

St. Mary's University
School of Graduate Studies
MBA Program



***ASSESSMENT ON PERFORMANCE MANAGEMENT PRACTICES AND
IT'S CHALLENGES IN CASE OF COMMERCIAL BANK OF ETHIOPIA IN
ADDIS ABABA AREA BRANCHES***

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**A THESIS SUBMITTED TO THE POST GRADUATE OFFICE OF St. MARY'S
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DECLARATION

I, *Fanuel Abate*, hereby declare that the thesis work entitled “Assessment on performance management practice and it’s challenges in case of commercial bank of Ethiopia in Addis Ababa area branches” submitted by me for the award of the degree of Master of business administration in of General Management at St. Mary’s University, is my original work and it has not been presented for the award of any other Degree, Diploma, Fellowship or other similar titles of any other university or institution. Furthermore, all sources of materials used for the thesis had been duly acknowledged.

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DEDICATION

I dedicate this thesis manuscript to my father (AtoTakele G/tsaddik), for the rest of my family and my friends, for the sacrifices they paid that demanded in all ways to preset.

ACKNOWLEDGEMENT

“To day, tomorrow and every day thanks almighty GOD for being with me always and ever”

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Fanuel Abate

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ABBREVIATION AND ACRONYMS

BSC Best Score Card

CBE Commercial Bank of Ethiopia

CSM Customer Service Manager

CSO Customer Service Officer

HR Human Resource

HRM Human Resource Management

PMS Performance Management System

SMART Specific, Measurable, Attainable, Realistic and Timely

SPSS Statistical Package for the Social Sciences

ABSTRACT

The main purpose of this study is to assess and describe the performance management practice and challenges in CBE in Addis Ababa area branches. The study tries to address the basic questions of how the alignment is made between organizational goal with that of the departmental and individual goal, how the planning, execution, assessment and review process was handled and identifying the purpose of having PMS in CBE and challenges faced while implementing performance management. To answer these questions descriptive survey research design has been deployed by using both quantitative and qualitative research approach. For this study simple random sampling technique was used by taking 375 employees to fill in the self-developed questionnaire, which is the main data collection instrument. The data gathered from the questionnaire were compiled by using SPSS software. Descriptive statistics method was used for analyzing data obtained from questionnaire and data gathered from interview and document analysis were analyzed contextually. The result of the analysis was presented using tables and figures. In general the finding of the study revealed that organizational goals and objectives are aligned with departmental and individual goals, but lack of regular feedback, lack of alignment of employee benefit package with PMS, the questionability of the capacity of the raters to rate and lack of software for automating the PMS are the major problems noted. Having this in mind the researcher concluded that even though CBE has some good qualities in clearly defining the mission, vision and values and developing strategy map but a lot have to be made in making performance management system to be more useful for the organization. In order to fill the identified gap, recommendations were forwarded, to improve the level of employee's participation in the PMS process, to enhance the awareness of employees about the purpose of PMS, goals should be sated in mutual agreement, letting employees to assess their own performance using self-appraisal method, gather information about the performance of an employee from different sources, to give feedback periodically and to set goals that are achievable and are not delusional. Finally, it is suggested to make the evaluation criteria to be very objective and conduct the evaluation at the right time.

CHAPTER ONE

INTRODUCTION

This part of the paper presents the introductory contents which are considered to be the blue print for the overall thesis work. Therefore, it comprises of the background of the study, background of the organization, statement of the problem, objective of the study, significance of the study, scope and limitation of the study and organization of the paper.

1.1. Background of the study

Among different resources found in every organization, human resources is one of the most important assets with the responsibility of managing other resources like financial, material, technological and other monetary or non-monetary resources. The human resource can be said to be a backbone of any organization in coordinating and controlling the whole activities of the organization directly or indirectly to ensure achievements of organizational goal. Unlike other resources, human resource can develop sustained competitive advantage by creating values which cannot be imitated by competitors. Without good human resource, an organization cannot build a good team of working professionals and environment. Successful organizations do not owe their success solely to market realities and sustainable competitive advantages. Actually, there is a lot more. Successful companies are those that consider their human capital as their most important asset.

In the eyes of an organization employees are viewed as assets whose value is enhanced by development. For this reason, companies will engage in practice of Human Resource Management to capitalize on those assets. Human Resources Management (HRM) is all about managing employees strategically who contribute to the achievement of the strategic objective of the organization individually or collectively. Assuming that the employees of an organization are individuals with own mental maps and perceptions, own goals and personalities they cannot be perceived as a whole, HRM holds that the organization should be able to employ both individual and group psychology in order to commit employees to the achievement of organizational goals (Armstrong 2006).

Human Resource Management (HRM) is a process that links the goal of the organization together with the goal of the people by securing the best people and winning their wholehearted cooperation to attain organizational goal in an effective and efficient manner. In other words it is shaping and managing people at work to gain the maximum contribution of them to the organization (Bibhuti Bhusan Mahapatro, 2010). Contributing to the development of employees is one of the goals of HRM. It supports people to exert their maximum potential and gives them suggestion that will help them to improve their performance by providing the necessary information regarding their performances and by defining their respective roles. By doing this they will be benefited in outlining their anticipated goals and thereby, helps them to execute it with the best possible efforts.

Performance Management as one of the aspects of HRM is a process of advancing the performance of the organization to the higher expectation by developing the performance of individuals and teams in a systematic way. It is the process of cascading the goal of the organization down to teams and individuals with the aim of getting a better result (Armstrong 2009). In an effective performance management system, it is easy for managers to evaluate and measure individual performance and increase productivity by aligning individual and strategic objective, providing visible and clear performance expectation, documenting individual's performance for future decision and focusing on skill development plan. Having the right performance management system is a concern of every organization because it is an important gear of any organization to be a front runner in the market by evaluating and developing employee performance in order to get enhanced organizational success.

Performances appraisal system provides information to management about and employee's performance which can be used for succession plan by identifying people with potentialities. It helps the management to take administrative decisions such as, pay increase, promotion, placement, transfer and lay off to help supervisors know their subordinates and gives an opportunity to the subordinates to know where they stand with the boss.

Each organization including commercial bank Ethiopia (CBE) has its unique mission, vision, goals and objectives. To accomplish these goals and objectives it is necessary to make plans and strategies. The most important thing is that to measure and evaluate the performance of

employees so that it can be notified whether these goals are achieving according to defined strategies or not. The performance of people is directly related to performance of organization. Performance management provides the way to managers to overcome and improve the sudden changes very soon (Cokins, 2004). Bascal (1999) defines that PM is the continuous process of job activities, employee participation in goals achievement and feedback from management.

Performance of employees in banking sector, one of the core sectors in Ethiopian economy, not only contributes for economic development but for better and evaluating service to its customer.

Having the above stated roles in the country, the successful practice of performance management system in CBE is a vital one since the staffs that are the one who transform the mission and vision of CBE into practice.

1.2. Background of the Organization

The beginning of banking in Ethiopia, as in most other countries of the world, were non institutional banking operations were based on the private initiative of merchants or others possessing or in urgent need of money. Early banking activity in the specific case of Ethiopia was, however, curtailed by traditional religious opposition to usury i.e., the lending of money for profit. This practice was condemned in both the Bible and the Quran, and also found expression in the FethaNagast, or traditional Ethiopian code of law. Ethiopian traders, above all those in the export–import business, couldn't however be constrained by such prohibition. The establishment of various capital city in different periods and also the cities emerge as a major commercial center trading with the rich lands south of the Blue Nile, with the Sudan and with the port of Massawa, seems to have been followed by increasing borrowing and lending on the basis of a rate of interest.

Technological developments in Europe and later in Egypt, the establishment of British and French colonies in the Red Sea And Gulf Of Eden area, and the opening of the Suez Canal in 1869, together created an international climate which was increasingly conducive to the Beginning of banking in the area. This trend was further accentuated, towards the end of the century, by the establishment of the Italian colony of Eritrea, the coming to Ethiopia of Indian

merchants based on Bombay ,and Emperor Menilek's introduction of telephone ,telegraph and postal systems linking the new Ethiopian capital ,Addis Ababa, with the outside world.

Then Menilek, convinced of the need for a bank, was enamored of the plan and accordingly established bank termed the bank of Abyssinia with a minimum capital of 500,000.00 pounds, of which 150,000.00 pounds should be paid up by the time of company formation by granting a fifty year concession to the British banking institution. Shares were to be offered for public subscription in London, Paris, Rome, Berlin, New York, Cairo and Addis Ababa, with the approval of the governments concerned.

Though the bank of Abyssinia had played an important role in introducing banking to Ethiopia, and in facilitating the country's commercial contact with the outside world, the institution's defects became increasingly apparent as time went on. The major defect was as the bank was a foreign owned private institution which was more interested in making profits than assisting Ethiopia's economy and social development. Then the government became more and more convinced that the bank should be replaced by a national institution able and willing to collaborate in the country's development process.

The liquidation of the bank of Abyssinia and the establishment of a new one, to be called the Bank of Ethiopia, was effected by a decree on August 1931.The old bank's premises, furniture and staff were inherited by new bank .And, the Bank of Ethiopia differed from its predecessor in being at last a truly national bank .the Ethiopian government held 60% of the shares, and all its transactions were subject to the scrutiny of the Ethiopian Minister Of Finance. The bank operated, however for little more than five. Its work was brought to an end by the Italian fascist occupation, during which the first Italian viceroy appropriated half the 1,700,000 Maria Theresa dollars found in the bank's vaults.

Banking in Ethiopia immediately after the liberation of Addis Ababa on 06 April 1941 was for a short time carried out by British banking institution I.e. Barclay's Bank .The restored Ethiopian government was ,however ,determined to place banking on a sound national basis .On 26 August 1942, little more than a year after the Italian collapse ,a proclamation was issued establishing what was historically the Country's third national bank i.e., the State Bank Of Ethiopia ,which received its charter by decree on November 1943 and established with a capital

of one million Maria Theresa dollars ,provided by the Ministry Of Fiancé. And, the bank operated initially in the old premises of the Bank of Ethiopia, but moved to new rented premises in the commercial center of the capital, on 15 April 1943.

The State Bank of Ethiopia organized in the immediate post liberalization era, discharged for many years a highly important role with great success. It introduced a new national currency, administered the country's foreign monetary reserves and provided banking facilities for the expanding economy. Looking to the future, and the banking developments then in process, nevertheless, observed that the bank's very success had produced conditions which outmoded the old structure and called for more elaborate and modern form.

The year 1963 was a historic point of departure in the History of Ethiopian banking. A new banking proclamation was issued on 23 July of that year which Abolished all previous regulations in the field of banking and monetary questions .This proclamation, which was intended to provide a sound basis for economic expansion ,was important in that it separated the function of central banking and commercial banking. The previous State Bank of Ethiopia was splitted into two sisterly institutions: The National Bank of Ethiopia and The Commercial Bank of Ethiopia.

The functions of the national bank, which issued the country's national currency, were initially to act as a bankers 'bank, and regulator of monetary and credit conditions. The commercial bank, which began with a paid up capital of twenty million Ethiopian dollars, was by contrast intended and provides a means of payment and to make loans and fulfill the normal duties and responsibilities of a commercial bank.

Currently the commercial bank of Ethiopia has more than 1013 branches that stretched across the country using the upcoming technology in the banking industry and having more than 23,000 employees .Furthermore, it has also strong correspondent relationship with more than renowned foreign banks .(CBE WEB SITE)

It intends to become a world class commercial bank by the year 2025G.C and its purpose, for which it is committed, is to best realize stakeholders' need through enhanced financial intermediation globally and supporting national development priorities by deploying highly motivated ,skilled and disciplined employees as well as state of the art technology. In this

connection, it has eleven core values: to include: corporate citizen ship, customer and employees satisfaction etc. (CBE WEBSITE).

In nutshell, the basic trends, however, been one of almost continuous expansion, with developments of one era preparing the way for the achievements of the next .The work of the Past outlined on this chapter, thus laid the ground-work for today's banking endeavor and those of tomorrow.

1.3. Statement of the Problem

The banking industry perform the essential economic functions of channeling funds from households, firms and governments that have saved surplus funds by spending less than their income to those that have shortage of funds because they wish to spend more than their income (Bailey, 2005). After extensive studies in this field, it is now well recognized that financial development is crucial for sustainable economic growth. But, when financial systems are not well functioning, they may lead to economic disruption and the life of the societies become disordered. The recently happened financial crisis which started to unfold the housing market of the United States of America in 2007 emerged as a typical financial crisis and immediately spread to the real economy and it was the most severe since the great depression (Paavonen, 2010). Thus, the role of financial institutions, particularly the banking sector, has become strongly sophisticated and multi-dimensional i.e. from the traditional depositing- lending service to a broad range of stabilizing the overall economic performance of nations in general and realization of the grand vision of the bank, in particular.

On the other hands, there is a growing competition among commercial banks with respect to employee and customer retention as they are becoming a source of existence. Crafting and implementing an efficient performance management system enables to have satisfied employees which in turn strongly contribute to bring customer satisfaction, which the banks largely relied on. It is a continuous process to pinpoint the progress of the new PMS system.

Accordingly, CBE has a vision of becoming a world class bank by the year 2025, which signifies the banks readiness to operate with a more stiff global business environment. For the realization of the bank's vision, the bank, in collaboration with the Frankfurt School of Finance and Management (FSFM) consultants, has crafted and implemented a newly performance

management system with the ultimate objective of aligning individual performance with the strategy and objectives of the organization, by creating greater clarity in setting goals and related performance targets for individuals, and monitoring progress in their achievement.

Actually, the CBE has started to implement the PMS system starting April 2013 by piloting the system at selected areas at Addis Ababa and rolled out the system officially throughout the bank since July 01, 2014 by synchronizing the processes 'or sub processes 'and offices cascaded annual score card and duties and responsibilities of each employee as stipulated in the job descriptions. However, appreciating its benefits and deploying of significant resources cannot guarantee that the performance management system will work well and benefits both the employees and organization as expected.

But as I have observed in the bank, many employees raised questions on PMS relating with its parameters to measure employee. Even some employees have not have clear understanding on the merit of the PMS despite the bank has given due emphasis on the strategy and they believed it as a weak measurement of performance of the employees. Some empirical investigations also support this argument.

The study conducted by Melat (2014), at the Ethiopian Management Institute, on performance management practice indicates that organizational goal were not fully aligned with individual and departmental goal, participation of employee's in planning stage of PMS is not across all staffs of the organization, lack of regular feedback, and lack of uniformity in gathering information on employee's performance are major problems in PMS implementation.

Thus, due to the existence of the mention problems have initiated the researcher to conduct the study to assess the basic problems or challenges facing CBE in relation with performance management.

1.4. Research Questions

The essence of the research will evolve on the following research questions:

- ✓ What is the relationship between CBE's performance management and employee benefit?
- ✓ To what extent that the strategic mission of CBE align with the individual performance objective?

- ✓ To what extent that the performance evaluation criteria are related with the general objective of the organization?
- ✓ To what extent the PMS is understood by the employee of the bank?
- ✓ What challenges are encountered in due course of PMS implementation?

1.5. Objective of the Study

1.5.1. General Objective

The overall objective of the study is to assess the practice and challenges of Performance Management in Commercial Bank of Ethiopia (CBE)

1.5.2. Specific objective

While conducting the study the researcher believes that, the proposed study attempts to achieve the following specific objectives:

- ✓ To assess the relationship between CBE's performance management and employee benefit.
- ✓ To assess the extent that the strategic mission of CBE align with the individual performance objective.
- ✓ To assess to what extent that the performance evaluation criteria are related with the general objective of the organization.
- ✓ To assess to what extent the PMS is understood by the employee of the bank.
- ✓ To assess the challenges encountered in due course of PMS implementation.

1.6. Significance of the study

The findings of the study will enable Commercial Bank of Ethiopia to obtain the necessary feedback and take corrective measure to ensure the successful implementation of performance management system.

The study will also be an input for other organizations who are interested in designing and implementing a performance management system and it will provides sufficient information to those who are interested to perform further research in a similar area. It will also add something on the literature regarding the performance management system.

1.7. Scope of the Study

Even though performance management system is applicable in all types of organization regardless of its size, nature and goal, the outcome of the study will be applicable to the organization under the study using the data obtained from participants using questionnaires, interview on a few branches of CBE employees, employees working both at head office level and district offices which are located in Addis Ababa area and also using secondary sources. Moreover, the study will use both managers and permanent clerical employees as participants and precludes the contractual clerical and non-clerical employees of the bank.

Although, there are many factors or variables which can play a role for studying the practice and challenges of performance management system, in this study only few dominant variables will be analyzed such as in terms of purpose of PMS, importance both to the organization as well as employees in enhancing productivity, coaching and development and in terms of controlling the performance.

1.8. Limitation of the Study

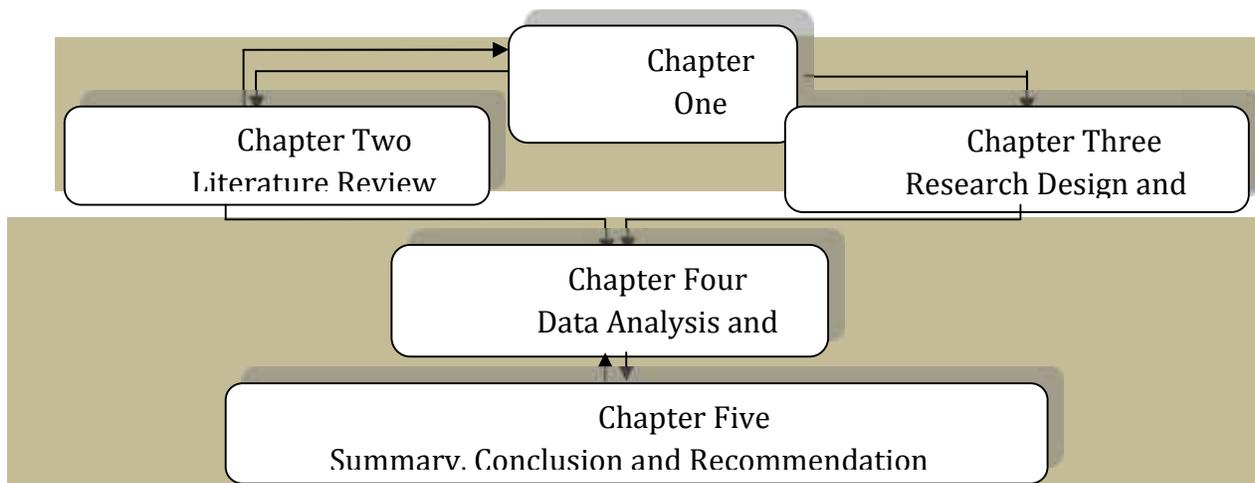
While conducting this study the following limitations were encountered

- ✓ One of which is that the absence of relevant and up to date related literature in the bank, since inculcating or using such related research will boost the accuracy and completeness of the result.
- ✓ The study focus only on those employees who are working in Addis Ababa region since the braches network is highly dispersed so it is not be feasible or difficult to include all employees of CBE and to acquire the desired information within the allotted time and also cost much to conduct the study.
- ✓ The other is related with the external (uncontrollable) variables which include lack of cooperation of the respondents and their commitment to complete filling the

questionnaires, interviewee's cooperation to devote their time to provide the researcher with the relevant information that deter the smooth process and seriously limit the desire outcome of the study.

1.9. Organization of the Study

The thesis is organized in to five chapters which are sub-divided into small sections. The first chapter deals with an overall introduction and provides an overview of the entire study. The second chapter presents the theoretical backgrounds and empirical literatures related to the study. The third chapter discusses the study design and methods used in the study. The fourth chapter gives brief summary of the data and analysis. The fifth and the final chapter cover the summary of major findings and conclusions drawn from the findings and also the possible recommendations forwarded by the researcher.



Source: Researcher own design (2017)

Figure 1.1 organization of the study

CHAPTER TWO

LITRATURE REVIEW

Performance management system has been justified by various theories and empirical evidences. Therefore, the review under this section includes theoretical and empirical literatures on performance management system in general and its practice and challenges in particular. The objective of the review is to throw light on the topic and show the existing knowledge about the topic. The review touches published and unpublished sources that are related to the performance management.

2.1. Concepts and Definition of Performance Management

2.1.1. Definition of performance

Before defining performance, it seems pertinent to first define the term ‘human resources’ and ‘human resource management’. In common parlance, human resources means the people. However, different management experts have defined human resources differently. For example, Michael (2001, p.264) has defined human resources as “a whole consisting of inter-related, inter-dependent and interacting physiological, psychological, sociological and ethical components”.

According to Rothwell, W. (2002, p.327) “From the national point of view human resources are knowledge, skills, creative abilities, talents, and attitudes obtained in the population; whereas from the view-point of the individual enterprise, they represent the total of the inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitude of its employees”.

Therefore, human resource management is a process of making efficient and effective use of human resources so that the set goals are achieved. According to Flippo (1980, p. 292) “Personnel management, or say, human resource management is the planning, organizing, directing and controlling of the procurement development compensation integration, intendance, and separation of human resources to the end that individual, organizational and social objectives are accomplished”.

Let us now define performance.

Performance can be defined as ‘the act or process of performing a task or an action that involve a lot of effort’ (Oxford Advanced Learner Dictionary, 2006). According to Smither and London (2009), performance can be defined as a combination of both results (what need to be achieved) and behaviors (how to be achieved). Furthermore, Kane (1996) and Brumbach (1988) argue that performance is something that the person leaves behind and that exists apart from the purpose. It can also be regarded as behavior the way in which organizations, teams and individuals get work done. Therefore, it is both behavior and result.

2.1.2. Performance Management

Performance Management is the process of defining clear objectives and targets for individuals and teams, and the regular review of actual achievement and eventual rewarding for target achievement (O’Callaghan, 2005). Akata, (2003) considers performance management as a systematic and holistic process of work planning, monitoring and measurement aimed at continuously improving the teams and individual employee’s contribution to achievement of organizational goal. Furthermore (Rothwell, 2002) consider Performance management as a continuous process of identifying, measuring and developing performance in organizations by linking each individual’s performance and objectives to the organization’s overall mission and goals Therefore performance management is a tool which enables to improve organizational performance by clearly aligning the general objectives and mission of the organizations with each individual/ team goals. In most cases performance management system and performance appraisal are interlinked with each other. However, performance management is the broader one which identifies measure, manage and develop performance of the human resource in an organization whereas performance appraisal is the sub set of performance management in which we use it for evaluating the competence of employee’s (Robert and John, 2013).

Many factors will impact the effectiveness of an organization’s performance management system, but three are most important. First, the system needs to be aligned with and support the organization’s direction and critical success factors. Second, well-developed, efficiently administered tools and processes are needed to make the system user friendly and well received by organizational members. Third, and most important, is that both managers and employees

must use the system in a manner that brings visible, value-added benefits in the areas of performance planning, performance development, feedback and achieving results Pulakos (2004).

2.1.3. Processes of Performance Management

Performance management is the process of evaluating an employee's performance during the preceding years and deciding where does an individual stands as far as their peers in the same band are concerned. It is a process that associates the firm's strategies and aims to individual and group performance so as to enhance the efficiency of organization. The technique for performance management is a way through which an employer can maintain and promote efficient employee performance (Armstrong, 2006, 2009). It can range from selecting employee management philosophies to acquiring technical performance trailing tools to enact the formal policies. Nearly, every organization looks in to monitor performance of its employees through an assessment system. Performance management program has acquired much more significance over the past decade; the idea behind this program is to simply manage work of employees. In order to accomplish performance management program effectively the target and vision should be vividly defined in much advance. A performance management process sets the platform for rewarding excellence by aligning individual employee accomplishment with the organization's mission and objectives and making the employee and the organization understand the importance of a specific job in realizing outcomes. By establishing clear performance expectation which includes results, action and behaviors, it helps the employees in understanding what exactly is expected out of their jobs and setting of standards help in eliminating those jobs which are of no use any longer. As indicated in the above section, performance management can be described as a continuous, self-renewing cycle which has multiple processes. Although every organization wanting to introduce performance management should develop its own version to suits its needs, most of the literature shows that the process follows the following six stages (Aguinis, 2009; Grote, 1996, Armstrong, 2009):

- (1) Pre - requisites,
- (2) Performance planning,
- (3) Performance execution,
- (4) Performance assessment,
- (5) Performance review, and

(6) Performance renewal and re-contracting.

1. Prerequisites

There are two important prerequisites that are needed before a performance management system is implemented: (1) knowledge of the organization's mission and strategic goals and (2) knowledge of the job in question. If there is a lack of clarity regarding where the organization wants to go, or the relationship between the organization's mission and strategies and each of its unit's mission and strategies is not clear, there will be a lack of clarity regarding what each employee needs to do and achieve to help the organization get there. An organization's mission and strategic goals are a result of strategic planning, which allows an organization to clearly define its purpose or reason for existing, where it wants to be in the future, the goals it wants to achieve, and the strategies it will use to attain these goals. Once the goals for the entire organization have been established, similar goals cascade downward, with departments setting objectives to support (Aguinis, 2009). The second important prerequisite before a performance management system is implemented is to understand the job in question. This is done through job analysis. Job analysis is a process of determining the key components of a particular job, including activities, tasks, products, services, and processes. There are numerous types of job analytic tools, including some that focus on specific personality traits needed for various positions. A job analysis is a fundamental prerequisite of any performance management system. Without a job analysis, it is difficult to understand what constitutes the required duties for a particular job. If we don't know what an employee is supposed to do on the job, we won't know what needs to be evaluated and how to do so (Ibid).

1. Performance planning

Performance planning is used to provide a structured approach to the attainment of the desired level of performance for both individuals and teams. The Planning Phase is crucial and some writers argue that 80% of time and effort should be allocated to this phase (O'Callaghan, 2005). If the focus is on inappropriate aspects of the organization (i.e. the goals do not contribute to long-term strategy achievement and stakeholder requirements), none of the subsequent phases will be worthwhile. If the focus is inappropriate, it often leads to de-motivation, lack of credibility and failure of the business.

“The performance planning stage has the goal for employees to have a thorough knowledge of the performance management system. At the beginning of each performance cycle, the supervisor and the employee meet to discuss, and agree on, what needs to be done and how it should be done. This performance planning discussion includes a consideration of results, behaviors, and development plan. An important step before the review cycle begins is for the supervisor and employee to agree on a development plan. At a minimum, this plan should include identifying areas that need improvement and setting goals to be achieved in each area“(Pulakos, 2004; p.4). Development plans usually include both results and behaviors. In a nutshell, personal development plans allow employees to answer the following questions: How can I continually learn and grow in the next year? How can I do better in the future? How can I avoid performance problems faced in the past? Information to be used in designing development plans comes from the appraisal form. Specifically, a development plan can be designed based on each of the performance dimensions evaluated. For example, if the performance dimension “communication” is rated as substandard, this area would be targeted by the development plan. A tool that has become popular in helping employees, particularly those in supervisory roles, improve performance by gathering information from different groups is the 360-degree feedback system (Grote, 1996). These systems are called 360-degree systems because information is gathered from individuals all around the employee. Specifically, information on what performance dimensions could be improved is gathered from superiors, peers, customers, and subordinates. A 360-degree feedback system report usually includes information on dimensions for which there is agreement that further development is needed. This information is used to create a development plan. Implementing a 360-degree feedback system should not be a one-time-only event. The system should be in place and data collected over time on an ongoing basis (Ibid). The implementation of ongoing 360-degree feedback systems is sometimes labeled a 720-degree feedback system, referring to the fact that the collection of 360-degree data takes place at least twice. In short, administering the system only once will not be as beneficial as administering the system repeatedly. Once the prerequisites are met and the planning phase has been completed, we are ready to begin the implementation of the performance management system. This includes performance execution, assessment, review, and renewal and re-contracting (Armstrong, 2006).

3. Performance execution

The employee strives to produce the results and display the behaviors agreed on earlier as well as to work on development needs. The employee has primary responsibility and ownership of this process. Employee participation does not begin at the performance execution stage, however. As noted earlier, employees need to have active input in the development of the job descriptions, performance standards, and the creation of the rating form. In addition, at later stages, employees are active participants in the evaluation process in that they provide a self-assessment and the performance review interview is a two-way communication process (Armstrong, 2009) Although the employee has primary responsibilities for performance execution, the supervisor also needs to do his or her share of the work(shared responsibility). Supervisors have primary responsibility over issues such as Observation and documentation, Updates, Feedback, Resources, Reinforcement.

4. Performance Assessment

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

The fact that both parties are involved in the assessment provides good information to be used in the review phase. When both the employee and the supervisor are active participants in the evaluation process, there is a greater likelihood that the information will be used productively in the future. The inclusion of self-ratings helps emphasize possible discrepancies between self-views and the views that important others (that is, supervisors) have, and can reduce an employee's defensiveness during an appraisal meeting and increase the employee's satisfaction with the performance management system, as well as enhance perceptions of accuracy and fairness and therefore acceptance of the system (Grote, 1996).

5. Performance review

The performance review stage involves the meeting between the employee and the manager to review their assessments. This meeting is usually called the *appraisal meeting or discussion*. The appraisal meeting is important because it provides a formal setting in which the employee receives feedback on his or her performance. Providing feedback in an effective manner is extremely important because it leads not only to performance improvement but also to employee satisfaction with the system (Pulakos, 2004). Appraisal meeting is regarded as a review of the past, that is, what was done (results) and how it was done (behaviors). However, the appraisal meeting should also include a discussion of the employee's development progress as well as plans for the future. In short, the appraisal discussion focuses on the past (what has been done and how), the present (what compensation is received or denied as a result), and the future (goals to be attained before the upcoming review session). Feedback is a performance dialogue in a bi-information exchange to convey messages about the performance outcome. London et al, (2004) note that feedback can play a key role along with goal setting, in self-regulation performance. In general, feedback pays due attention to performance goals that are important to the organizations when it discover errors, maintain goal directions, influence new goals, provide information on performance capabilities and on how much more effort or energy is needed to achieve goals, and feedback assess positively when the goal is fully realized. Armstrong (2006) listed out the following aspects to be followed in giving feedback on performance evaluation:

Building feedback in to the jobs makes the feedback timely and consistent

Provide feedback on actual events. The actual feedback must be based on the actual results or observed behavior and supported by evidence

Do not judge feedback. It should be presented as a description of what has happened but should not be accompanied by a judgment;

Select key issues and stick to them

Focus on the aspect of performance that the individual can improve

Provide positive feedback. It should be on the things that the employee did well in a addition to areas for improvement.

Grossman and Parkinson cited in Armstrong (2009), offer the following six recommendations for conducting effective performance reviews:

1. Identify what the employee has done well and poorly by citing specific positive and negative behaviors.
2. Solicit feedback from your employee about these behaviors.
3. Listen for reactions and explanations.
4. Discuss the implications of changing, or not changing, the behaviors. Positive feedback is best, but an employee must be made aware of what will happen if any poor performance continues.
5. Explain to the employee how skills used in past achievements can help him or her overcome any current performance problems.
6. Agree on an action plan. Encourage the employee to invest in improving his or her performance by asking questions such as “What ideas do you have for?” and “What suggestions do you have for?”
7. Set up a meeting to follow up and agree on the behaviors, actions, and attitudes to be evaluated.

6. Performance reward and recognition

Recognizing individual, team/group for the efforts they contribute toward the achievement of institutional goal is called rewarding. It is also acknowledgement of better performance backed by different incentives. Reward has two consequences, (i.e. positive or negative) following a past

experience of performance. In addition, performance measurement could entail accountability, which reward performers based on their past achievement, which guide to encourage others (Margaret and Carolin, cited in Pulakos, 2004). Accordingly, reward can be used in different ways like participating the performer in decision making process, which promote accountability, transparency, responsiveness and capacity building that in turn enhances the quality of products and/or services in an institution. Furthermore, to make performer dedicated, institutions should develop performance reward procedure manual in their performance management policy. There are various kinds of rewarding methods like salary increment, financial bonuses, sophisticated materials, work promotion and so on (Pulakos, 2004)

7. Performance renewal and Re-contracting

This final stage is identical to the performance planning component. The main difference is that the renewal and re-contracting stage uses the insights and information gained from the other phases. For example, some of the goals may have been set unrealistically high given an unexpected economic downturn. This would lead to setting less ambitious goals for the upcoming review period.

The researcher has drawn a lesson from these processes that performance management process includes a cycle that starts with prerequisites and ends with performance renewal and re-contracting. The cycle is not over after the renewal and re-contracting stage. In fact, the process starts all over again: there needs to be a discussion of prerequisites, including the organization's mission and strategic goals. Because markets change, customers' preferences and needs change, and products change, there is a need to continuously monitor the prerequisites so that performance planning, and all the subsequent stages, are consistent with the organization's strategic objectives. Finally, one of the main goals of any performance management system is to promote the achievement of organization-wide goals.

Obviously, if managers and employees are not aware of these strategic goals, it is unlikely that the performance management system will be instrumental in accomplishing the strategic goals.

According to Markus (2004), there are also some pre-requisites of effective performance management system in addition to the above processes. This includes:

A. clear purposes:As explained in the above section, performance management is the systematic processes of planning work and setting expectation, continually monitoring performance, developing the capacity to perform, periodically rating performance in a summary fashion, and

rewarding good performance. To achieve this, every organization must have a clear idea of critical success factors, as well as performance management culture, meaning an emphasis on individual accountability and results. The performance management system must be able to identify, facilitate and track individual development and succession planning.

B. *Business performance management culture:*if performance is not monitored at the organizational level, then reviewing the performance of individuals is meaningless. A business performance management culture means that senior management values and insists on measurement of those business factors that are critical to the success of the organization. The typical financial measurement system is merely a measure of what happened last period, but other measures, such as customer relationships, internal process, and development activity indicates the organization's fitness to meet the future. Therefore, clear organizational values and strategies and a scorecard approach to measurement of organizational performance are the tools that underpin a performance management culture.

C. *Alignment:*as means of ensuring every individual is aligned with the organization, that each individual understands their contribution and its importance. If there is a lack of clarity regarding where the organization wants to go, or the relationship between the organization's mission and strategies and each of its unit's mission and strategies is not clear, there will be a lack of clarity regarding what each employee needs to do and achieve to help the organization get there.

D. *Fairness:*perceptions of fairness are based on comparisons. Typically, staff compares their inputs, such as an expertise, their job performance and their compensation with others. The key factor in ensuring staff feel that their compensation is fair is procedural justice. Staff needs to feel that the method need to determine relative pay is fair.

Pulakos (2004) in her writing "*Performance management: A roadmap for developing, implementing and evaluating performance management systems*" identified five basic phases of performance management system that several organizations use. These include: Performance planning, ongoing feedback, employee input, performance evaluation, and performance review

(Pulakos, 2004; p4-6). Furthermore, Watkin (2007), cited in Iyang et al (2009) has mentioned performance management model as the processes of:

1. Identifying desired performance
2. Defining performance objectives
3. Defining performance assessments
4. Identifying a solution set
5. Designing and developing performance solution
6. Conducting formative evaluation
7. Implementation and continual improvement.

In Ethiopia, the performance management processes in the bank understudy shares all elements from the above literatures. It involves performance planning, performance monitoring, developing, rating, and rewarding. Through the implementation of the Balanced Scorecard (BSC) as the performance measurement tool, performance planning, performance assessment (review) and performance evaluation, recognition and reward are main components in the bank though the practice is still going to be assessed.

2.1.4. Purposes of Performance Management System

The whole purpose of performance management is to get better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. It is a process for establishing shared understanding about what is to be achieved, and an approach to managing and developing people in a way which increases the probability that it will be achieved in the short and longer term. The fundamental goal of performance management is to establish a culture in which individuals and groups take responsibility for the continuous improvement of business processes and for their

own skills and contributions (Smither& London, 2009). There are a number of purposes that formal performance management systems might serve. They can provide employees with information about how they are perceived in the organization and where they stand. They can also provide developmental feedback on the strengths the employee should capitalize on and the weaknesses where improvement may be required Dick (2002). Performance management as a system can serve as a pillar for the development of individuals, teams and organization in a way that they intend to get to the desired goal. Performance management system has many purposes but the major ones are discussed below (Bidi).

Strategic: It links the organization's goals with individual goals, thereby reinforcing behaviors consistent with the attainment of organizational goals.

Administrative: It is a source of valid and useful information for making decisions about employees, including salary adjustments, promotions, employee retention or termination, recognition of superior performance, identification of poor performers, layoffs, and merit increases.

Communication: It allows employees to be informed about how well they are doing, to receive information on specific areas that may need improvement, and to learn about the organization's and the supervisor's expectations and what aspects of work the supervisor believes are most important.

Developmental: It includes feedback, which allows managers to coach employees and help them improve performance on an ongoing basis.

Organizational maintenance: It yields information about skills, abilities, promotional potential, and assignment histories of current employees to be used in workforce planning as well as assessing future training needs, evaluating performance achievements at the organizational level, and evaluating the effectiveness of human resource interventions (for example, whether employees perform at higher levels after participating in a training program).

Documentation: It yields data that can be used to assess the predictive accuracy of newly proposed selection instruments as well as important administrative decisions. This information can be especially useful in the case of litigation. And also for Dick Grote performance

management system has so many purposes like, providing feedback to employees about their performance, determining who gets promoted, facilitating layoff or downsizing decisions, encouraging performance improvement, motivating superior performance, setting and measuring goals, counseling poor performers, determining compensation changes, encouraging coaching and mentoring, supporting manpower planning or succession planning, determining individual training and development needs, determining organizational training and development needs, confirming that good hiring decisions are being made, providing legal defensibility for personnel decisions and improving overall organizational performance (Dick Grote, 2002).

2.1.5. Challenges of Performance Management System

As Adapted from a PhD dissertation ‘Integrated Performance Management Systems’ by Dr Saravanja (2004), the performance management challenge in organizations has many dimensions in today’s business environment.

1. Lack of Alignment

The first challenge is the lack of alignment due to various organizational processes being created in isolation. The link between Strategy development, budgeting and operational planning is developed by different groups of people with different frameworks being used. The performance management system lacks alignment between individual performance, departmental performance and organizational delivery and so all systems default back to financial measurements.

2. Lack of Measurements

Poor measures are developed at various levels of the organization, in many cases targets are set but no relevant measure is put in place. In other cases no data can be collected or is kept as evidence to track performance.

3. Leadership and Management commitment

The Leadership and Management challenge has a huge impact on integrating and aligning a management system to deliver a comprehensive performance management system. The commitment and understanding of leadership and management of the requirements for achieving a workable performance system is critical to performance success.

4. Managing of the performance system

Managing a performance system in an organization requires a disciplined framework; it requires the organization to work off one master plan broken down into relevant parts and areas of responsibility. The management responsibility at various levels needs to understand the contracting, measurement development and appraisal process very well and apply it consistently. Secondly management needs to appreciate that performance management is not an event but something that is managed daily but recorded and reported at certain times through reviews and appraisals.

5. Managing poor performance

The management of poor performance is normally a reactive action, but in many cases it is delayed and therefore turns into a discussion that is difficult to make relevant. Another reason poor performance is not managed on time is the lack of valid measurements and the collection of required evidence and measurement data.

2.1.6. Principles of Performance Management System

Performance management is primarily concerned with *performance improvement* in order to achieve organizational, team and individual effectiveness. Secondly, performance management is concerned with *employee development*. Performance improvement is not achievable unless there are effective processes of continuous development. This addresses the core capabilities of the organization and the specific capabilities of individuals and teams. Performance management should really be called *performance and development* management. Thirdly, performance management is concerned with satisfying the needs and expectations of all of an organization's *stakeholder's* owners, management, employees, customers, suppliers and the general public. In particular, employees are treated as partners in the enterprise whose interests are respected, who have a voice on matters that concern them, and whose opinions are sought and listened to (Armstrong 2006). Performance management should respect the needs of individuals and teams as well as those of the organization, recognizing that they will not always coincide. Finally, performance management is concerned with *communication* and *involvement*. It creates a climate in which a continuing dialogue between managers and the members of their teams takes place in order to define expectations and share information on the organization's mission, values and

objectives. This establishes mutual understanding of what *is* to be achieved and a framework for managing and developing people to ensure that it *will* be achieved. Performance management can contribute to the development of a high-involvement organization by getting teams and individuals to participate in defining their objectives and the means to achieve them (Bidi). Just like any other profession performance management have principles which governs the entire system. The following are some of them identified by Armstrong (2006):

- It translates corporate goals into individual, team, department and divisional goals;
- It helps to clarify corporate goals;
- It is a continuous and evolutionary process, in which performance improves over time;
- It relies on consensus and co-operation rather than control or coercion;
- It creates a shared understanding of what is required to improve performance and how this will be achieved;
- It encourages self-management of individual performance;
- It requires a management style that is open and honest and encourages two-way communication between superiors and subordinates;
- It requires continuous feedback; Feedback loops enable the experiences and knowledge gained on the job by individuals to modify corporate objectives;
- It measures and assesses all performance against jointly agreed goals;
- It should apply to all staff; and it is not primarily concerned with linking performance to financial reward.
- It is owned and driven by line management and not by the HR department; performance management is not a packaged solution but something that has to be developed specifically and individually for each particular organization;

2.1.7. BSC-based performance management system

The balanced scorecard as originally developed by Kaplan and Norton, (1996) is frequently used as the basis for measurement. They take the view that ‘what you measure is what you get’, and they emphasize that ‘no single measure can provide a clear performance target or focus attention on the critical areas of the business. Managers want a balanced presentation of both financial and operational measures.’ Their original concept of the scorecard required managers to answer four basic questions, which means looking at the business from four related perspectives:

1. How do customers see us? (Customer perspective.)
2. What must we excel at? (Internal perspective.)
3. Can we continue to improve and create value? (Innovation and learning perspective.)
4. How do we look at shareholders? (Financial perspective.)

Kaplan and Norton emphasize that the balanced scorecard approach ‘puts strategy and vision, not control at the center’. They suggest that, while it defines goals, it assumes that people will adopt whatever behaviors and take whatever actions are required to achieve those goals: ‘Senior managers may know what the end result should be, but they cannot tell employees exactly how to achieve that result, if only because the conditions in which employees operate are constantly changing.’

Kaplan and Norton, (1996) suggest that building a scorecard enables a company to link its financial budgets with its strategic goals. They emphasize that the balanced scorecard can help to align employees’ individual performance with the overall strategy: ‘Scorecard users generally engage in three activities: communicating and educating, setting goals and linking rewards to performance measures.’ They comment that: Many people think of measurement as a tool to control behavior and to evaluate past performance. The measures on a Balanced Scorecard, however, should be used as the cornerstone of a management system that communicates strategy, aligns individuals and teams to the strategy, establishes long-term strategic targets, aligns

initiatives, allocates long- and short-term resources and, finally, provides feedback and learning about the strategy.

2.1.8. Why balanced scorecards sometimes fail

Undoubtedly some organizations have been less than successful in using a balanced scorecard. The reasons why can be explained by the results of several surveys. The research by Ittner and Larcker (2003) show that:

78 per cent of companies that have implemented strategic performance measurement systems do not assess rigorously the links between strategies and performance measures;

71 per cent have not developed a formal causal model or value-driver map;

50 per cent do not use non-financial measures to drive financial performance;

79 per cent have not attempted to validate the linkages between their non-financial measures and future financial results; and

77 per cent of organizations with a balanced scorecard place little or no reliance on business models and 45 per cent found the need to quantify results to be a major implementation problem.

Ittner&Larcker (2003), in their research recommended that one approach that organizations may find helpful, is to formulate a ‘destination statement’, possibly even before considering the scorecard objectives, which sets out a clear idea of what the organization is trying to achieve. From the destination statement, a menu of strategic options and the supporting ‘strategy map’ illustrating the cause and effect relationships that underpin the strategy, can be derived. For many organizations, it is advisable to separate the strategy-mapping process from the development of a scorecard.

2.1.9. The Practicality of BSC to Performance Management System

A wide range of research supports the effectiveness of the BSC in translating strategic objective in to relevant performance measures that drive performance towards those objectives. There is a broad consensus that the BSC is most effective when used to drive organizational change and in

focusing and sustaining revitalization and continues improvement efforts. For example, big global company such as Apple Computer Company, Advanced Micro devices, Nat West bank and others have been using the BSC as performance management tool for long period of time and they have benefited from the use of the tool (Newing, 1994; Kaplan et al., 1996b).

Newing (1994) examined that the use of BSC to National West-minister bank (NatWest Bank) as it has helped the bank to improve the quality, service and speed and help change the corporate culture from its traditional command and control structure to culture based up on empowerment and coaching. The bank deemed the effort successful in aligning performance measurement to the long term strategic goals, enhancing the ability to better manage the business and its resources, and in establishing a performance measurement system that was consistent and understood by employees at all levels. BSC helps to overcome the traditional bias in banking toward financial reporting by introducing a system that can take a long term view and takes account of factors such as learning and innovation which gives a richer picture than driving the business based on financial alone. The applicability of BSC to the public sector was also demonstrated by Sayfert et al. (1998) through a study examining the experience of North Carlina, the first city in USA to utilize the BSC in are such as transportation, economic development, neighborhood and government restructuring. The BSC proved a useful tool in helping the city to focus its efforts, improve motivation of employees, and enhance government accountability while also highlighting specific processes needing improvement to enable the city council to achieve its strategic objectives.

Yansheng and Longyi (2009) studied the Balance scorecard as a tool for measuring performance management system in commercial banks. The result of the study shows that BSC is not only indicator of appraisal system, but also a strategic management system. In essence the commercial banks are comprehensive, multi-function financial enterprises which operate in terms of profits and financial assets and financial services as a target. Commercial banks should not only focus on quantitative analysis about the financial profitability, liquidity and safety but also on effective qualitative analysis about bank risk control, internal management, customer service levels when it takes performance assessment. They further argued that Balanced Scorecard has great foresight for the future development of the bank, and takes the long-term development into account, which makes banks to have a high degree of adaptability and long-term strategy when they are in the

face of rapidly changing business environment (Yansheng et al., 2009; Pp.206-207). Recently, the study conducted by Mohd (2014) supports the practicality of BSC as a performance management tool. The research indicates that the use of BSC as a strategic management system will enable the management's strategy and vision to be translated in to realistic and achievable goals.

2.1.10. Performance Management Using BSC in Ethiopian Context

In Ethiopia, as part of its effort to improve the performance of the public service, the government has introduced different performance management tools mainly, BPR (2004) and BSC (2010) (FDRE-MoCS, 2013). Recently, most government organizations including publically owned banks have started to use BSC as performance measurement tool. For example, the Development bank of Ethiopia and the Commercial bank of Ethiopia have implemented the tool in 2013 and in 2014 respectively. The result of the study conducted by Asrat (2014) on “*Design and implementation of BSC in Development bank of Ethiopia*” indicates that the readiness for the BSC design and implementation made by the bank was commendable, in a sense that designing phase was done properly in terms of strategic plan preparation and in terms of corporate scorecard alignment with processes and strategy. But, the study revealed that the BSC implementation was at early stage in individual level, though it is at a decent stage at corporate and process level. Asrat (2014) further put that lack of adequate knowledge on the BSC, insufficient participation, lack of consistent monitoring and evaluation, gaps in measurement and targets in the cascading processes are the major problem facing the bank.

On the other hand, the study made by Siyum (2011) regarding the assessment of PMS application in selected commercial banks in Ethiopia using the BSC revealed that Ethiopian commercial banks can implement the BSC so that they can focus on the core strategies in order to create and deliver superior values and returns to their stakeholders.

The study further recommended that these banks should implement BSC and multi-dimensional measures as the PMS and strategic implementation tools to improve their operational performance and profitability. Accordingly, the commercial bank of Ethiopia has also implemented the BSC as a PMS tool.

2.2. EMPIRICAL REVIEW

2.2.1. Ethiopian perspective empirical review

The study made by Tessema (2005) on the applicability of PMS using BSC as its tool reveals that more and more Ethiopian enterprises were expressing a strong interest in the BSC, their managers were starting to acknowledge importance of regular formal and informal performance review meetings, communication about results was being improved by applying modern means of communication like the internet , people were willing to train in the use of performance management, and government was fostering the improvement of performance.

The study conducted by Melat (2014), at the Ethiopian Management Institute, on performance management practice indicates that organizational goal were not fully aligned with individual and departmental goal, participation of employee's in planning stage of PMS is not across all staffs of the organization, lack of regular feedback, and lack of uniformity in gathering information on employee's performance are major problems in PMS implementation.

Similarly, the result of the study conducted by Dereje (2015) regarding the implantations of PMS in Addis Ababa City Administration, with taking Addis Ketema Sub city Wereda 2, indicates that the performance management processes of the study *wereda* needs serious consideration to reap some fruits out of it. In short, the study has found out that the whole processes of performance planning, provision of ongoing coaching and technical supports to the implementing agencies and individuals, recognition and reward, and ensuring performance accountability both at individual employee and organizational levels were not on the right track to bring about meaningful performance improvement. Dereje (2015) further added that the problem is associated with the need to shift to and institutionalization of effective modern performance management system and practice on the one hand, and inability to break away from traditional bureaucratic mentality and practices on the other.

2.2.2. African perspective empirical review

A study conducted by Andre De Waal (2007) on the applicability of PMS in developing countries case study Tanzania college of business education highlights that most developing

countries concentrate more on introducing and copying tools and systems from the Western world which are not always the best suited to local circumstances and this leads to the question whether Western techniques like performance management are suitable for developing countries. The finding of the research revealed that the management team of the college was not satisfied by the PMS which the college adopted because there was lack of awareness and by the fact that the college management had not spend much time talking about performance management.

The research by Zvavahera (2013) entitled “*an evaluation of the effectiveness of PMS on service delivery in Zimbabwean civil service*” revealed that the performance management system was fraught with challenges due to its complexity and no-adherence to its tenets by the employer. It also indicates that performance related awards, one of the elements of PMS processes, had not been affected for long period of time since its implementation due to financial constraints and non-submission of employees’ final rating to the concerned body for payment purposes. He has also found that advancement and promotions are not tied to performance. In conclusion, Zvavahera wrote as follows:

Most respondents indicated that performance appraisal was hurriedly done at the end of each year so as to fulfill the Civil Service Commissions’ performance requirements. It was therefore, concluded that the current PMS was not enhancing the provisions of quality service because employees did not see any merit in its application (Page 6).

In addition, Macheng et al. (2014) have done research on implementation of PMS on schools in Botswana and their result indicates that there are four main factors which have to be done by organization in order for PMS to be implemented successfully. These are design and implementation, effective communication and feedback, motivation and a clear assessment strategy. Their research concludes that Effective communication and timely feedback are important success factors for a performance management system in an organization.

2.2.3. Global perspective empirical review

Wilson et al. (2000) recognizes that the individual is the ‘most knowledgeable person about the work performance and should be the most important source of information about their

achievements and areas for development. He suggested by increasing responsibility for appraisal, greater commitment to the process and motivation could be fostered.

The E-reward survey (2005) highlights a number of conditions for success in performance appraisal, showing that simplification and the use of competencies are among the most common measures applied to improve existing systems. Further conditions for success stem from these, for example, a simplification of systems can be supported by establishing more regular review meetings but to ensure these meetings are valuable and provide a forum for quality discussion managers need to be capable of conducting useful appraisals and be committed to the process. It could be argued this capability and commitment should be driven by the senior leadership. The senior team should also ensure that performance management is aligned with the corporate strategy, so that individuals understand how what they do contributes to the overall goals of the organization.

McDonnell & Gunnigle (2008) conducted a study on “Performance management”, a strategically oriented concept, i.e. where it plays an integral role in the formulation and implementation of strategy. It is this strategic impetus which differentiates it from performance appraisal. Performance management seeks to align a number of processes (e.g. performance related pay systems) with corporate objectives. Theoretically it involves a shared process between managers, individuals and teams where goals are agreed and jointly reviewed. Further, corporate, divisional, departmental, team and individual objectives should all be integrated. Performance appraisal is a crucial element of the performance management process, involving a formal review of individual performance. It is contended that performance management represents possibly the greatest opportunity for a human resource (HR) system to make a telling contribution to organizational performance. It represents a system that can inform how the firm's human resources contribute to the organization's strategic objectives. Unfortunately the extent to which it is an effective and useful system in practice remains open to question. For example, the high use of various facets of performance management does not always correlate with high results regarding perceived effectiveness (CIPD, 2005). The study considers the performance management process by applying a critical lens to some of the main approaches set out thus far.

Following this, they consider the primary tool in performance management systems, namely performance appraisal. The discussion is more contemporary development including the use of 360-degree feedback and forced distribution, before concluding.

Muras et al. (2008) advice around the implementation of performance management is straightforward 'keep it as simple as you can—only go for increased complexity and precision where the effort warrants'. They argue that complex performance management systems will often 'confuse rather than enlighten managers and employees' due to the blend of 'complex processes, competing IT systems, and multiple dashboards' which often don't provide the information that is valuable and therefore makes the measures of performance irrelevant.

Neeraja&Aman (2009) examined the "Employers' Perspectives Regarding Performance Appraisal and Reward Philosophy in Insurance Sector in Haryana". This paper studies the employer's perspectives regarding performance appraisal and reward philosophy and the effect of demographic variables on it. The sample is selected on the basis of convenient sampling method. This study is based on the hypothesis that demographic variables and employers' opinions are independent of each other.

Bibhuti (2010) also state that defining and understanding the performance management process as well as establishing the foundations of performance management are key steps in the foundations for successful performance management.

Sillup et al. (2010) discuss that traditionally appraisals are completed once a year and usually include a mid-year discussion, but they argue research has indicated that this is too infrequent because raters face problems with remembering what employees did over the previous months (Campbell et al., 1970, cited in Sillup et al., 2010). Juran (2004, cited in Sillup et al., 2010) found that organizations with monthly or quarterly performance appraisals 'outperformed competitors on every financial and productivity measure and got positive feedback from employees about the fairness of the PA system' (p.42).

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter provides an overview of the rationale and the theoretical justification for the study design, materials and methods that is used in this study. It encompasses discussion on data type, source and collection techniques, methods of analysis and presentation used to qualify the data.

3.1. Introduction

This part of the research focus on research design and methodology that are used to undertake the research. These are; research approach and techniques, sample design, sample size and sampling techniques, data source and collection methods, procedure of data collection, questionnaire, and ethical consideration.

3.2. Research Design

The descriptive and explanatory research methods have been used to describe as well as explain the practice and challenges of performance management system.

Moreover, both qualitative and quantitative designs have been used for studying the research topic. The five point Likert scales (i.e., Strongly Agree, Agree, neutral, Disagree, Strongly Disagree) have been introduced in the questionnaire to obtain and measure the responses of the respondents. Finally, based on the data type acquired, tables have been introduced to present the data in such a way that they will give meanings for the study.

3.3. Data Source and type

Data have been collected from primary sources using questionnaires and interview. And, Books, research findings, internet sources and articles & journal have been reviewed as secondary sources to get various concepts and ideas related with study.

Specifically, Primary sources have been used to acquire the employee's response. The data type (the ordinal data type) which has been acquired using questionnaire has been coded & analyzed using SPSS software. And also concepts and ideas which have been acquired through open ended questions in the questionnaire and through interviews have been analyzed based on content analysis.

Finally, Secondary sources have been used to acquire various concepts and issues for the study. And also research findings of other scholars in the related discipline have been used as Secondary source.

3.4. Population and sampling

3.4.1. Study population

The population of the study consists of management staff both working at head office, district offices and branches and non-managerial employees of CBE who are working both at head office, district office and branches in Addis Ababa area and in total 6000 population are considered for the study.

3.4.2 Sample Size Determination

To get the representative sample for the population understudy, the following sample formula is adopted. This sample determining formula is developed by Taro Yamane (1967). The reason for selecting and using this formula is that the sample size determined and acquired is somewhat bigger or larger than the results acquired using other recent formulas and also it is the most widely used formula both in academic and social science research. There for, based on the formula the sample size of the study is **375**

$$n = N / (1 + N(e)^2)$$

Where n is the sample size

N is the population size and

e is the level of precision error = (5%)

$$n = 6000 / (1 + 6000(0.05)^2)$$

$$n = 375$$

3.4.3 Sampling Frame

There are two sampling frame set that are included in the sample size, i.e., managerial permanent staff who are working both at head office , district and branches and non-managerial staff who are working both at head office , district and branches.

3.4.4 Sampling technique

For the study both probability and non-probability sampling technique are introduced for the study. To distribute the questionnaires to the respective participants proportionate stratified sampling technique (i.e., probability sampling technique) was introduced. This is because the population is heterogeneous in terms of nature of the job and work experience however; within the group or strata the participants are uniform or homogenous.

To conduct an interview deliberate selection or Purposive sampling technique (non-probability sampling technique) is used. This technique is used because it helps to make an in-depth interview to have the desired information with those individual participants on the basis of their skill and knowledge that they have towards the subject matter, working experience and ease of access.

3.5. Data collection method

The primary data have been collected through, distributing of questionnaires and interviews. Secondary data have collected through reviewing recent articles and journals, recently published books, magazines, internet and other related previous research work on other similar organizations.

The interviews have been conducted immediately after the quantitative data have been collected and analyzed with branch managers and CSM's.

Questionnaires, in which both closed and open ended types of questions, were distributed to the **375** sampled non managerial employees out of the total population which comprises 6000

managerial and non-managerial employees who are working at Addis Ababa city branches, in four district offices found in Addis Ababa area namely East, West, South, North district offices and those at head office. And out of the distributed 375 questionnaires 363 have been collected and the remaining 12 were uncollected.

Adopted Likert five point Scales in questionnaire have been used to obtain answers from the respondents, i.e., **'1' For Strongly Dis-Agree, '2' Disagree, '3' Neutral, '4 ' For Agree and '5' For Strongly Agree.**

Even though there are issues and concerns about the limitation of such scales, the use of this method appears to have been accepted in behavioral and attitudinal research, for social science studies including employee's performance.

3.6. Data analysis and Interpretation

The data acquired through semi structured interview and open ended questions in questionnaires were comments or opinions (i.e., qualitative in nature) and have been analyzed using content analysis contextually or qualitatively. Meaning by summarizing on the basis of their similarities and finally the results of the analysis has been combined to substantiate the outcome of the study.

The quantitative data which were collected using five point Likert scales in the questionnaire have been entered in to the a statistical software known as statistical package for social Scientists (SPSS version 20) for the analysis. Since the data which were acquired using Likert scales were ordinal data types, mode of frequencies and percentage have been used to measure the central tendency of the data in the data set and to describe about the majority of or the average levels of agreement of the respondents about the subject matter respectively.

Finally, on the bases of literature review and results of the data analysis and interpretation, the related conclusions and plausible recommendations have been made.

3.7. Reliability Test result of the Instrument

Reliability Statistics

Cronbach's Alpha	No. of Items
.839	45

The above test result showed that the instrument is reliable and enough to measure what we would like to measure for the desired outcome of the study.

3.8 Ethical Considerations

When questionnaires were distributed the researcher have inform respondents on the introduction part of the paper about the title and objective of the study. Besides to develop respondents confidence they have been informed that their responses will be kept confidentially and the information uses only for academic purpose.

To avoid misunderstanding and problems related with questionnaires in acquiring information from the employees the researcher design the questionnaires in clearly and understandable manner.

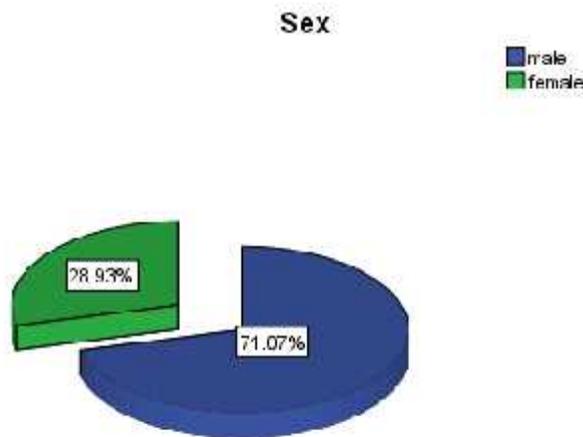
CHAPTER FOUR DATA ANALYSIS AND DISCUSSION

This chapter presents, analyzes and interprets the responses and reactions gathered from the respondent through questionnaire, interview and document review.

Among the distributed 375 questionnaires, 363 have been collected and this makes the response rate to be 96.8%. The remaining 12 were not returned. In order to increase the validity of the information obtained, interview were made with the Branch managers and with the CSMs.

4.1. Demographic Information of Respondents

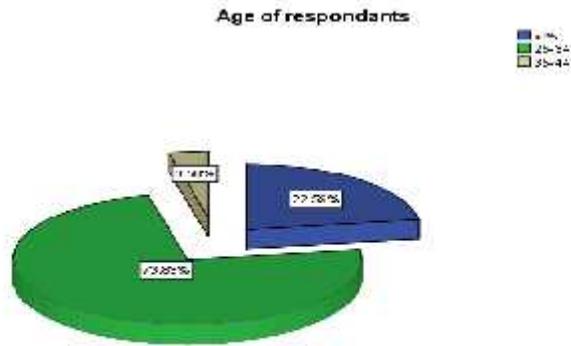
In this section, the general background of the respondents is summarized by focusing their gender, age group, educational status, and years of service.



Source: Own survey data (2017)

Figure 4.1 sex categories of respondents

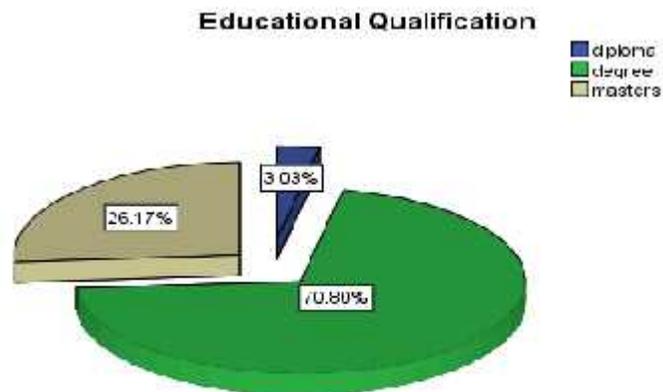
Among the total of 363 respondents, 258 (71.07%) of them were male and the remaining 105 (28.93%) were female. This shows that the number of female staff is less than half of the number of male staff which means there is gender imbalance in the bank.



Source: Own survey data (2017)

Figure4.2 Age group of respondents

Regarding the age group of the respondents, the larger portion of the respondents that is 268 (73.83%) falls within the age group of 25 to 34. Age group from 35 to 44 and <25 holds 13 (3.58%) and 82 (22.59%) number of respondents respectively. From this we can say that CBE is filled with more younger, energetic and productive manpower that can be able to transform the mission and vision of the organization into reality.

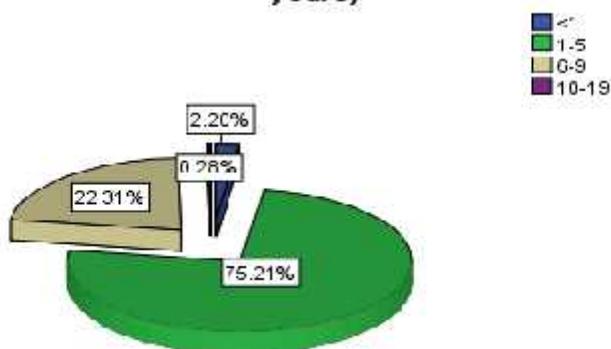


Source: Own survey data (2017)

Figure 2.3 Education statuses of respondents

Concerning educational status of the respondents, staffs who are degree graduates having the largest portion which is 257 (70.80%), among the total respondents, 11 (3.03%) of them have college Diploma and the rest of the respondents which is 95 (26.17%) are graduated with master's degree. The fact is that almost all of the respondents were educated in different levels as a result it is believed that they can easily understand the questionnaire as desired by the researcher.

Number of years you have worked for this organization (in years)



Source: Own survey data (2017)

Figure 4.4 work experiences of the respondents

Concerning the service year of the respondents, the large portion of respondents 273 (75.21%) fall within the range of one to five years of service in CBE, the second highest number, 81 (22.31%) of the respondents have six to nine years of experience, 8 (2.20%) respondents have joined CBE with less than a year and the rest 1 (0.28%) respondents from the sample size have an experience of ten to nineteen years.

It is the researchers believe that these combination of the respondents were good enough in finding the accurate information because the majority of respondents have one to five years and six to nine years of experience in CBE, which is more than two years from which the Performance Management System was fully executed in the bank, this gives them an opportunity to reflect their opinion on the achievements obtained by CBE and clearly understand the current

performance management system practice of CBE to identify the weaknesses and strengths of the system by comparing the previous and the current.

4.2. Analysis and Interpretation

4.2.1 Integration of PMS with the overall objective of the organization

No.	Questions	Levels Of Agreement									
		Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
		F	%	F	%	F	%	F	%	F	%
1	In terms of its objectives										
1.1	The performance management system (i.e., BSC) has helped the bank to integrate the individual objectives with the bank's objectives.	32	8.8	243	66.9	44	12.1	33	9.1	11	3
1.2	The performance management system (i.e., BSC) has helped me to align my day to day business activities with the overall strategy of the bank	14	3.9	219	60.3	74	20.4	53	14.6	3	0.8
1.3	The performance management (i.e., BSC) has helped me to enhance my productivity on an going basis.	19	5.2	221	60.9	61	16.8	59	16.3	3	0.8
1.4	The performance management (i.e., BSC) has helped the bank to enhance its productivity.	47	12.9	202	55.6	41	11.3	51	14	22	6.1
1.5	The criteria used under BSC have the ability to measure my true performances.	18	5	89	24.5	109	30	107	29.5	40	11
1.6	The performance management (i.e., BSC) system has helped the bank to manage and develop its employees in a ways it will achieve its short and long term objectives	52	14.3	175	48.2	70	19.3	61	16.8	5	1.4
1.7	Performance management (i.e., BSC) has helped the bank to establish a culture in which individuals and groups take responsibility for their own skills and contributions	25	6.9	213	58.7	76	20.9	47	12.9	2	0.6
1.8	Performance management has helped the bank to establish a culture in which individuals and groups take responsibility for the continuous improvement of business processes.	42	11.6	216	59.5	75	20.7	20	5.5	10	2.8

1.9	The PMS has helped me to get feedback about my performance so that I know where I stand	25	6.9	148	40.8	79	21.8	94	25.9	17	4.7
1.10	The PMS has helped me to coach my subordinates and improve their performance on an ongoing basis.	12	3.3	150	41.3	121	33.3	71	19.6	9	2.5
1.11	The PMS has helped the bank to evaluate performance achievements at the organizational level,	35	9.6	192	52.9	118	32.5	16	4.4	2	0.6
1.12	The PMS has helped the bank in evaluating the effectiveness of human resource interventions	12	3.3	194	53.4	82	22.6	53	14.6	22	6.1
1.13	Performance management system serves me in providing information about how I am perceived in the organization and where I stand.	21	5.8	191	52.6	64	17.6	72	19.8	15	4.1

Source: Own survey data (2017)

Table 4.1 Integration of PMS with the overall objective of the organization

The first parts of the questioner were designed to have a knowhow about the integration of PMS with the overall objective of the organization.

For the first question raised to respondents regarding the integration of PMS with the overall objective of the organization, the majority of the respondent's i.e. 275 (75.7%) have agreed that the performance management system (i.e., BSC) has helped the bank to integrate the individual objectives with the bank's objectives. And also most of the respondents that account about 64.2% (233) have also agreed that PMS helped them to integrate their day to day activities with the overall objective of the organization.

Regarding the alignment of PMS in enhancing the productivity of employees and organization, 240 (66.1%) of the respondents have agreed that it enhances their productivity and also 268 (68.5%) have agreed that at the same time it will enhance the productivity of the bank.

The next question (1.5) is concerned with the criteria used under BSC have the ability to measure the true performances of employees. In this regard 40.5% (147) of the respondents have disagreed and only 29.5% (107) have agreed with the above statement. The rest that is 109 (30%) have stayed neutral. This clearly shows that the majority of the respondents are not happy with the ability of the criteria to measure their performance. But, 227 (62.5%) of the respondents agreed that the performance management (i.e., BSC) system has helped the bank to manage and develop its employees in a ways it will achieve its short and long term objectives.

Performance management (i.e., BSC) has helped the bank to establish a culture in which individuals and groups take responsibility for their own skills and contributions and also for the continuous improvement of business processes which is supported by 238 (65.6%) and 258 (71.1%) respectively.

Regarding the regular feedback about employee's performance, the researcher forwarded a question to see the respondent's level of agreement. In addition to the questionnaire the question was also raised on the interview. The result gained from the interview shows that there is a meeting weekly, monthly, quarterly and annually basis to assess the performance of an employee which includes a feedback from supervisor and peers in a team. This was similar with the data gathered from questionnaire t. Most of the respondents, 173 (47.7%) replied that they did get feedback on how they have to improve their weakness and keep up their strength from anyone. Among the respondents 79 (21.8%) of them were neutral which show they have a negative attitude on the issue and the rest 111 (30.6%) express their level of agreement as strongly disagree and disagree.

Authors agreed that, providing feedback is the most common justification for an organization because employees will learn how well they did the task over the period and then use the information to improve their performance in the future.

The PMS has helped the bank to evaluate performance achievements at the organizational level, which is supported by the majority of the respondents i.e. 227 (62.5%), the rest 118 (32.5%) and 18 (5%) have been neutral and at the disagreement level respectively.

As can be observed from the above table, the majority of respondents or about 5.8% (21) & 52.6% (191) of the respondents are strongly agree and agree respectively with the statement 'information generated through performance evaluation in Commercial Bank Of Ethiopia is used to give feedback to subordinates about their negative as well as positive performance so that they know where they are'. However, about 22.9% (87) of the respondents disagree and 17.6% (64) of the respondents became neutral with the statement.

4.2.2 Importance of PMS to employees

No.	Questions	Levels Of Agreement									
		Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
2	In terms of importance to the rates	F	%	F	%	F	%	F	%	F	%
2.1	The performance evaluation system is fair	*	*	96	26.4	88	24.2	117	32.2	62	17.1
2.2	The performance evaluation system using BSC is important	29	8	173	47.7	86	23.7	54	14.9	21	5.8
2.3	The performance evaluation system (BSC) is enough to disclose one's own performance for better improvement	*	*	97	26.7	110	30.3	124	34.2	32	8.8
2.4	The performance evaluation system (i.e. BSC) helps employees to clearly understand what is expected of them.	11	3	234	64.5	39	10.7	52	14.3	27	7.4
2.5	The performance evaluation criteria under BSC are related with job of an individual's employees.	40	11	190	52.3	52	14.3	65	17.9	16	4.4
2.6	The performance evaluation helps employees to enhance their commitment towards their job.	18	5	198	54.5	98	27	28	7.7	21	5.8
2.7	The performance evaluation system helps the employees of the bank to improve their career path.	23	6.3	161	44.4	104	28.7	55	15.2	20	5.5

2.8	The performance evaluation system helps employees to motivate for higher performance	31	8.5	133	36.6	68	18.7	96	26.4	35	9.6

Source: Own survey data (2017)

Table 4.2 Importance of PMS to employees

Table 2 over all discusses the importance and fairness of Performance management system has for the rates i.e. the employees that are being rated by the system.

In order to assess the employees’ perception of the fairness of the performance appraisal system of Commercial Bank of Ethiopia (CBE), questionnaires were distributed and the findings of the respondents revealed out that the majority of the respondents i.e. 49.3% (179) disagree with the statement that “The performance evaluation system is fair” while about 26.4% (96) of the respondents agree its fairness and about 24.2% (88) of the respondents became neutral.

Even if there is high question on the fairness of the evaluation system, most of the respondents 29 (8%) and 173 (47.7%) have strongly agree and agree respectively on the issue of the importance of performance management system using BSC.

According to the respondents, performance management system is playing an important role in helping employees to clearly understand what is expected of them which is supported by the majority of the respondent’s i.e. 245 (67.5%), helps employees to enhance their commitment towards their job which also accounts for 59.5% (116) of agreement level of the respondents, it helps employees to improve their career path which is supported by 50.7% (184) of the respondent and also helps employees to be motivated and do their job accordingly which is agreed by 164 respondents that accounts for 45.1% of the respondents.

Even though the performance evaluation criteria under BSC are related with job of an individual’s employees, which rates agreement level of 53.3% (130), most of the respondents have disagreed with the issue of “The performance evaluation system (BSC) is enough to

disclose one's own performance for better improvement" that scores 43% (156) higher than that of agreement 26.7% (97) and the rest 30.3% (110) have stayed neutral.

Overall during interview session the major importance's that are provided by the respondents are the following:

- To identify training needs, staff development and to properly and fairly undertake staff promotion.
- To deter or minimize employees' carelessness and negligence and to reward and punish them accordingly
- To measure of employees' performance against tasks assigned to them; to enable employees to know their strengths and weaknesses with the view to motivate them to do better or warn them on the consequence of their weaknesses.
- To correct employee's behavior or to take corrective action whenever employees are in the wrong way or truck and if their performance is extremely below the expected level.

4.2.3 Importance of PMS for managers

No.	Questions	Levels Of Agreement									
		Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
3	In terms of importance to the Manager	F	%	F	%	F	%	F	%	F	%
3.1	The performance evaluation system helps managers to coach as well as to control their employees performance	28	7.7	221	60.9	60	16.5	45	12.4	9	2.5

Source: Own survey data (2017)

Table 4.3 Importance of PMS for managers

Since the managers are the one who rate the performance of the employees accordingly, it is not questionable that the performance management system helps manager to coach as well as to

control their employee's performance. The result also agrees with the above issue, which rates about 68.6% (249) agreement level which is greater than 14.9% (54) of disagreement.

4.2.4 Importance of PMS to the organization

No.	Questions	Levels Of Agreement									
		Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
		F	%	F	%	F	%	F	%	F	%
4.1	The performance evaluation criteria helps the organization to align or integrate the overall goals of the organization with the individuals goals	35	9.6	227	62.5	52	14.3	43	11.8	6	1.7
4.2	The performance evaluation system helps an organization to integrate its employees day to day business activities with the overall goals of the organization	42	11.6	224	61.7	57	15.7	34	9.4	6	1.7
4.3	The performance evaluation system helps the organization (CBE) to perform further developmental activities	53	14.6	226	62.3	55	15.2	23	6.3	6	1.7
4.4	The performance evaluation system helps the organization to use its own financial as well as non-financial resources in a better way	48	13.2	193	53.2	97	26.7	20	5.5	5	1.4
4.5	The performance evaluation system helps the organization (CBE) to set possible training and developmental programs	32	8.8	203	55.9	90	24.8	33	9.1	5	1.4
4.6	The performance evaluation system helps to set training and developmental	22	6.1	221	60.9	91	25.1	29	8	*	*

	objectives										
4.7	The performance evaluation system helps the organization to achieve its own goals effectively and efficiently.	38	10.5	215	59.3	68	18.7	39	10.7	3	0.8
4.8	The performance evaluation system helps the organization to improve its overall performance	57	15.7	172	47.4	72	19.8	55	15.2	7	1.9

Source: Own survey data (2017)

Table 4.4 Importance of PMS to the organization

The above two tables i.e. table 2 and 3 have discussed about the importance of performance management system for both the employees and the managers respectively. In this section we will discuss the importance of performance management system in terms of the overall organization.

Even if there are some disagreements, the majority of the respondents have agreed that PMS is very important for the organization which is analyzed from different perspectives as it is going to be discussed below.

The first question that was raised to the respondents was about the performance evaluation criteria. Which stated as the “performance evaluation criteria helps the organization to align or integrate the overall goals of the organization with the individuals goals”

Moreover, in total 72.1% (262) of the respondents are agree and strongly agree with the use of performance evaluation criteria for the integration of the overall goals of the organization with the individuals goals. About 13.5% (49) of the respondents argued that they disagree with the statement whereas about 14.3% (52) of them become neutral. The majority of the respondents 73.3% (266) have also agreed with the statement of “The performance evaluation system helps an organization to integrate its employee’s day to day business activities with the overall goals of

the organization”. The rest which accounts about 11.1% (40) have disagreed and 15.7% (57) stayed neutral.

As we can observe from table 4.4, the majority of respondents or about 13.2% & 53.2% of the respondents are strongly agree and agree respectively with the statement “The performance evaluation system helps the organization to use its own financial as well as non-financial resources in a better way” which accounts in total 66.4% (246). However, about 66.9% of the respondents disagree and 26.7% of the respondents became neutral with the statement.

According to the respondents performance management system helps the bank to perform further developmental activities and also to set possible training and developmental program as it is shown below in question 4.3 and 4.5 respectively.

As for the first question i.e. 4.3 which stated as “The performance evaluation system helps the organization (CBE) to perform further developmental activities” 279 of the respondents which accounts for 76.9% have agreed and 15.2% (55) stayed neutral; of all only 8% (29) have disagreed with the above statement. As for the next question (4.5) which is directly related with above question (4.3), most of the respondents 64.7% (241) have agreed with the statement that said “The performance evaluation system helps the organization (CBE) to set possible training and developmental programs” and the rest that is 24.8% (90) and 10.5% (38) have stayed neutral and disagree respectively with the question.

On the other hand, large number of the respondents (69.8%) agrees with the statement “The performance evaluation system helps the organization to achieve its own goals effectively and efficiently” while about 18.7% of them became neutral and 11.5% of the respondents have disagree with the statement.

To conclude the discussion on the part of the importance of performance management system, the last question that was raised is that “The performance evaluation system helps the organization to improve its overall performance.” As a result, 229 respondents which hold 63.1% of the sample population have agreed with the above statement and 19.8% i.e. 72 respondents stayed neutral. The rest 17.1% (62) of the respondents have disagreed with the above statement.

4.2.5 Challenges of PMS

No.	Questions	Levels Of Agreement									
		Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
5	In terms' of challenges or problems	F	%	F	%	F	%	F	%	F	%
5.1	the performance management criteria are related with the general objectives of the organization	46	12.7	222	61.2	76	20.9	16	4.4	3	0.8
5.2	There was a challenge in due courses of PMS implementation.	67	18.5	187	51.5	69	19	27	7.4	13	3.6
5.3	The forms of performance evaluation using BSC are clear and easy to understand as well as document the performance of the individuals employees	34	9.4	154	42.4	70	19.3	99	27.3	6	1.7
5.4	There is a problems in documentation and transparency of rating by ratters	48	13.2	143	39.4	80	22	83	22.9	3	0.8
5.5	There is a problems of accepting the rating results by the rates	47	12.9	132	36.4	97	26.7	62	17.1	25	6.9
5.6	There is positive reaction by the employees towards low performance ratings	26	7.2	91	25.1	88	24.2	139	38.3	19	5.2
5.7	The ratter gives feedback periodically to the respective rates or employees	17	4.7	166	45.7	56	15.4	100	27.5	24	6.6
5.8	The ratter tends to give high performance ratings to elicit positive reactions from its subordinates	18	5	118	32.5	97	26.7	96	26.4	34	9.4
5.9	The ratter is fair and qualified to evaluate	6	1.7	122	33.6	135	37.2	63	17.4	37	10.2

Source: Own survey data (2017)

Table 4.5 Challenges of PMS

The first step in the performance evaluation process is the specification of the standards for which the performance management criteria are related with the general objectives of the organization. In this regard, the opinion of participants as to the degree/extent to which they agree with the statement “the performance management criteria are related with the general objectives of the organization” is 73.9% that equals for 268 of the participants involved in the study. As for the rest 20.9% and 5.2% which accounts about 95 of the participants involved in the study have stayed neutral and disagreed with above statement respectively.

Most of the respondents feel that there was a challenge in due course of performance management implementation which is supported by 70% (254) of the respondent. The rest 30% of the respondents have either stayed neutral or disagree with the statement.

Based on the responses gathered from the employees of the bank, the student researcher tried to discuss the employees’ perception towards the forms of performance evaluation using BSC are clear and easy to understand as well as to document the performance of the individuals employees. In this regard little more than half of the respondents i.e. 51.8% (188) of the respondent have agreed and the rest which is 19.3% (70) and 29% (105) have stayed neutral and disagree respectively with the statement.

Even if, in the above statement most of the respondents agreed that forms of PMS using BSC are clear and easy to document, at the same time most of the respondent feel that there is a problems in documentation and transparency of rating by ratters. To show this in percentage and number, 52.1% i.e. 191 respondents have agreed with the statement “There is a problems in documentation and transparency of rating by ratters.” Whereas, 22% (80) of the respondents have been neutral and 23.7% (86) have disagreed. The rest which is 1.7% (6) for some reason for which the researcher doesn’t know have left the question blank without ticking any mark in the questioner provided.

The next two question which sates “There is a problems of accepting the rating results by the rates” and “There is positive reaction by the employees towards low performance ratings” are related with the attitude and reaction of the respondents. In the first question 24% of the respondents disagreed with the statement and 26.7% stayed neutral but 49.3% of the respondent which is the highest agreed with the first statement. As for the second question, most of the

respondents have disagreed i.e. 43.5%, 24.2% of the respondents respond neutral and for the rest of the respondents that accounts about 32.3% have agreed with the second statement.

All employee needs feedback for the accomplishment of any activity or work. In this regard the question that was raised for the respondents stated as, “The ratter gives feedback periodically to the respective rates or employees.” Surprisingly not all employees agree with the above statement, only 50.4% (183) have agreed and as for the rest 15.4% (56) and 34.1% (124) of the respondents stated their neutrality and disagreement level respectively. The next question which is related with result provided by the ratter raised was “The ratter tends to give high performance ratings to elicit positive reactions from its subordinates.” Accordingly 37.5% (136) have agreed, 26.7% (97) state neutral while the rest i.e. 35.8% (130) of the respondents disagreed with the above statement.

The qualification of the rater is determined by the ability of the rater to observe the work of his/her subordinates and the adequacy of the training gained in how to conduct the performance evaluation of the subordinates. On the other hand, the fairness of the performance evaluation by raters is a function of the ability of the raters to evaluate his/her subordinates based on the criteria set by the bank in its human resources policy manual with regard to performance evaluation. In this respect, the next question raised stated as “The ratter is fair and qualified to evaluate”. As the response shows in the above table most of the respondents become neutral (37.2%) in this regard while 35.3% agreed and 27.6% disagreed with the statement.

4.2.6 The relationship between PMS and employee benefit packages

No.	Questions	Levels Of Agreement									
		Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
		F	%	F	%	F	%	F	%	F	%
6	in terms of relationship										
6.1	There is a strong relationship between performance management system and employee benefit packages.	15	4.1	69	19	69	19	13	37.7	73	20.1
6.2	The PMS has helped the bank to the	*	*	73	20.1	72	19.8	14	39.	74	20.

	determine pay and benefits of its employees							4	7		4
6.3	The PMS has helped the bank to determine promotion or demotion	7	1.9	116	32	115	31.7	67	18.5	58	16
6.4	The PMS has helped the bank to further develop its employees and their career paths on an ongoing basis.	7	1.9	173	47.7	55	15.2	81	22.3	47	12.9
6.5	The PMS has helped the bank to measure the performance of its employees objectively and to compensate accordingly.	17	4.7	134	36.9	89	24.5	89	24.5	34	9.4
6.6	The PMS has the ability to link the performance of employees with the related reward	18	5	119	32.8	74	20.4	94	25.9	58	16

Source: Own survey data (2017)

Table 4.6 PMS and employee benefit packages

In this section the researcher tries to discuss the relationship performance management system have with employee benefit packages since this issues are directly related with one another. So as to begin the analysis the first question raised in this regard which is distributed to the respondents is that there is a strong relationship between performance management system and employee benefit packages. In this regard the majority of the respondent's accounts for 57.8% (210) have disagreed with the above statement and 19% of the respondents stayed neutral. This clearly reflects that PMS is not linked with employee benefit package yet in Commercial Bank of Ethiopia, which makes the accomplishment of PMS questionable.

The next four questions that were distributed to the respondents are to determine whether the PMS helped the bank to determine different benefit package for its employees. The statements are the following:

- ✓ The PMS has helped the bank to the determine pay and benefits of its employees

Most of the respondents have disagreed with this statement. To put it in percent, 60.1% have disagreed and 19.8% of the respondent stayed neutral. For this statement only 20.1% of the respondents have agreed with the above statement.

- ✓ The PMS has helped the bank to determine promotion or demotion

For this statement the answer provided are almost equal which revolved around in each perspective. As a result 33.9% (123), 31.7% (115) and 34.5% (125) of the respondents have

agreed, stayed neutral and disagreed with the statement respectively. Therefore it is hard to conclude whether PMS helped or not to determine promotion or demotion.

- ✓ The PMS has helped the bank to further develop its employees and their career paths on an ongoing basis.

Unlike to the above two questions majority of the respondents i.e. 49.6% (180) of the respondents agreed with the above statement. But 15.2% (55) and 35.2% (128) of the respondents stayed neutral and disagree with the statement respectively.

- ✓ The PMS has helped the bank to measure the performance of its employees objectively and to compensate accordingly.

As we can observe from table 4.6, the majority of respondents or about 4.7% & 36.9% of the respondents are strongly agree and agree respectively with the statement. However, about 33.9% of the respondents disagree and 24.5% of the respondents became neutral with the statement.

The last question raised to the respondents was about the ability of PMS having to link the performance of employees with the related reward. Due to the fact that the PMS is not related with employee benefit package, it really affect the perception of the respondents whether it have the ability to link the reward with employees performance. As a result 41.9% that accounts about 152 of the respondents disagreed with the statement and 20.4% of the respondents have no say in this matter. The rest that accounts about 37.8% agreed that PMS have the ability the related reward with employee's performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter focuses on the summary of the major findings of the research questions, conclusions and recommendations forwarded in light of the relevant literature developed by scholars and responses of research participants.

5.1. Summary

In order to address the basic questions, descriptive research design was employed by using mixed research approach which comprises both quantitative and qualitative methods of data gathering. Data was gathered through questionnaire, interviews and also document review were made to triangulate and increase the validity of the data obtained.

To collect representative data, 375 questionnaire copies were distributed by using simple random sampling technique. Out of which, 363 (96.8%) of the questionnaires were collected. Furthermore, interview was also made with Branch managers and CSMs that were not incorporated in the questionnaire.

The data collected from target respondents through questionnaire was compiled and summarized by using SPSS (Statistical Package for the Social Sciences) statistical software. Finally, information obtained questionnaire, interview and document review were mathematically analyzed and interpreted.

5.2. Major Findings

According to the data analysis presented in previous chapter, there were both positive and negative findings concerning the implementation of the performance management system by Commercial bank of Ethiopia. Overall the major findings are presented below in relation to the responses gathered from the respondents.

- The analysis of the questionnaires and the interview has showed that lack of transparency and continuous feedback to show the progress of the employees towards the desired performance are the major problems facing the bank.

- The raters do not have adequate training and skill to seriously undertake the issue and they are not also motivated or negligent to perform the job. As a result of these reasons, most respondents do not believe in the qualification of their raters.
- The majorities of respondents have witnessed that there is no alignment between performance management system and employee benefit packages. As a result it is hard to say that the existence of PMS will motivate employees to do their job accordingly.
- Most of the respondents asserted that the performance evaluation system (BSC) is not enough to disclose one's own performance for better improvement.
- From the study it was also identified that most of the respondents agreed that the performance management system (i.e., BSC) has helped the bank to integrate the individual objectives with the bank's objectives.
- Most of the respondents have also agreed that performance management system (i.e., BSC) helped them to integrate their day to day activity with the overall objective of the organization.
- Over all the major problems identified in relation to performance management system include: -
 - Unfairness in rating
 - Feedback are not timely
 - Qualification of the ratter is questionable
 - Subjectivity in evaluation
 - It doesn't motivate employees as expected
 - PMS is not enough to disclose one's own performance

5.3. Conclusion

Performance management is a systematic process which a manager can use to get the team members to achieve the team's objectives and targets, improve overall team effectiveness, develop performance capabilities, review and assess team and individual performance, and reward and motivate. Effective performance management requires the identification of tasks and accountabilities, definition of competencies necessary to be successful in a position, ensuring

that team members have the required competencies, having in place a system to develop competencies, providing timely feedback on how effectively the team members are applying their respective competencies to accomplish their tasks and achieve the goals and rewarding and motivating effective performance. In the event that performance does not meet established requirements, the manager must understand the corrective processes and methods that can help improve employee performance.

5.4. Recommendation

On the basis of the findings and conclusions reached, the following recommendations are forwarded in order to improve the performance Evaluation practices of commercial bank of Ethiopia.

- In order to solve the problems of transparency, raters need to appropriately and adequately file and document the performance of their subordinates on a continuous basis.
- The bank should also establish an independent committee who are in charge of undertaking the performance evaluation of the organization.
- The performance evaluation system of the bank should be designed in such a ways that it is future oriented and focused on the long term developmental benefits rather than focusing on the controlling aspect only which is short term in nature.
- The supervisors should provide continuous feedback on the progress of employees towards the achievement of the goals of the organization. This will help create a kind of trust between the supervisors and the subordinates.
- In order to have sufficient information about employee's performance and reporting their status as well as to have the expected output on performance information reporting and utilization, CBE have to have performance management software technology to make the process more flexible and reliable and also to reduce the possible bias from supervisors
- In order to motivate the employees the bank must integrate performance management system with benefit packages.
- CBE have to create a situation where employees can prepare their own SMART goals, participate in the discussion and to take ownership of the plan agreement.

- The bank must set Goals that are achievable and are not delusional for the employees because if the goals are achievable then the employees will perform their activities with the feeling that they can achieve the stated goals.

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APPENDICES

A. QUESTIONARIE

Dear respondents:

This questionnaire is designed to collect primary data used for thesis entitled “Assessment on Performance Management Practices and its challenges in case of commercial bank of Ethiopia in Addis Ababa area branches”. The research is conducted as a partial fulfilment of the requirement for the masters in General Management.

The study will have a great contribution if you complete all the items covered in the questionnaire having your genuine, honest, and prompt response since it is a valuable input for the quality and successful completion of the study. In this connection, I would like to assure you that the information you provide will be used for academic purpose only and all responses will be treated in a strict confidentiality.

Therefore, I kindly request your cooperation in answering the questions as clearly as possible.

General Instructions

- There is no need of writing your name
- In all cases where answer options are available please tick (✓) in the appropriate box.
- For questions that demand your opinion, please try to honestly describe as per the questions on the space provided.

Thank you, for your cooperation and timely response in advance!

Part I: PARTICIPANT BACK GROUND INFROMATION

1. Number of years you have worked for this organization (in years)

- < 1 year
- 1-5
- 5 -9
- 10-19
- 20-30 30 years or more

2. Age (in years):

- Under 25
- 25-34
- 35-44
- 45-54
- 55 and Above

3. Sex:

- Male
- Female

4. Educational Qualification:

- High school graduate
- Technical school graduate
- College Diploma
- BA/BSc Degree
- Master's Degree
- Other (please state _____)

PART II: Questions related with the perception of employees towards the performance evaluate system

Listed below are statements about the perception of employees towards the performance evaluation system in your Organization.

Please indicate your level of agreement with the statements so that your answers to these questions will enable me to assess what you think about the study under phenomenon.

5. Strongly agree 4. Agree 3. Neutral 2. Disagree 1. Strongly disagree

No.	Questions	Levels Of Agreement				
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	In terms of its objectives					
1.1	The performance management system (i.e., BSC) has helped the bank to integrate the individual objectives with the bank’s objectives.					
1.2	The performance management system (i.e., BSC) has helped me to align my day to day business activities with the overall strategy of the bank					
1.3	The performance management (i.e., BSC) has helped me to enhance my productivity on an going basis.					
1.4	The performance management (i.e., BSC) has helped the bank to enhance its productivity.					
1.5	The criteria used under BSC have the ability to measure my true performances.					
1.6	The performance management (i.e., BSC) system has helped the bank to manage and develop its employees in a ways it will achieve its short and long term objectives					
1.7	Performance management (i.e., BSC) has helped the bank to establish a culture in which individuals and groups take responsibility for their own skills and contributions					
1.8	Performance management has helped the bank to establish a culture in which individuals and groups take responsibility for the continuous improvement of business processes.					
1.9	The PMS has helped me to get feedback about my performance so that I know where I stand					
1.10	The PMS has helped me to coach my subordinates and improve their performance on an ongoing basis.					

1.11	ThePMShas helped the bank to evaluate performance achievements at the organizational level,					
1.12	The PMS has helped the bank in evaluating the effectiveness of human resource interventions					
1.13	Performance management system serves me in providing information about how I am perceived in the organization and where I stand.					
2	In terms of importance to the rates					
2.1	The performance evaluation system is fair					
2.2	The performance evaluation system using BSC is important					
2.3	The performance evaluation system (BSC) is enough to disclose one's own performance for better improvement					
2.4	The performance evaluation system (i.e. BSC) helps employees to clearly understand what is expected of them.					
2.5	The performance evaluation criteria under BSC are related with job of an individual's employees.					
2.6	.The performance evaluation helps employees to enhance their commitment towards their job. .					
2.7	The performance evaluation system helps the employees of the bank to improve their career path.					
2.8	The performance evaluation system helps employees to motivate for higher performance					
3	In terms of importance to the ratter					
3.1	The performance evaluation system helps ratter to coach as well as to control their employees performance					
4.	In terms of importance to the organization					
4.1	The performance evaluation criteria helps the organization to align or integrate the overall goals of the organization with the individuals goals					
4.2	The performance evaluation system helps an organization to integrate its employees day to day business activities with the overall goals of the					

	organization					
4.3	The performance evaluation system helps the organization (CBE) to perform further developmental activities					
4.4	The performance evaluation system helps the organization to achieve its own financial as well as non-financial resources in a better way					
4.5	.The performance evaluation system helps the organization (CBE) to set possible training and developmental programs					
4.6	The performance evaluation system helps to set training and developmental objectives					
4.7	The performance evaluation system helps the organization to achieve its own goals effectively and efficiently.					
4.8	. The performance evaluation system helps the organization to improve its overall performance					
5	In terms' of challenges or problems					
5.1	the performance management criteria are related with the general objectives of the organization					
5.2	There was a challenge in due courses of PMS implementation.					
5.3	The forms of performance evaluation using BSC are clear and easy to understand as well as document the performance of the individuals employees					
5.4	There is a problems in documentation and transparency of rating by ratters					
5.5	There is a problems of accepting the rating results by the rates					
5.6	There is positive reaction by the employees towards low performance ratings					
5.7	The ratter gives feedback periodically to the respective rates or employees					
5.8	The ratter tends to give high performance ratings to elicit positive reactions from its subordinates					
5.9	The ratter is fair and qualified to evaluate					
6	in terms of relationship					

6.1	There is a strong relationship between performance management system and employee benefit packages.					
6.2	The PMS has helped the bank to the determine pay and benefits of its employees					
6.3	The PMS has helped the bank to determine promotion or demotion					
6.4	The PMS has helped the bank to further develop its employees and their career paths on an ongoing basis.					
6.5	The PMS has helped to measure the performance of its employees objectively and to compensate accordingly.					
6.6	The PMS has the ability to link the performance of employees with the related reward					

What are the major challenges you faced as a result of Performance Management System?

If you have any comment or suggestions you would like to had please write your opinion on the space provided below

Thank You!!!

B. Interview

1. Is there periodical feedback given to the employees according to their performance after evaluation?
2. Do you think it is essential to conduct performance evaluation in your organization? Why?
3. Could it be possible to say that CBE has successfully implemented Performance Management System?
4. Does the specific job performed by an individual is linked with the strategic objective of the organization?
5. Does Performance Management System bring the desired outcome to CBE? If yes, discuss how tangible results were observed?
6. Do you think that employees are well informed about PMS so as to develop their awareness about it?
7. Do you have any other comments or suggestions regarding Performance Management System at CBE?