THE EFFECT OF PERFORMANCE MANAGEMENT SYSTEM ON EMPLOYEE PERFORMANCE: THE CASE OF COMMERCIAL BANK OF ETHIOPIA ADAMA DISTRICT

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Declaration

The researcher hereby declares that the thesis titled “The effect of Performance management system on employees performance: The case of commercial bank of Ethiopia Adama district” is my original work. This thesis has not submitted to any degree or examination in any other educational institutions. On every occasion other sources are used or quoted they have been duly cited and acknowledged.

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TABLE OF CONTENT

List of Tables

List of figures

Acronym

B	Beta
BSC	Balanced score card
CBE	Commercial bank of Ethiopia
CC	Continuous communication
CT	Coaching and training
F	Frequency
FBPR	Feedback and performance review
PD	Personal development
PE	Performance evaluation
PFP	Pay for performance
PMS	Performance management system
R2	Coefficient of Determination
Sig	Significance level
SO	Setting objective
SPSS	Statistical package for social science

ABSTRACT

The purpose of this paper is to examine the contribution and effect of PMS on employee performance. Setting objective, coaching and training, personal development, performance evaluation, pay for performance, continuous communication and feedback and performance review are major factors dealt in the process. The first five factors are catalysts for positive employee performance whereas continuous communication and feedback and performance review factors are affecting employee performance negatively. Commercial bank of Ethiopia branches that found under Adama city and outline branches are representing CBE Adama district. The researcher used questionnaire, interview, secondary documents and observation. These methods are used to collect data related with PMS factors and employee performance. Data presentation, analysis and interpretation are made with the aid of regression and descriptive statistics. Moreover, qualitative data is analyzed thematically. All, but continuous communication and feedback and performance review, have had positive impact on employee performance. In terms of contribution, performance evaluation contributed a lot for the CBE employee performance. It is followed by setting objective, personal development, coaching & training and pay for performance respectively. However continuous communication and feedback & performance review has a negative effect on the performance of employee.

Key words: Performance management system, activities of performance management process and employee performance.

CHAPTER ONE

INTRODUCTION

1. BACKGROUND OF THE STUDY

In today's business environment, being competitive is not only a matter of choice to organizations but more of a matter of survival. Due to this reason in the year 2002 the government of Ethiopia launched a massive and radical measure to improve the performance of the countries public institutions. In line with this, various public institutions introduced and started implementing the business process re-engineering (BPR) program. The overall objective in this initiative is to bring a meaning reform in the institution contributes its share to the achievement of the economic development and poverty reduction objective of the country (Mudayeneway Commercial Bank of Ethiopia monthly published magazine Vol: 05, dd oct 01, 2014). Banks success depends on the effective and continuous performance management based on an institutions performance management system (PMS) with balanced score card. The BSC requires that institutional strategic objectives be cascaded down to individual employee level where individual performance is then benchmarked against the strategic objectives (mudayeneway commercial bank of Ethiopia monthly published magazine by Ali Woldie Kahsu vol: 05, dd oct 01, 2014).

Performance management system is a continuous process of identifying, measuring and developing performance by linking individual's performance to the objectives of an organization towards its mission and targets (Armstrong, M. and Baron, A. (2005)). The reason why chosen this research title is that now days there are many organizations that are relying on the employee's performance for success and competitiveness. According to the resource base view employees are the resource and asset of an organization. Consequently organizations need to figure out strategies for identifying, encouraging, measuring, evaluating, improving and rewarding employee's performance at work. According to this respect performance management system and appraisal system have come to play an indispensable role in helping organizations to reach their goals of productivity (Severs& Joyce, 2000).organizations should adopt performance management system that are consistent with the requirement of their policy and that best fit the nature of the work performed and the mission of the organization. Poorly designed and implemented performance management system can have disastrous consequences for all those involved for example employee may quite, those who stay maybe less motivated and the relationship with their subordinate can suffer irreparable damage. Study conducted for mercer, a global diversified consulting company revealed that the 1,200 workers surveyed stated that they could improve their productivity by an average of 26 percent if they were not held back by ‘direction ,support, training and equipment. successfully implementing performance management system can give worker the direction and support they need to improve their productivity (Herman A, 2005).Therefore it is important that this research to be conducted or existing research should be expanded to understand employees experience and perception of performance management system and appraisal system so that a complete and comprehensive performance management system could be built up.

Moreover, it is important for employees and managers to understand that performance management and performance management system are the key determinant of the organizations long term success or failure. Finally the main concern of this paper was investigating the effect of performance management system on employee performance of Commercial Bank of Ethiopia, Adama District.

2. STATEMENT OF THE PROBLEM

Commercial bank of Ethiopia with a vision to become world class bank by the year 2025 understands the importance of conducting performance management system in order to achieve its vision and mission. The bank devotes a lot to establish performance management system at the head office, district levels and huge investment on training of human resource. Thus, it is of paramount importance to continuously assess the internal and external environment to properly understand the performance management system of the bank and proactively manage it, accordingly giving greater attention to bank’s greater value (asset) employee. Previous research indicates that various dimensions for PMS on employee performance for example

According to Risher, 2005 Gallup has analyzed its Q 12 survey and found that employers with a formal performance review process have more engaged employees – 33 per cent versus 21 per cent – and fewer disengaged employees – 12 per cent versus 29 per cent.

According to Kochanski (2007) a survey by Sibson and World at Work found that high performing firms have strong leadership support for performance management system. An analysis of total return to shareholders over a three-year period (2003–05) revealed that 64 per cent of the top performing companies had performance management systems that were rated as effective compared to only 36 per cent of the of bottom performing companies

According to Pulakos, Mueller-Hanson and O'Leary 2008 a recent Watson Wyatt survey found that only 30 per cent of workers felt that their performance management system helped to improve performance. Less than 40 per cent said that the system established clear performance goals or generated honest feedback.
On this regard the bank sets expectations from each employees and motivates employees to work hard in the way that expected by the organization. The bank applies new PMS since 2013 in order to improve the employee performance. This Performance management system provides a completed and professional management process for organizations to assess the performance results of organizations and employees. Unfortunately according to mudayeneway commercial bank of Ethiopia monthly published magazine by Ali Woldie Kahsu vol: 05, dd oct 01, 2014 these expectations did not meet by each employees and branches level. This thesis mainly aimed to identify the effect of this PMS process on employee performance. This thesis makes it different from the previous study it studied the effect of PMS on employee performance by each process phases of PMS process.

According to Herman A, 2005 when performance management system do not work as intended there are some negative consequences associated with low quality or poor system implementation like employee may quite their job due to results, false and misleading information may be used, self-esteem may be lowered, time and money may be wasted relationships are may be damaged and motivation to perform is decreased. In the other side a good implementation of performance management system has a contribution like motivation to perform increased , self-esteem is increased, definition of job and criteria are clarified , organizational goals are made clear , employee become more competent and there is a better and more timely differentiation between good and poor performer. The study focuses are identifying the effect of performance management system (planning of performance, managing performance and rewarding performance) on employee performance.

3. RESEARCH QUESTIONS

The research has brought answer for the following research questions. All major factors along with their indicators are addressed by the research.

I- Does varied amount of setting objectives result in varied employee performance of CBE?
II- Does continuous communication has impact on CBE employee performance?

III- Does performance review and feedback have influence on CBE employee performance?

IV- Does coaching and training influence employee performance of CBE?

V- Does personal development affect CBE employee performance?
VI- Does performance evaluation influence CBE employee performance?

VII- Does pay for performance system influence on employee performance?

4. OBJECTIVE OF THE STUDY

General Objectives

The research aimed at exploring amount of PMS factors and their contribution/effect for varied employee performance at CBE adama district.

Specific Objectives

This research has the following additional specific objectives:

- To identify the effect of setting objective on employee performance
- To identify the effect of continuous communication on employee performance
- To identify the effect of feedback and performance review on employee performance
- To identify the effect of coaching and training on employee performance
- To identify the effect of personal development on employee performance
- To identify the effect of performance evaluation on employee performance
- To identify the effect of pay for performance on employee performance

5. SIGNIFICANCE OF THE STUDY

The research finding will create awareness and understanding about the effect of performance management system on employee performance on CBE officials under Adama district and alarm them to take due care on managing performance management system of the bank. At the same time it will also contribute to the creation performance management system awareness culture among officials and employee of CBE Adama District branches.

As we know performance management system is not recent concept but this study gave another way to other researchers to study similar concept in depth and an input for further study. It also helps the researcher to fulfill one of the requirements for the award of Master in business administration.

6. SCOPE OF THE STUDY

This study targets CBE branches that found under Adama district. The research result concluded based the sample employees and branch managers selected from different branches of CBE under Adama District. Due to time and cost restriction the researcher cannot cover all employees of CBE under all districts and all branches that found under these districts that are more than 800 branches were do not cover under this study there for this paper cover only commercial bank of Ethiopia branches that found under Adama district the remaining 14 district or more than 800 branches left for other study.

7. LIMITATION OF THE STUDY

The researcher encompasses the following limitation in connection with the accomplishment of the research.

- The results only reflect the existing situation of the branches under district using the various assumptions made in the model. Thus, result is consistent with assumptions of the model and the samples taken.
- The research limited geographically commercial bank branches that found under Adama district.

8. ORGANIZATION OF THE STUDY

The remaining part of this paper has four chapters. Chapter two is literature review which encompasses both theoretical and empirical studies of the research area. Chapter three Methodologies that outlines how the data collected is analyzed and interpreted in the next chapter. The fourth chapter is results and discussions. The last chapter concludes the findings and gives recommendations based on the finding of the study

CHAPTER TWO

LITRATURE REVIEW

2.1 INTRODUCTION

Performance management is important because it plays pivotal role in any organizations human resource frame work. There are clear benefits from managing individual and team performance to achieve organizational objectives. Similarly compensation in the form of pay, bonus, stock options and other benefits can be linked to the achievements of particular goals. But such links do not necessarily produce extended results. This is the problematic and complex area in which common-sense solution do not work. Well-designed performance management process stimulates managers to develop high quality strategic plans, set ambitious targets and track performance closely all activities which help to achieve strategic objectives and consequently sustained value creation. (mudayeneway commercial bank of Ethiopia monthly published magazine by aliwoldiekahsu vl-5 no-1 Oct, 2014)

2.2 RELATED WORKS

In recent decades, there are evidences showing that various institutions have started and introduced the new performance management system to measure their operations. For instance, 50% and 40% of organizations in North America and Europe respectively used the performance management system for measuring their institutions. Furthermore a survey conducted in the USA in 1998 showed that 43% of 276 organizations had changed their traditional performance measurement practices to the newly established tool balanced score card (BSC) performance management system. Therefore, global perspectives on performance management system practice is now a day’s very familiar and popular in motivating employees, supervisors/leaders-performer relationship, merit pay & reward via bi lateral discussion and agreement.

In addition in the USA organizations with strong performance management system are 51% more likely to outperform their competitors on the financial measures, such as customer satisfaction, employee retention and quality of products or services (Betrothal, Rogers& smith, 2005)

In a study carried out by Gupta& Upadhyay(2012) it was discovered that there is a significant impact on performance management system on employee performance & commitment. The study concluded base on findings carried on small size that indeed there is a significant impact of

performance management on employee satisfaction & commitment. Thus there is need for managers to ensure there is a set of balance between employee’s interest and organizational objectives. As there is need to understand and individual differences, abilities, perceptions and experiences (Mullins, L .j 2012). The following research evidences that found from the
Book of Michael Armstrong, 2009 handbook

As reported by Risher (2005) Gallup has analyzed its Q 12 survey and found that employers with a formal performance review process have more engaged employees – 33 per cent versus 21 per cent – and fewer disengaged employees – 12 per cent versus 29 per cent.

As reported by Kochanski (2007) a survey by Sibson and World at Work found that high performing firms have strong leadership support for performance management. An analysis of total return to shareholders over a three-year period (2003–05) revealed that 64 per cent of
the top performing companies had performance management systems that were rated as effective compared to only 36 per cent of the of bottom performing companies. The companies that excelled at performance management: 1) used their systems as the primary way to manage individual performance throughout the company; 2) have strong leadership support; and 3) have more line champions.

As cited by Pulakos, Mueller-Hanson and O’Leary (2008) a recent Watson Wyatt survey found that only 30 per cent of workers felt that their performance management system helped to improve performance. Less than 40 per cent said that the system established clear performance goals or generated honest feedback.

2.3 PERFORMANCE MANAGEMNT

Performance Management is a process that brings together many people management practices including learning and development. It is a process which contributes to the effective management of individuals and teams in order to achieve improved levels of individual and organizational performance and development. Performance management is about establishing a culture where individuals and teams take responsibility for continuous improvement of service delivery and of their own skills, behavior and contributions. It is therefore a strategic process, long term in nature, aimed at the development of an appropriate culture linking people management, service issues and long term goals. It is not a once off quick fix process (bonnet .w and wooer, 2006).

According to Briscoe & Claus, 2008 performance management is a system through which organizations set work goals, determine performance standards assign & evaluate work, provide performance feedback, determine training and development and distribute reward. In this regard commercial bank of Ethiopia, which is striving to embark into a world-class commercial bank at 2025, is rendering state- of-art and reliable services to its millions of customers both locally and abroad. The business strategies of the banks focus on the stakeholders it serves interest through motivating the banks employee through performance management system cascading the banks goal towards each districts, branches and finally to individual employees. According to Robert Kaplan and David P .Norton balanced score card is a strategic management planning that design business activities to the organizations strategy vision and value by monitoring performance against present strategic goals. Balanced scorecard allows managers to look at the business from four important perspectives these are Customer perspective (how do customer see us), Financial perspective (how do we look shareholders), Internal perspective (what must we excel at) and Innovation and learning (can we continue to improve and create value).

Generally according to Weiss & hurtle performance management is a process for establishing shared understanding about what is to be achieved, how it is to be achieved and an approach to managing people that increases the profitability of achieving success .

2.3.1 PERFORMANCE MANAGEMENT SYSTEM

In different literature, there are various models of performance management. Each model has its importance as a system for managing organizational performance, managing employee performance, and for integrating the management of organizational and employee performance. Performance management involves multiple levels of analysis, and is clearly linked to the topics studied in strategic HRM as well as performance appraisal. Different terms refer to performance management initiatives in organizations, for example, performance-based budgeting, pay-for-performance, planning, programming and budgeting, and management by objectives (Heinrich, 2006)

Working together to influence individual and collective behavior to supports the organization's strategy. Besides, he also stressed that the performance management system must fit with the organization's culture. Performance management system is a kind of completed and integrated cycle for performance management. The emphasis of performance management systems is on continuously improving organizational performance, and this is achieved through improved individual employee performance (Mackey& Johnson, 2000) Similarly from the suggestion of Lawler (2008) the objectives often include motivating performance, helping individuals develop their skills, building a performance culture, determining who should be promoted, eliminating individuals who are poor performers, and helping implement business strategies.

According to (Mackey& Johnson, 2000) the main purpose of the performance management system is to ensure that

1. The work performed by employees accomplishes the work of the company;
2. Employees have a clear understanding of the quality and quantity of work expected from them;
3. Employees receive ongoing information about how effectively they are performing relative to expectations;
4. Awards and salary increases based on employee performance are distributed accordingly;
5. Opportunities for employee development are identified; and
6. Employee performance that does not meet expectations is addressed

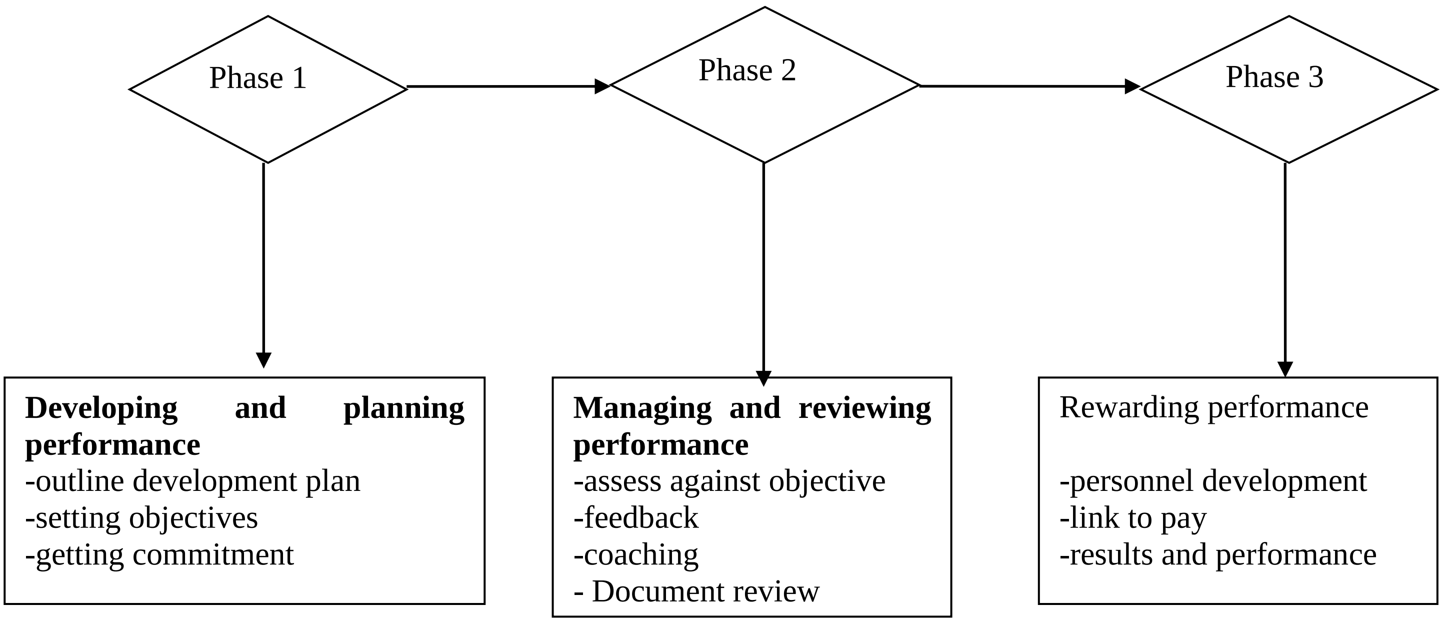
Mackey and Johnson suggested that a typical performance management system would include: the organization communicates its mission/strategies to its employees; the setting of individual performance targets to meet the employees' individual team and ultimately the organization's mission/strategies; the regular appraisal of these individuals against the agreed set targets; use of the results for identification of development and/or for administrative decisions; and the continual review of the performance management system to ensure it continues to contribute to the organizational performance, ideally through consultation with employees.

Employee performance measurement

2.3.2 STAGES OF PERFORMANCE MANAGEMENT SYSTEM

According to Schneier, Beatty and Baird (1987), a performance management system is classified into a development, planning, managing, reviewing and rewarding phase. The following figure shows the contents of three phases according Schneier, Beatty and Baird (1987).

Figure 2.1 stages of PMS



Source: Drawn according to interpretation-Original source: Schneier, Beatty and Baird, (1987:98)

From above figure and according to Schneier, Beatty and Baird, the performance management system consists of three phases: developing and planning performance is the Phase 1 which includes outlining development plans, setting objectives and getting commitment activities; managing and reviewing performance is the Phase 2 which includes assessing against objectives, seeking feedback, coaching and document reviews activities; rewarding performance is the last phase which has personal development, results of performance and link to pay activities. In the last chapter, I introduced the performance management system definition from Fletcher. He mentioned that a performance management system approach should include developing organization's mission and objectives, enhancing communication within organization, clarifying individual responsibilities and accountabilities, then defining and measuring individual performance and rewarding performance, and finally improving staff performance and developing career progression in the future. Fletcher, 2003 pointed that enhancing communication within the organization so that employees are aware of the objectives and the business plan, and employees can continue communication in the production process for exchanging information, discussing problems and seeking feedbacks. Thus, I would combine the definition of performance management system from Fletcher, 2003, Johnson & Mackey 2004, and Schneider, 1987 Clear and detailed employee performance objectives play a crucial role in helping companies to perform in accordance with their business plan and achieve their strategic goals. Then, the managing performance activities like seeking feedback and coaching, also evaluation and rewarding are included in the theories of both authors. In addition to this, according to Fletcher (1996), I would analysis the continuous communication activity in the managing performance phase as well. The reason why I concluded communication activity in the performance system is that communication between managers and employees and communication within employees could make employees understand the objectives and make managers supervise the progress of daily work.

2.4 EMPLOYEE PERFORMANCE

In the organizational context, performance is usually defined as the extent to which an organizational member contributes to achieving the goals of the organization .Employees are a primary source of competitive advantage in service-oriented organizations. Commitment performance approach views employees as resources or assets, and values their voice. Employee performance plays an important role for organizational performance (Gungor, A 2011). Employee performance is originally what an employee does or does not do. Performance of employees could include: quantity of output, quality of output, timeliness of output, presence at work, cooperativeness.

Johnson & Mackey 2004 pointed that improved individual employee performance could improve organizational performance as well. If viewed in this way, performance is represented as a distribution of outcomes achieved, and performance could be measured by using a variety of parameters which describe an employee's paten of performance over time. Good employee performance has been linked with increased consumer perception of service quality, while poor employee performance has been linked with increased customer complaints and brand switching (Johnson & Mackey 2004). To conclude, employee performance could be simply understood as the related activities expected of a worker and how well those activities were executed. Then, many business personnel directors assess the employee performance of each staff member on an annual or quarterly basis in order to o help employees identify suggested areas for improvement.

2.4.1 Employee performance measurement

The concepts of performance are studied through evaluation of overall performance and the management of the performance and the evaluation of performance is the process classifying certain outcomes within a definite timeframe (Cones & Jenkins, 2012).Moreover, the axiom, 'If you can't measure it, you can't manage it,' underpins the rationale for organization having a completed and comprehensive performance measurement system such as the Balanced Scorecard or total quality performance management. This approach connects measures throughout an organization to translate high level objectives into lower level activities. Then, measures are imposed on individual employees to monitor their performance of these activities (Platt’s & Sobotka, 2010).

According to O’ brine, & O ’Denel 2011 Performance criteria need to be unambiguous, clearly explained, relevant to the work tasks undertaken by employees and achievable. The criteria should not include factors beyond the control of the individual employee. Supervisors also need to be trained to provide regular, meaningful and constructive feedback. Employees should also be provided with appropriate training and development opportunities to overcome weaknesses in performance identified through the appraisal process. The assessment of individual employee performance also needs to focus on evaluating employee behavior and work performance and not the personality of the employee.

In Bhatti (2007) and Qureshi’s (2007) perspectives, productivity is a performance measure encompassing both efficiency and effectiveness. Labor productivity means the output of workers per unit of time which is a commonly used and straightforward measure of productivity. The growth rate of labor productivity is approximately equal to the difference between the growth rate of output and the growth rate of the number of hours worked in the economy (Christopher Gust& Jaime Marquez, 2004). High performing, effective organizations have a culture that encourages employee involvement. Therefore, employees are more willing to get involved in decision-making, goal setting or problem solving activities, which subsequently result in higher employee performance.

2.5 THE RELATIONSHIP BETWEEN PERFROMANCE MANAGEMNT SYSTEM AND EMPLOYEE PERFROMANCE

2.5.1 Developing and Planning--Mission and individual objectives

The first stage of performance management system is developing and planning. In this stage, business needs to set up mission and objectives, and then clarify the individual responsibility and duty. A mission is an organization's character, identity, and reason for existence. It can be divided into four inter-relating parts: purpose, strategy, behavior standards and values (Johnson & Mackey 2004). Purpose addresses why an organization is in being; strategy considers the nature of the business; behavior standards are the norms and rules of ' the way we do things around here '; values are the beliefs and moral principles that lie behind the behavior standards, beliefs that have normally been formulated within the organization by a founding dynasty or a dominant management team (Campbell and Yeung, 2006). In order to maximize performance, organizations focus on the efforts of the organization on explicit, challenging and realistic aims and objectives. A clear mission answer the question: what business should the company be in, and it should be the guide line for employees and managers behavior and performance. Campbell and Yeung(2006 refer to as creating a sense of mission--that is, employee's personal commitment to the organization's mission. There are two simple views on the purpose of the mission statement: one is that it is primarily for external public relations and the other is that it is to motivate staff within the company (Luffman Klemm,M. & Sanderson, 2005)

2.5.2 Managing and reviewing performance

In this second stage, there are lots of activities that include observing and document efforts and accomplishments; provide feedback, coach and counsel employee regarding performance. In this stage, enhancing communication within the organization, so that employees are not only aware of the objectives and the business plan but can contribute to their formulation. Besides, employee communication could be discussed in the narrowly defined context of mediated communication, for instance, the impact of internal news letters or specialized internal communication tactics. However, Cameron and McCollum (2007) found that employees tended to prefer direct interpersonal communication to mediated communication when they need more information on ongoing issues of their corporations. According to Robertson (2005), an effective communication climate is based on such topics: job, personal, operational and strategic issue.

Moreover, Hargie &Tourish (2009) concluded top six topics were cited for 'information needed'--how problems that I report in my job are dealt with; how my job contributes to the organization; how decisions that affect my job are reached; things that go wrong in my organization; staff development opportunities, my performance in my job. According to Ainspan and Dell (2000), favorable employee communication has been shown to increase job satisfaction and employee performance and finally result in organizational success.

Moreover, effective performance feedback has the potential to enhance employee engagement, motivation, and job satisfaction (Aguinis, Gottfredson, Joo, 2011). Performance feedback is a critical component of all performance management systems. It can be defined as information about an employee's past behaviors with respect to established standards of employee behaviors and results. Effective performance feedback is timely, specific, behavioral in nature, and presented by a credible source. The goals of performance feedback are to improve individual and team performance, as well as employee engagement, motivation, and job satisfaction (Aguinis, 2009). Performance feedback is effective in changing employee work behavior and enhances employee job satisfaction and performance (Islam&Rasad, 2006). On the other hand, it is necessary to analysis and understands the feedback which is always ignored its complexities. Feedback may improve performance under some conditions. However, in other conditions, feedback may not impact performance or even prove detrimental to performance (Kluger & DeNisi, 1996; Locke & Latham, 1990). According to this perspective, it further indicates that a number of factors, including characteristics of the feedback source and message, and timing issues such as the amount and frequency of feedback employees received attitudinal outcomes of feedback.

In the second stage, managing performance includes communication, collecting performance and coaching. Communication makes employees who are not only aware of the objectives and the business plan but can contribute to their formulation. Feedbacks contribute to evaluating the actual performance of employee with desired performance. Managers and employees could realize the advantages and disadvantages of their works. After the realization of pros and cons of works, the coaching plays a role to improve acknowledge and skills of employees and finally impact the employee performance.

2.5.3 Rewarding performance

Rewarding performance happens on the end of performance period. The main activities include evaluating employee's accomplishments and skills; discussing evaluation with employees (McAfee and Champagne, 2007).It evaluates the effectiveness of the whole process and its contribution to overall organizational performance to allow changes and improvements to be made, and also provides the feedback to the organization and to individual staff about their actual performance. The effectiveness of any organization is dependent on the quality of its personnel. The right people must be originally selected into the organization, motivated to works; and sound personnel promotion and training decisions must be made in filling non entry level. An effective personnel performance evaluation system is a crucial cornerstone in this process, as it provides the data needed for most of the required administrative decisions. This system plays a key role in motivating people to utilize their abilities in pursuing the organization's goals (Musgrove &Creighton, 2007)

VARIABLES OF THE THESIS

In this study, many variables were identified from literature review. These variables will be categorized into planning performance, managing performance, and rewarding performance. In this study, the independent variables are the activities in performance management system.

Independent variables

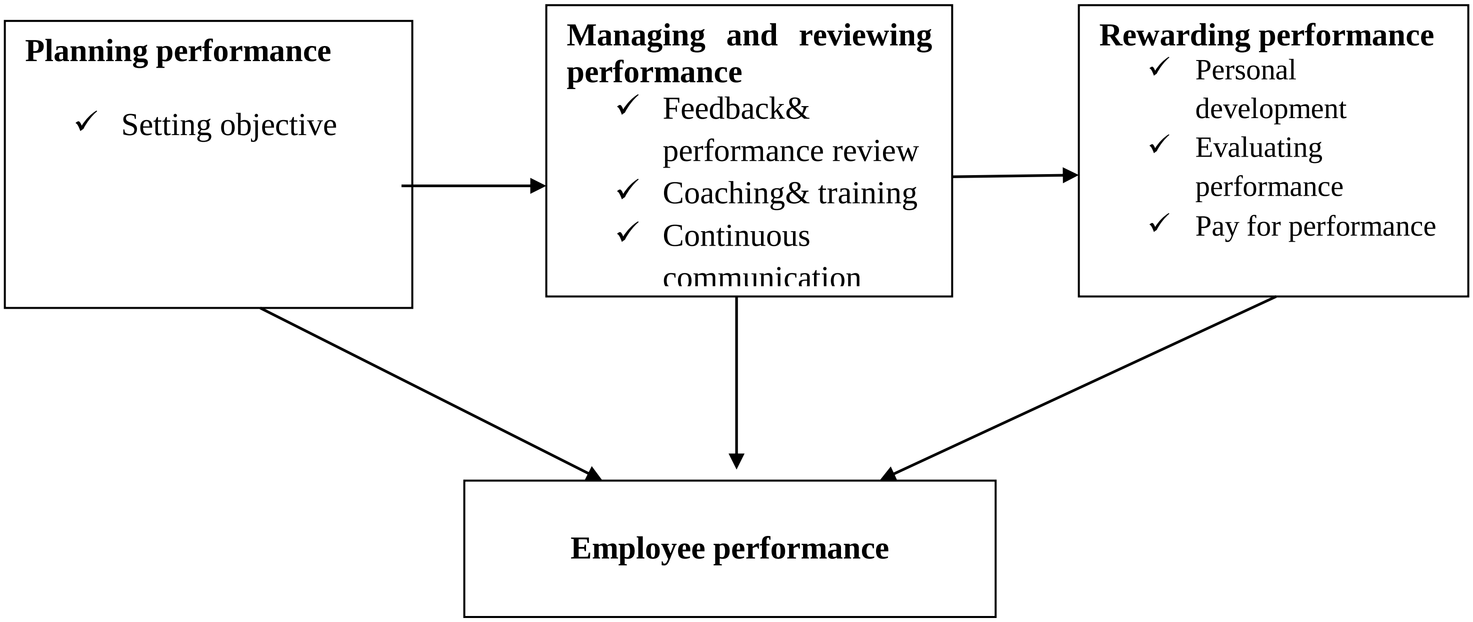
1. Setting objectives from planning performance phase
2. Continuous communication , Performance review /feedback and coaching& training from managing performance phase
3. Personnel development, performance evaluation and pay for performance from rewarding performance phase

Dependent variables

In this research, the dependent variable is the employee performance. From literature review, employee performance could be measured by the effectiveness and efficiency of the employee.

2.5 RESEARCH MODEL

Figure 2.2 **Research Model**



Source developed as per Beatty and Baird, Schneier (1987:98)

According to this model employee performance is the function of setting objective, continuous communication, feedback and performance review, coaching and training, personal development, performance evaluation and pay for performance

This model could be represented by the following function

$EP = \beta 1 + \beta 2SO + \beta 3CC + \beta 4FBPR + \beta 5CT + \beta 6PD + \beta 7PE + \beta 8PFP + \varepsilon$

The dependent variable of this multiple regression is employee performance of commercial bank that is indicated by the symbol EP whereas the independent variables setting objective, continuous communication, feedback and performance review, coaching and training, personal development, performance evaluation and pay for performance which are indicated by the symbol SO, CC, FBPR , CT , PD , PE , PFP respectively symbol (β 1) represents the constant term and ($\beta 2$, $\beta 3$, $\beta 4$, $\beta 5$, $\beta 6$, $\beta 7$, $\beta 8$) represent the coefficient of the independent variables. Finally the symbol ε represents the error terms

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 RESEARCH TYPE

The study employs descriptive research design. According to Kothari (2004) the major purpose of descriptive research is description of the state of affairs as it exists at present. As the researcher is intended to describe the relationship between performance management system (independent variable) and employee performance (dependent variable) using SPSS and the effect of variables using multiple regressions, this indicates the research is explanatory and descriptive in nature.

3.2 DATA TYPE

In this study both primary and secondary data are collected to support the issue under study.

Primary data

Here different data collection techniques are employed. Mainly through questionnaire and interview was conducted for the concerned human resource staff.

Secondary data

Secondary data also collected from archives, documents and periodic reports of commercial banks of Ethiopia

3.3 RESEARCH DESIGN

The sample selected from the stratified sample target. The population is the employees of CBE in Adama District. Stratified sampling method of probability sampling technique was used to select the sample respondents from the total population size. Stratified sampling used because the branches are consider to be heterogonous in nature. Therefore to select representative sample the researcher select samples from city branches and outside city or outline branches. Samples from the strata were randomly selected. This is because once the population is stratified in to homogonous group it is representative to select any of the customer from the strata. There are 58 branches under Adama District. 50% of branches selected from each stratum and 8employees selected from each branch. This sample taken in order to make the research representative the base of the sampling is branches that found on the city and outside the city employee.

Commercial banks of Ethiopia adama district (2014) have 1200 employees working in the stated district. Of which, the researcher took 20 percent or 240 the total employee.

The sampling procedure is summarized as follow

Table 3.1 Sample population design

Area	No. of branches	Selected branches	Sample employee
City branches	11	50%(11)= 6	6*8=48
Out line	47	50%(47)=24	24*8=192
Total	58	30	240

3.4 DATA COLLECTION INSTRUMENT

The researcher used both questionnaire and interview to collect the data from the employees and branch managers of Commercial Bank of Ethiopia. Questionnaires designed in the way the research can gather all the required data from employees. It included both close and open ended questions. Open ended question enables the researcher to collected data about the predetermined choices which is easy to manipulate using statistical software. Interview questions also designed to collect information from the managers of Commercial bank of Ethiopia.

3.5 Data measurement

Data collected from respondents is measured with the help of five-scale Likert scale. Values assigned for each factors and employee performance are always, more, moderately, less and never. The highest value is assigned for always and the lowest value is allocated to never. . Finally, in all cases, the average value of major indicators is considered for further analysis.

3.6 Reliability and validity

The researcher re-assured reliability with Cronbach‟s alpha coefficient. It measures the interrelationship between items in the questionnaire. A reliability of 0.70 or more is acceptable Terziovski, et al. (2003). In this research, the Cronbach‟s alpha is equal to 0.78(all ranked above 0.70). This analysis indicates that the scale used in the study is reliable.
Since the questions are derived from an extensive literature review the measures are generally considered to have content validity.

3.7 Ethical considerations

Ethics is one of the major considerations in research. The researcher of this study is also subject to the following ethical considerations. Information obtained was held in strict confidentiality by the researcher, The research work was started after getting the willingness of the respondents, Respondents were clearly communicated about the objective of the research before they are asked to give their answer, There was no any physical or psychological damage to them because of the research, Respondents were not asked about their name, race, religion, etc.

3.8 DATA ANALYSIS

The data collected from customers summarized and analyzed in the way that gives the necessary information. The data analyzed using descriptive analysis techniques by the help of statistical software called SPSS (statistical package for social science). A multiple regression and correlation technique used to test the effect of the independent variables on dependent variables. This technique chosen since it is used to describe the strength and direction of the linear Relationship between two variables. A multiple regression also be used to examine the percentage of variance the dependent variable explained by the independent variables. Finally, the output presented using tabulation and result described. The study use regression models to explain the effect of independent variables on the dependent variable.

CHAPTER FOUR

RESULT AND DISCUSSION

4.1 Data Presentation, Analysis and Interpretations

This chapter deals with discussions and results of the study. Its base is the following information two hundred forty questionnaires distributed for employees and branch managers work at city and outline branches of commercial bank of Ethiopia. Of which 48 questionnaires allocated for city branches and the remaining 192 questionnaires are distributed for the outline branches. However: only 231 questionnaires are taken back from the respondents. While all city branch employees gave back the questionnaires, nine employees of outline branch failed to do so. Hence3.75% questionnaires unreturned rate is absorbed.

Figure 4.1 retuned questionnaire proportion

4.1.1 Demographic Backgrounds of the Respondents

Table 4.1 Summary of respondents by age and gender

		Participants gender					
		female		Male		total	
		Count	%	count	%	count	%
Age of the participant	18-25	14	6.6	12	4.9	26	11.5
	26-30	32	14.3	87	38	119	52.3
	31-35	12	4.9	49	22	61	26.9
	36-40	6	2.1	12	4.9	18	7
	above 40	1	.2	6	2.1	7	2.3
	Total	65	28.10	166	71.9	231	100

Source: survey

About 71.90% of the respondents were male and the remaining 28.10% of the respondents are female. Regarding the age of the participants, most of the groups (52.30%) were found within the age range of 26-30 years. The age range between 31-35 covered 26.90% of the total respondents while 11.5% and 2.3% of the respondents found under the age range of 18-25 years and 40 and above, respectively. On the other hand, 18 individuals (7%) were reported in 36-40 years age category. From this, it is possible to surmise that the majority of workforce compositions of the respondents are young (categorized under middle age category). Thus, they support implementation of PMS which attracts and encourages them for higher responsibilities.

Table 4.2 Summary of respondents working experience

Source: survey

Year of service	Frequency	Percent
less than 1 year	12	5.2%
1-5years	160	69.3%
6-10years	56	24.2%
11-15years	3	1.35
Total	231	100.0%

The above table indicates that the majority (n=160, 69.30%) of the respondents have been working in the CBE for the last 1-5 years. Similarly, 56 (24.2%) and 3 (1.35%) of them are working in the CBE for the year between 6 - 10 and 11-15 years, respectively. On the other hand, (n=12, 5.20%) individuals indicated they had been working in the CBE less than one years. This indicates the employees‟ of the CBE have more experience and are familiar with the work environment of the CBE. Work experience can improves employee’s confidence on their jobs and the implementation of PMS.

Table 4.3 Summary of respondent’s educational background

Educational background	Frequency	Percent
Diploma	10	4.3%
Bachelor degree	218	94.4%
Mast rate degree	3	1.3%
Total	231	100.0%

Source: survey

As the above table indicates, majority of respondents were first degree holders (218=94.40%) where as 4.3% and 1.3% of the respondents are college diploma holders and masters degree graduates respectively. Therefore, these indicate that the CBE employees‟ are more of first degree holders and they are experienced. Given the fact, the majority of the workforces are young (see Table 4.1) with college diploma and BA/BSc Degree (see Figure 4.3), it is not cynical that employees‟ furnish high concern for participation in decision making on the affair of PMS of the bank.

4.1.2 Setting objectives indicators

In the following paragraphs descriptive values for indicators of setting objective are presented.

Table 4.4 Summary of setting objective indicators

	Never		Less		moderate		More.		always	
	Count	%	Count	%	Count	%	Count	%	Count	%
The bank's goal setting process that based on an agreed and up-to-date role profile that sets out key result areas	3	1.3%	11	4.8%	4	1.7%	160	69.3%	53	22.9%
The bank's goals has clear relation to key result areas in the role profile	1	.4%	31	13.4%	9	3.9%	190	82.3%	0	0%
There is individual goals integration with the bank's corporate goals	0	0	81	35.10%	8	3.50%	130	56.30%	12	5.10%
The bank's clear goals and supports the achievement of team and department goals	2	0.90	37	16%	2	0.9%	185	80.10%	5	2.10%
The bank's performance improvement plan motivates employee to perform more	0	0	31	13.4%	3	1.30%	196	84.80%	1	0.50%

Source: survey

Table 4.5 descriptive statistics setting objective indicators

	N	Min.	Max.	Mean	Std. Deviation
The bank's goal setting process that based on an agreed and up-to-date role profile that sets out key result areas	231	1	5	4.08	.742
The bank's goals has clear relation to key result areas in the role profile	231	1	4	3.68	.717
There is individual goals integration with the bank's corporate goals	231	2	5	3.32	1.013
The bank's clear goals and supports the achievement of team and department goals	231	1	5	3.67	.800
The bank's performance improvement plan motivates employee to perform more	231	2	5	3.72	.692

Source: survey

The above table 4.4 shows the percentage value of setting objective indicators description. of the respondent 93.90% agreed that the bank goal setting process are based on agreed and up-to-date role profile that setout key result areas the remaining 6.10% of the respondents are disagree with the majority of the employee. The mean values 4.08 with the standard deviation of 0.742 supports mass no of respondents are more. This infers that the bank's goal setting process is based on the up to date role profile that sets out key result area.

Next 86.20% of the employee agreed that there is clear relationship between the banks goals to the key result areas in the role profile by labeling their reflection always, more and moderate and mean value are 3.68 with the standard deviation of 0.717.Only 13.8 % of the respondents opposed the existence of clear relation of the banks goals and key result areas in role profile.

Similarly 56.30% of the respondents chosen more with the existence integration of individual goals with CBE's corporate goals and mean value of 3.32 with the standard deviation of 1.013

Similarly as the above indicator the last two description indicates that the employee have positively replied to the statements by labeling their feeling 83.10% from moderate to always for the banks clear goals and support the achievement them the mean value 3.67 with the standard deviation of 0.800. Finally the banks improvement plan motivates employee this is evidenced by the employee with the support of 86.60% are agreed with the statement by mean value 3.72 with the standard deviation of 0.692.

Inconsistent with the employee the interviewee agreed on the indicators of planning performance (setting objective) the extent the employee responded for the indicators. The district operation manager explained majority of the employee's performance well since they are given with clear cascaded objectives for each branches and individual employee in advance and the manager also believes the employee are well understood the goal and objectives of the organization.

The theoretical view of PMS proposed planning performance as one of the success factors. According to Aguinis, 2009 If there is a lack of clarity regarding where the organization wants to go, or the relationship between the organization's setting objectives and each of its unit's objectives and strategies is not clear, there will be a lack of clarity regarding what each employee needs to do . In this regard these descriptions indicate that there is clear understanding of the process of setting objectives of the organization.

The finding of this research shows positive and direct relationship between setting objectives and employee performance in line with the PMS process. There for we can conclude that the banks setting objective process affect the employee performance positively

4.1.3 Continuous communication indicators

In the following paragraphs descriptive values for indicators of continuous communication are presented. Descriptive value shows how much employees reacted for such indicators

Table 4.6 Summary of continuous communications indicators

	Never		Less		moderate		More.		always	
	Count	%	Count	%	Count	%	Count	%	Count	%
The bank has best use of different mode of communication to explain the objectives of the organization and of performance management	12	5.20%	105	45.50%	7	3.00%	105	45.50%	2	0.80%
The bank's encouragement and team work, provide the employee to share with and learn from one another	18	7.8%	110	47.6%	9	4	1.7%	97	42%	0.9%
The bank explains benefits of performance management to the organization ,line managers and individual employees	10	4.3%	53	22.9%	55	23.8%	108	46.8%	5	2.2%
The banks system of employee communication with their co-workers has positive impact on employees performance	15	6.1%	130	56.3%	30	13.0%	46	19.9%	11	4.8%
The bank made every attempt to convince employee that performance management system will be operated fairly	9	3.9%	120	51.9%	13	5.6%	89	38.5%	0	0%

Source: survey

Table 4.7 Descriptive statistics continuous communications indicators

	N	Min.	Max.	Mean	Std. Deviation
The bank has best use of different mode of communication to explain the objectives of the organization and of performance management	231	1	5	2.91	1.072
The bank's encouragement and team work, provide the employee to share with and learn from one another	231	1	5	2.81	1.101
The bank explains benefits of performance management to the organization ,line managers and individual employees	231	1	5	3.19	.961
The banks system of employee communication with their co-workers has positive impact on employees performance	231	1	5	2.61	1.023
The bank made every attempt to convince employee that performance management system will be operated fairly	231	1	4	2.79	1.010

The first description for the continuous communication is the bank best use of different mode of communication to explain the banks objectives and performance. On this regard more of the respondents are against the statement by rate of 50.70%of the respondents. The remaining 49.30% of the respondents labeling their feeling on moderate, more and always with percent of 3% , 45.50% and 0.80% respectively. Moreover, the mean response of the question 2.91 with standard deviation of 1.072 (see table 4.8) indicates on average the employees‟ of the organization are neither satisfied nor dissatisfied with different mode of communication that explains the objectives of the organization and of performance management.

The next indicator is the bank's encouragement and team work; provide the employee to share with and learn from one another the respondents replied as follows 55.40 %(never and less) and 44.60%(moderate, more, always) with the mean of 2.81 and standard deviation of 1.101.

Meanwhile majority of the respondents accept that the bank explains the benefits of PMS to the organization, line managers and individual employee by label of 78.80%form moderate to always and the rest 27.20% of the employee disagree with the respondents by mean values 3.19 with the standard deviation of 0.961. The banks system of employee communication with their co-workers has positive impact on employees performance did not accepted by majority of the respondents since 62.40% of the employee disagree with the statement only got the support of 37.60% of the employee with the mean value of 2.61. Finally on the convenience of the PMS of CBE to the employee did Not got the majority support only 44.10% of employee convenient on PMS the remaining 55.90% of respondents inconvenient with the system by the mean and standard deviation of 2.79 and 1.010 respectively.

Under all these responses the researcher thought the continuous communication practice of CBE are not we organized but when the interviewee responses are inconsistent with the view of the employee since the manager They used up to date communication tools like e-mail, outlook, fax, telephone and related products may contribute a lot for better employee performance improvement.

According to Ainspan and Dell (2000), favorable employee continuous communication has been shown to increase employee performance and job satisfaction and finally result in organizational success (Baskin, Aronoff, & Lattimore, 1996). In contrast to this perspective this research finding shows that the indirect relation of continuous communication on employee performance.

4.1.4 Feedback and Performance Review indicators

The feedback and performance indicators descriptive data collected from the employee is presented below

Table 4.8 Summary of feedback and performance review indicators

	Never		Less		moderate		More.		always	
	Count	%	Count	%	Count	%	Count	%	Count	%
I received good feedback from my manager on how I was doing	11	4.8%	99	42.9%	39	16.9%	82	35.5%	2	0.80%
My manager was always prepared to provide guidance when I was into problems at work	5	2.2%	121	52.4%	26	11.3%	72	31.2%	7	3.0%
The performance review meeting was conducted by my manager in friendly and helpful manner	17	7.4%	122	52.8%	36	15.6%	45	19.5%	11	4.8%
If any criticism were made during the performance review they were acceptable because based on fact not on opinion	12	5.2%	120	51.9%	5	2.2%	73	31.6%	21	9.1%
The performance review meeting ended with a clear plan for the future with which I agreed	9	3.9%	101	43.7%	17	7.4%	96	41.6%	8	3.5%

Source: survey

Table 4.9 Descriptive statistics feedback and performance review indicators

	N	Min.	Max.	Mean	Std. Deviation
I received good feedback from my manager on how I was doing	231	1	4	2.83	.974
My manager was always prepared to provide guidance when I was into problems at work	231	1	5	2.81	1.005
The performance review meeting was conducted by my manager in friendly and helpful manner	231	1	5	2.61	1.031
If any criticism were made during the performance review they were acceptable because based on fact not on opinion	231	1	5	2.87	1.182
The performance review meeting ended with a clear plan for the future with which I agreed	231	1	5	2.97	1.073

Source: survey

As we can see from the above summary table the respondents marked that manager's constructive feedback and on their job 52.30% of the respondents labeled as moderate and more and the remaining 47.70% shared by the respondents who disagree with the majority by mean values 2.83 of 0.974 standard deviation. When we come to the second description unlike the first indicator majority of the respondents which account 54.60% are disagree on the managers preparation to provide guidance for the employee the mean values 2.81 and standard deviation of 1.005 only on the rest 45.40% of the respondents agree with the statements. Of all respondents for acceptance of criticism during employee performance review 57.10% are replied that if there is criticism during the performance review it is not acceptable the rest 42.90% of the employee are in contradiction with the majority marking their feeling on label moderate, more and always as indicated on table 4.8 with mean value are 2.87 of 1.182 standard deviation.

Finally the respondents view on the meeting in relation to performance review 52.50% of the employees are replied that the meeting ended up with clear plan for the future the mean value of 2.97 and 1.073 standard deviation but in contrast to the majority 47.50% of employees disagree with the description.

In contrast to the employee the operation manager replied through interview they send back a constrictive feedback to each branch and employee the district also recognize the accomplishment quarterly i.e. for times in a year. But the responses of the description indicate most of the employees are not comfortable with the banks performance review and feedback practice.

Effective performance review and feedback has the potential to enhance employee performance, employee engagement, motivation, and job satisfaction (Aguinis, Gottfredson, Joo, 2011).

On the other hand, it is necessary to analysis and understands the feedback which is always ignored its complexities. Feedback may improve performance under some conditions. However, in other conditions, feedback and performance review may not impact performance or even prove detrimental to employee performance (Kluger & DeNisi, 2006).

4.1.5 Coaching and Training indicators

The descriptive results of the respondents presented as follows

Table 4.10 Summary of coaching and training indicators										
	Never		Less		moderate		More.		always	
	Count	%	Count	%	Count	%	Count	%	Count	%
employees received training in the operation of basic performance management system skills	3	1.3%	73	31.6%	34	14.7%	118	51.1%	3	1.3%
Employees received training for preparing and participating in performance reviews	6	2.6%	52	22.5%	33	14.3%	132	57.1%	8	3.5%
Arrangements been made to provide coaching and mentoring for line managers in performance management skills	1	.4%	38	16.5%	20	8.7%	141	61.0%	31	13.4%
Individual employee able to monitor their own performance well and provided with coaching as required against the key result area	7	3.0%	43	18.6%	14	6.1%	110	47.6%	57	24.7%

Source: survey

Table 4.11 Descriptive statistics coaching and training indicators					
	N	Min.	Max.	Mean	Std. Deviation
employees received training in the operation of basic performance management system skills	231	1	5	3.19	.947
Employees received training for preparing and participating in performance reviews	231	1	5	3.36	.954
Arrangements been made to provide coaching and mentoring for line managers in performance management skills	231	1	5	3.71	.914
Individual employee able to monitor their own performance well and provided with coaching as required against the key result area	231	1	5	3.72	1.120

Source: survey

As indicated on the table4.10 summary employees responds on the employee received training on the operation of PMS and basic skills supported by 67.10% of the respondents on the labels of moderate (14.70%), more (51.10%) and always (1.30%).the remaining 32.90% taken by the respondents who refused to accept the description with the mean and standard deviation of 3.19and 0.947 respectively.

When we come to the second statement employees participation on preparing and participating on performance review 74.90% of the employee evidenced that they received participate and receive training by mean values 3.36 and 0.954 standard deviation. Meanwhile majority of the respondents agreed on the banks arrange to provide employee coaching and mentoring for the managers in performance management skill by taking 83.10% of the total respondents the remaining 16.90% of the respondents do not agree with the majority as shown on the table4.11 the mean values 3.71 with the standard deviation of 0.914.

Finally 78.40% of the respondents replied that individual employees are able to monitor their own performance against the key result area the mean values are 3.72 with the standard deviation of 1.120.

Interviewee supports the majority since the district operation manager describes that there is a periodically training for the branch managers and employees all this done since the organization believes that the training will improve each employee, branches and overall organizational performance.

Coaching is an important tool in learning and development. Training and Coaching are developing a person's skills and knowledge so that his or her job performance improves, leading to the achievement of organizational and individual objectives (Cunneen, 2006).

4.1.6 Personal Development indicators

The following chart represents reflection of respondents towards the performance development practice at CBE

Table 4.12 Summary of personal development indicators

	Never		Less		moderate		More.		always	
	Count	%	Count	%	Count	%	Count	%	Count	%
The bank assessment of the extent to which managers and employees have achieved agreement on goals and performance improvement plan	11	4.8%	115	49.8%	20	8.7%	78	33.8%	7	3.0%
The employee engagement on performance evaluation before and after the introduction of performance management system are practical	5	2.2%	103	44.6%	18	7.8%	101	43.7%	4	1.7%
The banks performance measure of improved performance are by reference to key performance indicators in such terms output &productivity	3	1.3%	108	46.8%	51	22.1%	62	26.8%	7	3.0%
There is assessment on reactions of managers and employees to performance management system	10	4.3%	110	47.6%	8	3.5%	101	43.7%	2	.9%

Source: survey

Table 4.13 Descriptive statistics personal development indicators

	N	Min.	Max.	Mean	Std. Deviation
The bank helps the employees to realize their full performance potential in their current jobs	231	1	5	2.81	1.055
The bank's highly effective system and process in place for identifying and developing next generation of leaders	231	1	5	2.98	1.021
The way new ideas are welcomed, employees are encouraged to find new and better way to do work encourages employee to perform more	231	1	5	2.84	.941
The access on variety of employee development opportunity in the bank, prepare the employees for promotion leads employees to do outstanding work	231	1	5	2.89	1.056

Source: survey

As illustrated from the above table 4.12 bout 45.40% of the employee agreed with the statement the bank helps the employees to realize their full performance potential in their current jobs on the same description the remaining 54.10% of the respondents did not agree. The mean value of all responses are 2.81(see table 4.13) with standard deviation of 1.055. Similarly majority of the respondents which label of 51.90% by labeling their view never and less disagree with the description The access on variety of employee development opportunity in the bank, prepare the employees for promotion leads employees to do outstanding work by contrary 48.10% of the respondent agree on the banks system of employee development opportunity. With the mean values are 2.98 with 1.021 standard deviation. Beside this the way new ideas are welcomed and encouraged to find new better way on the CBE got the majority acceptance by holding 51.90% from moderate to always. Obviously the remaining 48.10% of the respondents disagree. by holding the mean value of 2.84 with 0.941 standard deviation.

Finally on the statement The bank's highly effective system and process in place for identifying and developing next generation of leaders the respondents labeled their view as never (2.2%), less (44.60%), moderate (7.80%), more (43.70%) and always (1.70%) when we see this leveling shows us the majority of the respondents agree with the banks system of identifying and developing next generation leaders. Furthermore, the mean value of 2.89 (see table 4.13) indicates an average response of agreement among the respondents.

When we relate these to the interviewee response regarding the personal development the operation manager is responded that there are a wide range of personal development opportunities are available to every one of the employee in CBE. This indicates there may be gap of understanding the personal development opportunities

Rohnert's (2010) points out that the benefit of personnel development. For employees, if the individual skills or knowledge increase, he may create more value and as a result he may receive a sense of satisfaction in the achievement of personal goals and attainment of professional recognition.

Therefore, all questions raised above to evaluate the personal development indicators the average respondents have positive view about the banks personal development opportunities. The research finding can conclude that was generally satisfactory but not enough. Since, personnel development is able to achieve competitive advantages because of a better qualified and a more highly motivated employees these leads the employee to a better performance.

4.1.7 Performance evaluation indicators

The descriptive results from collected data of performance evaluation factors presented as follows

Table 4.14 Summary of performance evaluation indicators

	Never		Less		moderate		More.		always	
	Count	%	Count	%	Count	%	Count	%	Count	%
The bank assessment of the extent to which managers and employees have achieved agreement on goals and performance improvement plan	17	7.4%	84	36.4%	35	15.2%	91	39.4%	4	1.7%
The employee engagement on performance evaluation before and after the introduction of performance management system are practical	20	8.7%	161	69.7%	10	4.3%	31	13.4%	9	3.9%
The banks performance measure of improved performance are by reference to key performance indicators in such terms output &productivity	33	14.3%	119	51.5%	4	1.7%	74	32.0%	1	0.4%
There is assessment on reactions of managers and employees to performance management system	37	16.0%	93	40.3%	19	8.2%	77	33.3%	5	2.2%

Source: survey

Table 4.15 Descriptive statistics performance evaluation indicators

	N	Min.	Max.	Mean	Std. Deviation
The bank assessment of the extent to which managers and employees have achieved agreement on goals and performance improvement plan	231	1	5	2.92	1.058
The employee engagement on performance evaluation before and after the introduction of performance management system are practical	231	1	5	2.34	.951
The banks performance measure of improved performance are by reference to key performance indicators in such terms output &productivity	231	1	5	2.53	1.099
There is assessment on reactions of managers and employees to performance management system	231	1	5	2.65	1.162

Source: survey

As it presented the above table 4.14 majority of the respondents positive view for the description on assessment of the achievement and performance improvement plan labeling always ,moderate and more score of 1.6%,15.20% 39.40% respectively. The remaining 43.80% are distributed on never and less. The mean response of the participants indicates 2.92 (table 4.15) with standard deviation of 1.058 which was generally labeled as agreement to the question among respondents.

In contrast to this 78.40% of the employee reflected their disagreement for the employee engagement on performance evaluation before and after the introduction of performance management system are practical only 21.60% of the employee agreed. The mean value of responses to this question 2.34 (see table 4.15) indicates employees‟ are not interested to answer positively.

Similarly the employee also reply for the description the banks performance measure of improved performance are by reference to key performance indicators in such terms output &productivity face a majority disagreement on 51.50% of labeled less by mean value of 2.53 with standard deviation of 1.099 and 14.30% of the respondents labeled never.48.50% of the respondents put their view on moderate(1.70%),more(32%), and always(0.50%).finally the managers and employee reaction on PMS assessment majority(56.30%)of the respondents are reflect their idea there is no such assessment only 43.70% of the respondent agree with such kind of assessment existence. In this question the mean of the respondents are 2.65 with the standard deviation of 1.162.

In this case the interviewee clarifies the existence of employee engagement on the performance measurement system. This indicates that the interviewee is among 21.60% of the respondents.

Even when performance is rated against defined standards the ratings do not convey what the employee did or did not do insufficient detail. Jawahar and Williams (1997) reported that performance evaluations such as ratings obtained for administrative purposes (e.g. pay or promotions) are more lenient than those for research, feedback or employee development purposes. This research finding colud be concluded most of the employees on CBE are did not understood the CBE performance evaluation system. But it has a direct relation with the employee performance and contributes a lot as we can see from the bottom regression table 4.18.

4.1.8 Pay for Performance indicators

Table 4.16 Summary of pay for performance indicators

	Never		Less		moderate		More.		always	
	Count	%	Count	%	Count	%	Count	%	Count	%
The Employees jobs are secure and recognized for their accomplishments in general providing with opportunities for advancement	1	0.40%	83	35.90%	45	19.50 %	98	42.40%	4	1.70%
The employees accomplishment recognized by a reward practice that links one's pay increase to one's performance	9	3.90%	117	50.60%	0	0.00%	100	43.30%	5	2.20%
The bank uses individual performance, workplace performance, organizational performance based payments	2	0.90%	72	31.20%	9	3.90%	122	52.80%	26	11.30%

Source: survey

Table 4.17 Descriptive statistics pay for performance indicators

	N	Min.	Max.	Mean	Std. Deviation
The Employees jobs are secure and recognized for their accomplishments in general providing with opportunities for advancement	231	1	5	2.70	1.061
The employees accomplishment recognized by a reward practice that links one's pay increase to one's performance	231	1	5	2.89	1.084
The bank uses individual performance, workplace performance, organizational performance based payments	231	1	5	3.42	1.072

Source: survey

The above table4.16 shows the descriptive analysis of the pay for performance indicators with their label of percentage and employee view towards the factor. As the researcher surveyed the employees job security and advancement opportunity are exercised by CBE since the 63.70% of the employee agreed but the remaining 36.30% of the respondent do not want to agree by choosing never and less as indicated by table 4.17 the mean value 2.70 with standard deviation of 1.061. On the second indicator response the researcher can generalize 54.50% of the respondent argued that there is no such reward practice on one's pay increase to one's performance by mean of the responses are 2.89 with the standard deviation of 1.084 but the rest of 45.50% of the employee agreed on the presence of one's pay increase to one's performance.

Finally the practice of the CBE for payment for performance are as indicated on the table and most of the employee agreed (68%) on the bank pay for performance are on the base of individual, workplace and organizational level performance.32% of the employee are not agreed. The overall average of the responses to question indicates 3.42 with the standard deviation of 1.072.

According to the view of Locke (2004), the pay-for-performance principle involves providing monetary rewards through carefully designed compensation system that base pay on measured performance within the control participants.

According to Delery and Doty (1996), employee performance appraisal is defined as 'the process of identifying, evaluating and developing the work performance of the employee in the organization, so that organizational goals and objectives are effectively achieved while, at the same time, benefiting employees in terms of recognition, receiving feedback, and offering career guidance'.

As we understand from the responses from the employees most of the employee has positive view towards pay for performance of CBE. Pay-for-performance could be used together as a tool to assess the performance. Moreover, in the organization, employees are most likely to perceive that pay differences are made fairly when they are provided with information regarding the appraisal process and employees are allowed to discuss the appraisal results.

4.1.9. The effect of PMS activities on employee performance

Table 4.18 Regression and coefficient of PMS process activities

		Un-standardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.750	1.507		3.152	.002
	Setting objective	.280	.252	.233	.542	.039
	Continuous communication	-.062	.242	-.394	-1.771	.043
	Feedback and performance review	-.010	.045	-.014	-.222	.050
	Coaching and training	.115	.033	.211	3.426	.001
	personal development	.155	.041	.228	3.742	.000
	performance evaluation	.175	.042	.255	4.161	.000
	Pay for performance	.015	.035	.025	.412	.681

a. Dependent variable: employee performance
R^2= .399 , p<=.05

Table 4.18 shows a summary of PMS process model used in the research we can find a variable that explain employee performance. These are setting objectives, continuous communication, feedback & performance review, coaching & training personal development, performance evaluation, and pay for performance. These factors can explain 39.90 percent of variance in employee performance to the extent of the adjusted coefficient of determination. Other supplementary factors they do have explain employee performance are available other researcher could address them. R square shows the overall goodness of fit of the PMS process. It tells what proportion of the available in the employee performance is explained by the independent variables. Significance level (P <= 0.05) is the expected percentage of times that the actual value falls in the stated amount. Thus, if we take a confidence level of 95 percent then we mean that there are 95 chances in 100 (or 0.95 in 1) that the sample results represent the true condition of the population within a specified precision range against 5 chances in 100 that it doesn't.

The beta value shows slopes of coefficient. It represents the degree at which PMS process factors variables contribute or influence on the employee performance. Table 4.4 shows beta and significance level of the independent variables.

The effect of setting objective on employee performance

A one unit change (increase/decrease) in objective setting will increase /decrease employee performance by 0.233units this shows the relationship between setting objectives and employee performance is direct. Setting objectives is significant for CBE at 95 percent level of significance. I.e. with its positive and direct relationship with employee performance increasing setting objectives contributes for the employee performance issues of CBE.

The effect of continuous communication on employee performance

A -.394 beta of the continuous communication show in table 4.18 implies a one unit change (increase/decrease) in the continuous communication decrease /increase employee performance by 0.394units respectively. This clearly shows the continuous communication is indirectly related with employee performance. In spite of the above beta value continuous communication is significant factor at 95 percent significant level. This implies that continuous communication is good contributor for employee performance.

The PMS process supported the justification where by continuous communication as one of performance management phase success factor. Meanwhile this contradicts with the regression value of this study that shows continuous communication and employee performance do have negative or indirect relationship.

The effect of feedback and performance review on employee performance

In table 4.18 we can find the beta value of -0.014 this figure shows a one unit change (increase) in feedback and performance review will lead to 0.014 change(decreases) on employee performance and vice versa. This means the relationship of feedback & performance review and employee performance have indirect. In spite of the above indirect relationship these to variable has significant at 95 percent significant level. This finding contradicts with the literature review of PMS process by the indirect relationship but supported by the significance. Ina addition the descriptive data collected from the employee is presented below

The effect of coaching and training on employee performance

CBEs interest in training and coaching by one unit change rewards 0.211 increment in employee performance and vice versa. This notified direct relationship of between coaching and training and employee performance. As shown on table 4.18 coaching and training is significant at 95 percent significant level

The PMS process points out that coaching and training contribution for employee performance as one of the factors that positively influence employee performance. This research finding on training and coaching factors also agree with the PMS process points of view.

The effect of personal development on employee performance

Table 4.18 of the regression and coefficient indicates on unit change (increase/decrease) in personal development factors will change (increase /decrease) employee performance by 0.228 units like the coaching and training factor this factors have direct relationship with employee performance. In addition to this personal development factors are significant at 95percent of significance level. This clearly shows personal development is a contributing factor for employee performance.

The PMS process advocated that organization have to promote personal development to initiate and increase the employee performance. Hence CBE'S view for the relationship between personal development and employee performance harmonizes with this PMS avocation.

The effect of performance evaluation on employee performance

From the table 4.18 we can find that the beta value of performance evaluation is 0.255 this figure indicates that a one unit increase or decrease of performance evaluation will leads the employee performance increase or decrease by 0.255units respectively also the performance evaluation is significant at 95 percent confidence level. Now we can conclude that the performance evaluation has direct relationship with employee performance.

The effect of pay for performance on employee performance

The data on regression and coefficient table 4.18 shows that a one unites increment on pay for performance will lead to increase in employee performance by 0.025units and vice versa this beta value shows the direct relationship of the pay for performance and employee performance. Despite to this use of pay for performance is insignificant at 95 percent of confidence level. It is difficult to say but level of confidence the researcher has shown pay for performance is insignificant to CBE and contribution for better employee performance.

The findings showed that all except continuous communication and feedback& performance review are contributing for positive employee performance. The degree at which PMS process success and frailer factor contributed is determined with the level of beta. A factor with high beta value is contributing a lot for employee performance compared to other factors having less beta value.

According to Rudman (2003), is increasingly seen as a means of integrating HRM activities with the business objectives of the organization, where management and HR activities are working together to influence individual and collective behavior to support the organization's strategy. Besides, he also stressed that the performance management system must fit with the organization's culture. In this view the bank should work very hard on PMS activities in order to get maximum benefit from the employees.

As such performance evaluation (beta of 0.255) has lots of contribution for employee performance; performance evaluation is followed by setting objective (beta of 0.233), personal development (beta of 0.228), coaching & training (beta of 0.211) and pay for performance respectively (beta of 0.025). However continuous communication and feedback & performance review has a negative effect on the performance of employee as represented by the beta value.

In addition to the above, the effects of these factors of PMS on employee performance were determined using multiple regressions as follows. The effect of setting objective, continuous communication, feedback and performance review, coaching and training, personal development, performance evaluation and pay for performance was determined with the following formula.

EP = β 1+ β2SO + β3CC+ β4FBPR+ β5CT+ β6PD + β7PE+ β8PFP+ ε

The dependent variable of this multiple regression is employee performance of commercial bank that is indicated by the symbol EP whereas the independent variables setting objective, continuous communication, feedback and performance review, coaching and training, personal development, performance evaluation and pay for performance which are indicated by the symbol SO, CC, FBPR , CT , PD , PE , PFP respectively symbol (β 1) represents the constant term and (β2, β3, β4, β5, β6, β7, β8) represent the coefficient of the independent variables. Finally the symbol ε represents the error terms

4.1.10. The effect of PMS on employee performance

Table 4.19 Regression and coefficients of PMS

	Un-standardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	3.700	1.439		2.571	.001
PMS	.037	.016	.155	2.370	.009

Dependent variable employee performance
$R2= .215$, $p<=.05$

The table above depicts adjusted coefficient of determination (**R^2**) 0.215 indicates the average effect of performance management system on employee performance.

According to Armstrong K , and Wadu (2005) explained that many activities of PMS influence employee performance and classify these factors as planning performance(setting objective) , managing performance (continuous communication , feedback and performance review and coaching and training) and rewarding performance (personal development , performance evaluation and pay for performance) activities

Performance management system is a kind of completed and integrated cycle for performance management. The emphasis of performance management systems is on continuously improving organizational performance and this is achieved through improved individual employee performance (Macky & Johnson, 2000)

Beside to this beta value in the table 4.18 reveal a unit change (increase/decrease) in the dependent variable (PMS) has 0.155 changes (increase/decrease) effect on the dependent variable (employee performance). This indicates each variable has a positive effect on employee performance since it is significant at 95 percent confidence level. More over the effect (beta value) of PMS on employee performance 0.155.Therefore from the findings generally the researcher concludes that PMS has a positive effect towards the employee performance of CBE.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 CONCLUSION

As the increase of concentration on administrative management during these years, HRM plays a more important role in managing an organization, such as the effects of HRM on innovation, ‘new way of working principle ‘for working relations. Performance management system, as a field of study, is a popular topic in HRM over time. It is important for a company to plan, manage and reward the performance. In doing so, company’s productivity would be developed and profit would be increased as well through supervising the whole process of performance management system, such as building objectives, checking feedback and evaluating performance. On the other hand, employees are the resources and assets of an organization. Organizations need to figure out strategies for identifying, encouraging, measuring, evaluating, improving and rewarding employees' performance at work. Consequently, improved employee performance could also influence organizational performance. Therefore, this thesis aimed at identifying the effect of performance management system on employee performance and how could the different factors in performance management system influence employee performance? These factor are setting objective, continuous communication, feedback & performance review, coaching and training, personal development, performance evaluation, and pay for performance are expected to increase employee performance notwithstanding to this feedback & performance review and continuous communication are identified as a failure factor which minimizes the performance of employee.

The information extracted from regression table shows relationships between employee performance and other independent variables, which are expected to contribute/influence employee performance.

- The beta value of setting objective shows its relation with employee performance. Such relationship is direct and positive. An attempt to increase setting objective automatically brings better employee performance. Meanwhile, setting objective contribution is high. In addition to its contribution for employee performance, setting objective indicators (goal setting process, Goals relation to key result areas in the role profile, goals integration with the bank’s corporate goals) are above average at the CBE

- In terms of contribution, continuous communication is an unexciting PMS factor. Of all factors, an attempt to increase continuous communication minimizes employee performance. Negative beta value obtained through the research process shows continuous communication ‟s negative effect on the dependent variable i.e. employee performance. Despite this fact, the 4% significance level shown the contribution to CBE.

- The relationship between coaching and training and employee performance is direct. In this research, one of the contributors of employee performance is obtained from coaching and training. The beta value of 0.211 assured these factors contribute for employee performance. Further, the zero percent significance level can be a manifestation of performance evaluation ‟s contribution.

- Feedback and performance review has low contributors of all factors; if CBE made an attempt to increase Feedback& performance review minimizes employee performance. Negative beta value obtained through the research process shows Feedback and performance review ‟s negative effect on employee performance. Despite this fact, the 5% significance level shown the contribution this factor to CBE.

- The third high value contribution for employee performance came from personal development. Apart from its direct relationship, a one-unit change in personal development is contributing the third high-level employee performance. Similar to performance evaluation the contribution of personal development to employee performance is substantial.

  Despite its high-level contribution for employee performance, personal development indicators are below average at CBE.

- The relationship between performance evaluation and employee performance is direct. In this research, the highest contribution for employee performance is obtained from performance evaluation. The highest beta value of 0.255 assured this factor’s massive contribution for employee performance. Further, the zero percent significance level can be a demonstration of performance evaluation ‟s substantial contribution through the organization.

Employee's acceptances of performance evaluation indicators are not such satisfactory. For example Engagement on performance evaluation, improved key performance indicators applicability and assessment on reactions of managers and employees to performance management system are not positively replied. There may be misinterpretations of the performance evaluation indicators by employee

- Pay for performance is one of those factors, with positive relationship but less contribution for employee performance. The positive beta value and the lowest significance level reflect even if it has a positive relation with employee performance it is insignificant.

The analysis shows that all, except feedback & performance review and continuous communication, are contributing for employee performance. The degree at which PMS success and failure factors contributed is determined with levels of beta. Factors with high beta value are contributing a lot to employee performance compared to other factors. As such, performance evaluation contributed a lot for the CBE employee performance. It is followed by setting objective personal development coaching & training and pay for performance respectively. However continuous communication and feedback & performance review has a negative effect on the performance of employee as represented by the beta value.

5.2 RECOMMENDATION

The researcher identified and addressed the following issues. Things that the organization needs to maintain, improve or remove are presented in the following paragraphs.

- ✓ It is good to look at indicators of setting objectives in the CBE. They can facilitate things for better employee performance more than the finings contribution. Conversely, their existence alone will never assure the desired level of employee performance. It is better to work in the areas of informing the employees about the banks setting objective process in order to make guarantee for good employee performance.
- ✓ Continuous communication and feedback and performance review is a good indicator of PMS success factors. Most of PMS process stages have positive and direct relation with employee performance. Even though the response given by employees for continuous communication and feedback and performance review indicators seems attractive, its relation with employee performance is indirect. but they are significant though CBE so it’s better to give attention to these two indicators

- ✓ The organization needs to maintain employees‟ friendly interaction, confidence and trust on peers, team working and problem solving indicators. This ensures customer satisfaction and perpetual organizational existence through better employee performance.

- ✓ The organization and branches should work, for recognition of well performing employees, together with employees to score excellent performance records. Both the organization and employees need to give credit for the performance and contribution of exceptional employees.

- ✓ Many scholars described pay for performance and PMS related issues as vital. CBE have to mount new or update the existing performance reward system.

- ✓ The organization needs to use modern and efficient communication channels that could ensure effective and efficient transfer of information to respective workforces of the organization.

- ✓ The researcher review personal development, performance evaluations and pay for performance. The organization better to train employees and improve reward system. As employees are source of such information, managers and the organization need to conduct training need assessment.

Other researchers can compare employee performance that could vary with the advancement of time. In addition, upcoming researchers can revise employee attitude towards PMS. Alternatively, they can deal with factors not addressed in this research. Finally, they can look the contribution and effects of PMS Process on employee performance by considering employees working in other districts of commercial bank of Ethiopia

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APPENDICES

Reliability Statistics

Cronbach's Alpha	N of Items
.782	7

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.573a	.324	.399	0.769

a. Predictors: (Constant), setting objective, continuous communication ,feedback and performance review, coaching and training , personal development, performance evaluation ,pay for performance