a promotion that motivate employee but it not sufficient.

4.5.2 Analysis of Intrinsic Motivation Responses

Table 4.15: Frequency table of employees' intrinsic motivation

	Degree of Agreement	Frequency	Percent	Cumulative Percent
(1). I am feeling motivated by doing my job	strongly agree	19	6.7	6.7
	Agree	116	41.1	47.9
	Neutral	57	20.2	68.1
	Disagree	37	13.1	81.2
	strongly disagree	53	18.8	100.0
	Total	282	100.0	
(2). I get what I expect in return for my effort	strongly agree	11	3.9	3.9
	Agree	44	15.6	19.5
	Neutral	93	33.0	52.5
	Disagree	67	23.8	76.2
	strongly disagree	67	23.8	100.0
	Total	282	100.0	

Source: the research survey, 2017

47.9% of employees agreed that they are feeling motivated by doing the job of banking. On the other hand 31.9% of employees are not feel energetic of doing their current job on banking operations. Whereas 20.2% of employees' not sure if they are motivated intrinsically of doing their job.

47.6% are not feel motivated on the return they get from their job in comparison with their expectation. 19.5% of employees are satisfied by the return they get in respect of their expectation.

According to an intrinsic expectancy motivational theory, motivation is a multiplication of three thoughts. They are expectation that effort leads to a desired result, probability of different rewards as a consequence of successful task and the value attached to these rewards by the employee concerned. When we see the research finding result employee are motivated by doing their jobs. But they believe that they did not get what they expect in return for their effort. So according to expectancy theory if just one of the above factors are low, employee's motivation

will be low as well. From this we can show clue that North Addis Ababa district employees' are not intrinsically motivated well.

4.6. Perception of Employees about the Effectiveness of the Existing Performance Management System

According to (Zaidaton & Bagheri (2009) as cited on Mekdes T.2015) the mean score below 3.39 is considered as low, the mean score from 3.40 up to 3.79 is considered as moderate and mean score above 3.8 is considers as high as illustrated by Comparison bases of mean of score of five point Likert scale instrument.

To do this the mean of all questions related to performance management were calculated and then based on the above literature classification the means of employees response on the questions of performance management practices is categorized in to three groups 1(mean \leq 3.39) named as low effectiveness of performance management, 2(mean between 3.40-3.79) named as moderate effective PM practices and 3(mean \geq 3.8) named as highly effective PM practices are existed. Using this classification results are shown on the below table.

Table 4.16: Frequency of Employees' Perception on Performance Management Effectiveness

	Frequency	Percent	Valid Percent	Cumulative Percent
1	188	66.7	66.7	66.7
Valid 2	70	24.8	24.8	91.5
3	24	8.5	8.5	100.0
Total	282	100.0	100.0	

The above frequency table indicates 66.7% of sample respondents are not accept the effectiveness of the implementation of the PM and the remaining 33.3% of respondents agree that the practices' were effective by considering the different questions raised in this research.

4.7. Perception of Employees about the Existing Motivational Practice of the Bank Related to Performance Management

Here also according to Zaidaton & Bagheri (2009) as stated above in detail, in order to know employees' level of perception about their motivation using mean of employees' response on employees motivation grouped employees' response in to three category. Category 1(mean \leq 3.39) named as low level of employees' motivation, 2(mean between 3.40-3.79) named as moderate level of employees' motivation and 3(mean \geq 3.8) named as high level of employees motivation is existed.

Table 4.17: Frequency category of perception of employee's about their level of motivation

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1.00	191	67.7	67.7	67.7
2.00	61	21.6	21.6	89.4
3.00	30	10.6	10.6	100.0
Total	282	100.0	100.0	

As per the mean distribution frequency pattern of employees response toward the current motivation practices 67.7 % of respondents are demotivated or are on low level of motivation. The remaining cumulative 32.2% of respondents perceived motivated by the current motivational activities. This show that above the average of employees are not on good motivational tempo to achieve their goals set by the performance management system.

4.8. The Effect of PMS Variables on Employees' Motivation Model Summery

Table 4.18: Regression Analysis of Criterion Variables of Employee Motivation. (Model Summary and ANOVA)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.385 ^a	.149	.133	.59522	
Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	17.059	5	3.412	9.630	.000 ^b
Residual	97.784	276	.354		
Total	114.843	281			

a. Dependent Variable: employees' motivation

b. Predictors: (Constant), PMS planning, PMS prerequisites, PMS evaluation, PMS execution, PMS review, renewal and re contracting,

As can be seen from the above table, the R square value is 0.149. This value indicates how much of the dependent variable (employees motivation) generally explained by the model (pre requisite, planning, execution, evaluation, review, and renewal & re contracting. In percent 14.9% of the model explains the variance in the dependent variable. F between 5 and 276 degree of freedom=9.630, $p < 0.001$.

Coefficients^a

Table 4.19: Regression coefficients of predictors variables

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.234	.323		6.908	.000
PMS planning	.002	.046	.003	.048	.962
PMS prerequisites	-.204	.054	-.220	-3.790	.000
PMS execution	.133	.057	.149	2.338	.020
PMS evaluation	.066	.024	.172	2.797	.006
PMS review, renewal & re contracting	.262	.053	.280	4.952	.000

A. Dependent Variable: employees' motivation

To evaluate the contribution of each independent variable on the dependent variable β is an indicator of the effect. The standardized beta value also express their relationship but expressed as standard deviation. From table the Beta value for execution, evaluation, review renewal & re contracting (0.133, 0.066 and 0.262) respectively implies that they have statistical significant contribution to explain the dependent variable and there is a weak positive relationship. The predictor variable of planning ($\beta=0.002$ approximate to zero) and the prerequisite $t = -3.790$ (which is less than the standard significance of $t > 2$). So result shows that performance management pre requisites and performance management planning practices have no significant contribution for the predicting the variable of employees' motivation.

4.9. Linear Regression Between Performance Management (Independent Variable) And Employees' Motivation (Dependent Variable)

Model Summary

Table 4.20: Regression analysis between performance management and employees motivation (model summary, ANOVA and coefficients)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.231 ^a	.053	.050	.62316

A. Dependent Variable: Employees motivation

ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	6.111	1	6.111	15.736	.000 ^b
Residual	108.732	280	.388		
Total	114.843	281			

B. Predictors: (Constant), performance management

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1.(Constant) PMS	1.876	.300		6.259	.000
	.349	.088	.231	3.967	.000

Correlations

Table 4.21: Pearson correlation between PM practices and Employees' Motivation

		Performance management practices	Employees Motivation
Performance Management Practices	Pearson Correlation	1	.226**
	Sig. (2-tailed)		.000
	N	282	282
Employees Motivation	Pearson Correlation	.226**	1
	Sig. (2-tailed)	.000	
	N	282	282

** . Correlation is significant at the 0.01 level (2-tailed).

H1_a = performance management has significant association with employees motivation.

According to (Alwadael, 2010) values of coefficient value in relation between variables indicate that value 0.70-1.00 Very strong association, 0.50-0.69 Substantial association, 0.30-0.49 Moderate association, 0.10- 0.29 Low association, and 0.01-0.09 negligible association.

The SPSS output of correlation values on table 4.27 gives R 0.282 between PM practices and employees motivation. This indicates that the dependent and independent relationship between employees motivation and the overall activities of performance management respectively has low positive relationship ($-1 \leq R(0.28) \leq 1$).

H1_b = Performance management practices has an effect on employees motivation.

The R square of 0.053(5.3%) shows also this relationship, the employees' motivation change is explained only by 5.3% change in performance management system. The remaining 94.7% of employees' motivation is explained by other variable. This proves to accept the effect of performance management practice on employees' motivation.

The F test of 15.736($F \geq 1$) shows that this model is statistically significant at 99% confidence level with degree of freedom 1 and 280. The t test of the regression is also significant at 3.967 ($t > 2$).

H1_c= Increment of effectiveness of performance management, increases employees motivation.

The Beta value of 0.349 indicates that the improvement of performance management effectiveness by a 0.349 unite of value, leads employees' motivation to be increased by 0.349 unit level of motivation.

4.10. Summarized Response of Employees for the General Opinion Questions

1. Factors that motivate employees to achieve their work goals and targets set by the performance management system of the bank is summarized below.

Some of their responses are related to tangible and intangible reward. They are Competitive salary in related to other financial institutions, situation based salary increment, incentives, bonus payment, the existed special loans that benefits employees, attractive promotion opportunities that has fair assignment on the vacant positions based on performance result, recognition and acknowledgment for their efforts, and good communication between colleagues.

The other stated factors are related to the relationship between management and employees. They are availability of skilled or professional management and good governance, collaborative team work, a clear communication of information, a good social relationship, supervisor's positive feedback, and transparency of the management.

Some of the rest of issues are related to:-

- Availability of a sustainable training, career development and advancement.
- Fulfillment of material required for work at the work place.
- Having a good performance evaluation or appraisal system that is clear, fair, objective and reasonable.
- A satisfaction acquired from the customer satisfaction by delivering the bank products and service such as delivery of E-payment and others.

- Redesigning of the performance management system at appropriate time.

2. Overall opinions of employees about the performance management and employees motivation practice of the commercial bank of Ethiopia tried to present below with summarizing of similar opinions. For easy to presentation of data, the responses are grouped in to two encouragement opinions and improvement needed opinions.

Encouragement opinions of respondents

- Since it uses a quantitative measurement technique it clearly evaluate the performance of employees without any subjectivity or biasedness.
- It is good practice. It encourages employees and also help the bank. It must be continued
- It is good to improve employees' performance.
- It is fair and the current condition is good.
- The evaluation process is fair and transparent. It have a good implication to meet the bank's mission and vision.

Improvement needed opinions of respondents

- Performance management system and motivation practices in the bank should be designed in a manner to motivate employees.
- Even though the bank has different job activities but the parameters to measure the job are not relevant to the job.
- On some cases employees task designed to perform and the target of employees does not match. When we see the case for one employee if given target for on quarter or three months on a specific activity and when by some reason shifted to other task. At this time evaluation at the end of the period does not have a way to include the two activities or tasks. The evaluation considers only the first task because of the target was given only for the previous task.
- Some of employees' doubt about its fairness to evaluate employees at the same grade but with different task e.g. front and back customer service officers.

- At this time at the organizational level PMS is not sensitive because of the performance is evaluated at overall at the organizational level.
- It does not involve employees in the design of measurement, it is designed only in the perspective that benefits the bank.
- PMS is better but it is good when job rotation is available in the bank periodically based..
- The current performance management system is not come with effective method.
- Nominal PMS applied to overall job categories but practically not transparent evaluation system worked in and it cannot evaluate all employees fairly.
- The current performance management has a defect to evaluate objectively.

CHAPTER FIVE

5. SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary of Major Findings

Based on cumulative value of respondents' on the agreement level the following major findings are presented below.

- 92.5 % from total target population has the knowledge of the organization vision, mission and strategic goals. 90.4% of employees are also have a good knowledge of their job duties and responsibilities.
- Majority of respondents (66%) with mean value of 3.1, employees do not participate in the performance management planning process of identifying the gaps of work, discussion on what need to be done and how to be done, and standards used to measure performance of the their job. But the regression analysis notifies the planning has no significance relation with motivation.
- From the three elements needed to get a performance as an input two of them are declarative knowledge and procedural knowledge in addition of employees motivation. Related to this questions raised for respondents 70.6% of employees declared that they know what is the purpose, principles, how to implement the performance management system. This shows that most of employees has a procedural and declarative knowledge.
- 39.7 % of response indicate that there is no a two way communication between subordinate and supervisors during the performance review meeting.
- 45% and 45.4% are not happy because of there is no a reward and developmental training respectively for performers based on their evaluation result. The supporting evidence of this is also that majority of (41.4%) employees from the respondents believe that the current performance management is a waste of time and used only for formalities because of it is not attached to reality aim of PMS.
- 53.9 % are not motivated by the existing pay in return for their performance.

- 47.6% of respondents are not get what they expected in return from their effort to achieve their organizational goals sated to them.
- 54.6% of employee agree that they get ongoing feedback on their work performance.
- 47.5% of employees perceived specifically that the evaluation system in the bank is fair, objective and reasonable.
- 31.9% of respondents accept that the PMS is source of conflict between subordinates and supervisors in the evaluation of employees' performance.
- The Beta value for execution, evaluation, review (0.133, 0.066 and 0.262) respectively implies that they have statistical significant contribution to explain the dependent variable and there is a weak positive relationship. The predictor variable of planning ($\beta=0.002$ approximate to zero) and the prerequisite $t = -3.790$ (which is less than the standard sign. of $t > 2$) have no significant contribution for the predicting variable of employees motivation.
- With a mean value of 3.28 most of employees (66.7%) perceived that the implemented performance management is not effective.
- In related to the above 67.7 % of employees with a mean value of 3.05 are not motivated by the existing motivational factors presented by the organization.
- The regression analysis result indicates that the change of employees work motivation is explained by 5.3% change in the performance management system practices.
- From total of respondents 49.3% of employees are satisfied by the safe and conducive working condition existed in the bank to produce high performance.
- 56% are confident by the supervisors' capability and readiness to assisting them when they need support from their bosses.
- 46.5% of respondents are motivated by the existing advancement and growth opportunities given by the bank.
- On the base of feedback 51.4% agreed that they receive adequate feedback from their supervisors.
- 57.4% of respondents agree that at the time of raising issues affecting their job, supervisors communicate with their domain workers honestly and frequently.
- Employees from total respondents 47.9% are intrinsically feeling motivated by doing their current job.

5.2. Conclusions

Based on the research analysis findings the researcher make conclusions for the research questions raised at the beginning of this study as follows.

- ✓ Most of employees are not involve in the organization performance planning actives and also there is no a two way open way communication during the performance review meeting that helps to discuss the strength and weak performances of the appraisal time. In addition as seen from employees' opinion there is lack of consistency of performance management practices. Generally the performance management system on CBE North Addis Ababa district is not effective in its overall implementation.
- ✓ Based on the evidence obtained from analysis employees are not motivated by the existing pay in return for their performance. And also they are not intrinsically motivated by the existing pay in relation with, they believe that of did not get what they expect in return for their efforts. In overall analysis of the employees' level of motivation the research concluded that employees of the North Addis Ababa district employees' motivation level is low.
- ✓ Testing result of the research hypothesis indicates that effectiveness level of performance management practices affect employees' motivation positively. It means that if the effectiveness of the performance management is on good ground, it increases employee's work motivation otherwise on the reverse. But the correlation result indicates that there are other more percentile taken variables that not studied in this research, which has effect on employees' motivation more than the performance management practices. But it does not mean the impact of PM practices is insignificant on employees' motivation.
- ✓ From the analysis result of effect of each specific independent variables on employees motivation concluded that performance pre- requisite and planning has no significance effect on employees level of motivation on the other hand the practices of performance execution, evaluation, review, and renewal &re-contracting practice has a positive relation with employees work motivation.
- ✓ A well-performed performance management process gives a powerful tool for addressing or improving poor performance issues, when they identified. But this research reveals that there is no means of reward for better performers and developmental training for

poor performers based on the performance management result of the employees. This leads employees to think that the performance management system is meaningful. Because of it does not use the system as a means to continually develop skills of performers and as input for important administrative decisions.

- ✓ With the nearest to say all employees of the organization have a clear understanding of the organization reason of existence, its strategic goals. And also they have clear understanding of their duties and responsibilities. This is one of the strength part of the organization to make employee work, directed to the organization goals and objectives.
- ✓ Supervisors are capable and ready to support employees with in each period of performance management. This means that the bank managers at supervisory level strongly participated in supporting the performance management system and to develop high level of employees' performance.
- ✓ Specifically the performance management system evaluation process of employees performance is objective, reasonable, goals and targets are controllable by the employees' and it is also transparent. There are also a safe and conducive working environment that motivate employees to achieve their goals.

5.3. Recommendations

Based on the findings and conclusions of the study the researcher recommended the following which will be helpful for the organization.

- ✓ In order to make the performance management meaningful the CBE management should develop a procedure that properly use the output of the performance management result for improvement and development of employees by identifying effective and ineffective performance.
- ✓ There should be a way to make employees involve in the performance management planning, review, renewal and re contracting tasks. Because of this stages are the beginning point to plan the coming period jobs and involvement of employee in this activity makes them to consider the goals as themselves and strive to achieve it.
- ✓ To make employees perception positive toward the performance management, in the implementation process the activity must be provided in detail and concrete guidance, consistent and free from error.
- ✓ Specifically to make the evaluation process effective and to use it to develop employees motivation should collect inputs from multiple sources that concerns all people who are affected by the outcome. For example involvement of customers.
- ✓ To achieve the consistency of performance management across different branches and over time there should be a periodical training on the topic of proper performance management practices for individual concerns usually to managers and employees.
- ✓ The bank should practice different tangible and intangible rewards in addition to the existing motivational practices that are related to employees' performance to enhance the employees' intrinsic and extrinsic level of motivation. Specifically to improve employees extrinsic motivation CBE should investigate the payment in return for employees' performance because most of employees are demotivated by the existing pay, and to motivate employees' intrinsically should try to meet employees' expectation in return for their effort.

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APPENDIX
ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE

Research Questioner for the partial fulfillment of MA Degree on Human Resource Management

This questionnaire is designed for research topic “**effect of performance management practices on employee’s motivation, the case of commercial bank of Ethiopia**” for the partial fulfillment of masters’ degree by human resource management, department of business administration and information system. The data collected from this questionnaire uses for academically purpose.

I am promised that the response of the questionnaire is confidential and will not use for other purposes. For this reason it is no need to state your name or any other identification of you. Finally I request you kindly to take a few minutes and fill out the questioner properly with due diligence.

If you want my clarification or have additional opinion you can contact me by: abebe.kassaye@yahoo.com or mobile 09 10 54 87 39.

Thank you for your co-operation in advance

PART I. Demographic characteristics

Please put (√) mark to select the response

1. Gender Male Female
2. Age
18 -30 31-40 41-50 51 and above
3. Educational status
High school College Diploma Degree Master’s Degree
Other _____
4. Marital status
Single Married widowed Divorced
5. work experience
Less than 1 year 1-5 years 6-10 years

11-15 years 16-20 years 21& above years

6. Your current job grade level _____

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

Part II. PERFORMANCE MANAGEMENT

Q. NO.		5 SA	4 A	3 N	2 D	1 SD
	Performance pre- requisites					
1	I clearly know the bank’s vision, mission and strategic goals					
2	My objectives support the bank’s strategic goals and objectives					
3	I am clear with my duties and job responsibilities					
	Performance planning					
1	I have a chance to participate in setting goals, objectives and measurement standards of the job.					
2	The bank’s strategic goals are aligned with my personal objectives.					
3	The standards that used to evaluate my job are clearly explained to me by supervisors.					
	Performance Execution					
1	I know purpose of the existing performance management system.					
2	I get ongoing feedback throughout the rating period.					
3	The focus of the existing performance management is developmental.					
4	In the performance appraisal form, job related contents are fairly included.					
5	The performance appraisal system applies similar format and technique to evaluate all jobs in similar grades and levels.					
	Performance Evaluation					
1	The evaluation process in the bank is fair, objective and reasonable.					
2	Supervisors, peers and customers participate in evaluation process.					

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

Part III EMPLOYEES MOTIVATION

EXTRINSIC MOTIVATION		5	4	3	2	1
		SA	A	N	D	SD
PAY						
1	I feel that the existing pay motivate me to perform					
2	The pay scale and benefit of the bank treats each employee in fair manner.					
3	The company uses performance based payment, such as bonus and incentives to motivate employees.					
RECOGNITION						
4	The acknowledgment I get for may accomplishment has made me to exert more effort.					
WORKING CONDITION						
5	The existing safe and conducive working condition has encouraged me to produce high performance at work.					
LEADERSHIP						

6	The supervisors are ready and capable to assisting me whenever I need support.					
7	The bank's supervisors are willing to invest on employee's development, motivation and job satisfaction based on performance evaluation results.					
	CAREER DEVELOPMENT					
8	There are good promotion opportunities for employees within the bank.					
9	The advancement and growth opportunities within the bank motive me to perform better.					
	FEEDBACK					
10	I receive adequate feedback from my supervisors.					
11	Feedback from my supervisors is clear and directed at improving my performance.					
	COMMUNICATION					
12	My superiors are frequently and honestly communicate about issues affecting my job.					
	INTRINSIC MOTIVATION					
13	I am feeling motivated by doing my job.					
14	I get what I expect in return for my effort.					

What factors motivates you to achieve the performance management system goals and targets?

What do you have an overall opinion about the performance management system and motivational practices existed in the bank?

THANK YOU FOR YOUR VALUABLE RESPONSES