



**ST, MARY UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**DETERMINANTS OF THE EFFECTIVENESS OF
PERFORMANCE MANAGEMENT SYSTEMS IN ABAY
INSURANCE**

BY BINIAM NIGUSSIE

JUNE, 2022

ADDIS ABABA, ETHIOPIA

**DETERMINANTS OF THE EFFECTIVENESS OF
PERFORMANCE MANAGEMENT SYSTEMS IN ABAY
INSURANCE**

BY BINIAM NIGUSSIE

**A THESIS SUBMITTED TO ST, MARY'S UNIVERSITY, SCHOOL
OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION (HRM CONCENTRATION)**

JUNE, 2022

ADDIS ABABA, ETHIOPIA

ST, MARY UNIVERSITY
SCHOOL OF GRADUATIONS STUDIES
FACULTY OF BUSINESS
DETERMINANTS OF THE EFFECTIVENESS OF
PERFORMANCE MANAGEMENT SYSTEMS IN ABAY
INSURANCE

BY BINIAM NIGUSSIE

APPROVAL BY BOARD EXAMINERS

Dean, Graduate Studies

Signature

Advisor

Signature

External Examiner

Signature

Internal Examiner

Signature

DECLARATION

I, the Undersigned, declared that this thesis is my original work, prepared under the guidance of Tewodros Mekonnen (PhD) All sources of material used for this thesis have been duly acknowledged. I further conformed that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of learning any degree.

Biniam Nigussie

Signature

St, Mary University Addis Ababa

June, 2022

ENDORSEMENT

This study has been submitted to St, Mary University, and School of Graduate Studies for examination with my approval as a university advisor.

Advisor

Signature

St, Mary University Addis Ababa

June, 2022

ACKNOWLEDGEMENT

First of all, and for most, I would like to particular my sincere gratitude to Almighty. God always intercedes me to pass the difficulties. It is my pleasure to thank my advisor, Tewodros Mekonnen (PhD), for his supervision, support, and encouragement in preparing and finishing the thesis work. I am also extremely grateful to my dearest families for their uninterrupted love and support throughout the entire program. And my gratitude is also forwarded to my best friends near and far, whose support and awareness advice was priceless. Finally, I would like to thank AISC branch managers and employees who have shown their honest collaboration in filling and returning the questionnaires in time.

List of Abbreviations

| Abbreviation | Terminology |
|---------------------|---|
| PMS | Performance Management System |
| PEMS | Performance Management System |
| AISC | Abay Insurance Share Company |
| HR | Human Resource |
| PMP | Performance Management Practice |
| SMART | Specific Measurable Attainable Realistic Time bounded |
| SDT | Self-determination theory |
| HRM | Human Resource Management |

Table of Contents

| | |
|--|------|
| ACKNOWLEDGEMENT | ii |
| List of Abbreviations | iii |
| Table of Contents | iv |
| List of Tables | vi |
| List of Figures | vii |
| ABSTRACT | viii |
| 1. CHAPTER ONE INTRODUCTION | 1 |
| 1.1 Background of the Study | 1 |
| 1.2 Statement of the Problem..... | 3 |
| 1.3 Research Questions | 5 |
| 1.4 Research Objectives..... | 5 |
| 1.5 Significant of the Study | 6 |
| 1.6 Scope of the study | 6 |
| 1.7 Limitation of the study | 7 |
| 1.8 Organization of the Study..... | 7 |
| <u>2</u> .CHAPTER TWO <u>_</u> REVIEW OF LITERATURES | 8 |
| 2.1 Introduction | 8 |
| 2.2.1 What is performance?..... | 8 |
| 2.2.2 Objectives of Performance Management System | 9 |
| 2.2.3 Benefits to Implement Performance Management System | 10 |
| 2.2.4 A framework of performance Based Management system | 11 |
| 2.2.6 Characteristics of an effective performance Management system..... | 13 |
| 2.2.8 Development of Performance management systems..... | 15 |
| 2.2.9 Performance Management Process | 15 |
| 2.2.10 Employee Involvement towards Performance Management System Effectiveness | 19 |
| 2.2.11 Management Commitment towards PMS Effectiveness..... | 20 |
| 2.2.12 Performance Appraisal towards Performance Management System Effectiveness | 21 |
| 2.2.13 Reward System towards Performance Management System Effectiveness | 22 |
| 2.3 Theories of Performance Management System..... | 22 |
| 2.4 Review of Empirical literature | 25 |
| 2.5 Conceptual framework of the study | 27 |
| 3. RESEARCH DESIGN AND METHODOLOGY | 29 |

| | |
|---|-----------|
| 3.1. Introduction | 29 |
| 3.2. Research Approach..... | 29 |
| 3.3. Research design..... | 30 |
| 3.4. Sampling Techniques and Sample Size..... | 31 |
| Table 3.1 Location Spreading of Respondents..... | 31 |
| 3.5 Sources of Data | 32 |
| 3.6 Data Collection Tools..... | 33 |
| 3.7. Methods of Data Analysis and Presentation..... | 34 |
| 3.8. Data Analysis techniques | 35 |
| 3.9. Validity and Reliability | 35 |
| 3.10. Ethics of the study | 36 |
| 4 CHAPTER FOUR DATA PRESENTATION, ANALYSIS AND INTEPRETATION | 37 |
| 4.1 Introduction | 37 |
| 4.2 Descriptive Findings..... | 37 |
| 4.3 Demographic Data of the respondents | 37 |
| 4.4 Involvement of Employees in PMS..... | 41 |
| 4.5 commitment of Management in PMS | 44 |
| 4.5.1 Management commitment in the implementation of PMS | 44 |
| 4.6.1 Performance appraisal included in PMS framework..... | 46 |
| 4.7.1 Reward Systems aligned with PMS | 48 |
| 5. SUMMARY, CONCLUSION AND RECOMMENDATION | 50 |
| 5.1 Introduction | 50 |
| 5.3 Conclusions | 51 |
| 5.4 Recommendations | 53 |
| Reference | 53 |
| Appendix | 53 |

List of Tables

| | |
|---|----|
| Table 3.1 Location Spreading of Respondents | 40 |
| Table 3.2 Sample size determining table | 41 |
| Table 4.1 Frequency Distribution by Gender | 45 |
| Table 4.2 Age Distribution of Respondents | 46 |
| Table 4.3 Educational level of Respondents | 46 |
| Table 4.4 Job Level of Respondents | 47 |
| Table 4.5 Service Years of Respondents | 47 |
| Table 4.6 Employees involve in the Implementation of PMS | 48 |
| Table 4.7 Management Committed in the Implementation of PMS | 51 |
| Table 4.8 Performance Appraisal in PMS | 53 |
| Table 4.9 Reward Systems aligned with PMS | 54 |

List of Figures

| | |
|--|----|
| Figure 2.1 A framework of performance management systems | 22 |
| Figure 2.2 Performance Management Process | 27 |
| Figure 2.3 Conceptual Framework | 37 |

ABSTRACT

The main aim of this study is to investigate whether the Performance Management System in AISCO is effective from the elements of employee involvement, management commitment, performance appraisal and reward system. In this study, research would identify if these factors management commitment, performance appraisal, employee involvement and reward system have a significant relationship between the effectiveness of Performance Management System in AISCO. The study used descriptive methodology and used both qualitative and quantitative research methods. Percentages and frequencies were used to analyze the data and interpretations are made on them. Out of the target population (235), the sample size was determined by using a standard size determination table. Based on this, 80 questionnaires were distributed to the head office and all branches located in Addis Ababa. As per, the findings indicated that the performance management practice is implemented with some gaps like: Very low employees' involvement in the implementation of performance management systems, employees considered the systems as control tools of the employees, performance appraisal system was developed with less inputs from employees, there is very low discussion in the performance appraisal. In addition to this, challenges like absence alignment between performance appraisal systems and objective of the organization. Inappropriate employee perception towards the system and inadequate commitment from the Human Resource department and the management was pointed out. Raising staff awareness on Performance Management System (PMS) and its practices, monitoring of the Performance Management activities and focusing on employee development are the recommended actions to the organization.

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

We are in 21 century; there is very high competition, to sustain growth, remain high competitor, to expanding market share, and accomplish their objective. First they must provide 'worth.' How Human resources are managed is important to the long-term value of a company and ultimately to its survival. It is no miracle then that the importance of the human resource function is increasingly being recognized. Bearing in mind, of course, that these occupations are applied in such a way that they are harmonious with one another and with the overall strategy of the company, managers can affect a number of factors such as employees' competence, performance, work motivation and commitment.

companies are starting to look internally for performance and productivity gains rather than delay for external improvements (e.g market growth or technological advances) Puzzling comes from economic conditions (such as global competition, slow economic growth, and economic downturns), (Boxall & Purcell, 2003; Buchner, 2007). In addition to this, (Boxall & Purcell, 2003; Buchner, 2007) said. Organizations have been focusing their attention on performance management (PM) as a way to raise organizational performance and productivity.

The performance management process is used to interconnect organizational goals and objectives, reinforce individual accountability for meeting those goals, and pathway and assess individual and organizational performance results. It reflects a partnership in which managers share responsibility for developing their employees in such a way that permits employees to make influences to the organization. It is an obviously defined process for managing people that will result in achievement for both the individual and the organization.

One of the main human resource issues of the 21st century is an organization's ability to refine and develop mechanisms to provide meaningful job performance feedback to all employees. A positive and rational understanding of acceptable job performance by the employee and supervisor is important for an effective performance management system.

Performance management should focus more on encouraging and developing employees' powers and providing opportunities for growth rather than annual appraisals that are directly linked to raises and bonus payments. If Performance management is employed correctly with specific objectives tight to the Strategic and Operational plan, organizational performance results should increase.

The presence of an effective performance management system is often the major differentiator between organizations that produce suitable results and those that excel. Without a focus on performance management at all levels of an organization, it is difficult to see how an organization can find a competitive advantage that is based on its talent.

Performance management systems characteristically include performance appraisal and employee development (Pulakos, 2004) which are challenging features of human resources management in an organization. However, the employees and managers in many organizations have reported on the ineffectiveness of performance management systems as definite by (Pulakos, 2004).

Although a lack of effectiveness in many organizations was reported to be due to poorly planned performance management systems, the main subject is that performance management is highly complex and personal for both managers and employees, resulting in managers being unwilling to provide direct feedback and have frank discussions with employees for fear of reprisal or damaging relationships with the very individuals they count on to achieve their targets.

According to study it done by Thitina (2016) list the following points, an effective performance management system can production a very energetic role in managing the performance in an organization by: Maintenance the employees understand the importance of their assistances to the organizational goals and objectives.

Abay Insurance Company S.Co. Is one of among the competitors insurances industry. Abay insurance stands upper ten in its market share from the private companies operating in the Ethiopian insurance market. The company plays an essential role in the economic development and growth of the country. On it eleven years journey Abay escalating its business operation to the extent of over 31 branches throughout the country and expanding its branches and their services via opening additional new branches.

1.2 Statement of the Problem

The growth in complexity and value adding services is a pouring force for the need for the punishment of performance Management systems. The endurance and sustainable growth of organization is increasingly linked to its intellectual capital rather than its physical assets. People are now the motorists of corporate performance and competitiveness. According to Dr Mritunjay Arthreya (2004) observed that workforce productivity constitutes around 60 percent of the total cost. Therefore, the growing significance of performance management needs no further emphasis. Performance Management systems is used to settle that employees' activities and results are harmonizing with the organization's objectives and involves specifying those activities and outcomes that will result in the firm successfully implementing the strategy (Gold et al, 2010). 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. According to Elaine, (2004) Performance management systems, which typically include employee development and performance appraisal, are the "Achilles' heel" of human resources management.

A survey done by Watson (2008) showed that only three out of ten employees come to an understanding that their company's performance management system aids improve

performance. Less than 40% of employees said their systems established clear performance objectives, generated truthful feedback or used technology to update the process. While these results suggest that there may be poorly designed performance management systems in many organizations, it is typically not poorly developed tools and processes that cause problems with performance management. Rather, problems get up because, at its central, performance management is a highly personal and often intimidating process for both managers and employees. (Elaine, 2004) Basically, Performance Management is worried with the encouragement of productive flexible behavior. Armstrong (2007).

The aim of this study is to investigate the PMS in Abay Insurance is linked with management commitment, employee's involvement, reward system, and performance appraisal to meet the effectiveness of PMS. Employment involvement referring to employee initiative on knowledge enhancement and understand company's objectives. On the other hand, management commitments include supports from department managers and immediate supervisors on establishing and implementation of PMS. The supervision shall involve in PMS activities to inspiration employees' perspective on PMS and motivation towards PMS implementation. Besides, participation of management on PMS activities could also show confidence to employees and ensure the PMS implementation is trustworthy, meaningful and favorable to both organization and employees.

PMS is a significant systematic tool for the company to assess employee performance. However, there are few of research in insurance industry discussing the PMS which has been conducted in Ethiopian insurance sectors or determining the effectiveness of applied PMS. Employed descriptive methodology and used both qualitative and quantitative study of Thitina (2016), she determined the effectiveness of PMS in Nib insurance S.C and she found that PMS didn't serve its employee development and organizational maintenance purposes well.

1.3 Research Questions

The study focuses on the following research questions.

1. What is the extent of employees' involvement in the implementation of Performance Management System AISC?
2. How far do management members are committed in the implementation of Performance Management System in the company?
3. How performance appraisal is included in Performance Management System framework in the company?
4. What reward systems are aligned with Performance Management System in the company?

1.4 Research Objectives

At the end of this study the researcher has plan to achieve the following general and specific objective.

1.4.1 General objective

The overall objective of this study is to assess the determinant factors of the effectiveness of performance management system in Abay Insurance Share Company.

1.4.2 Specific objective

- 1) To determine the extent employee involvement in the implementation of Performance Management System in AISC.
- 2) To examine the level of management commitment involve in the application and execution of Performance Management System.
- 3) To assess if performance appraisal method has been carried out when Performance Management System (PMS) is applying.
- 4) To determine the reward system is associated with the Performance Management System (PMS).

1.5 Significant of the Study

This paper helps the Company to understand the practice of Performance Management System (PMS). The company's objective and employee's goals shall align in order to achieve PMS effectiveness. The company shall briefly describe to employees on the company's objective, vision, and mission. On the other point, employee shall know their title role and improve their own individual capabilities in order to achieve the company objectives. Furthermore, the company's top management & manager shall always communicate their prospect on employees. Managers have get a chance to understand more on their subordinates' and employees performance and individual goals as PMS exercise should progress the communication between employees and the managers. It also gives more responsibilities to employees and reinforces them to develop themselves and to gain a higher level of position in order to achieve their individual goal in the company. The PMS evaluation shall include the checking of employee's individual performance by the managers and the rewards system shall allied with the results from PMS evaluation.

1.6 Scope of the study

This study covers all the branches of the company found in Addis Ababa. The study contains both the management and the other employees in different work units of the company. Descriptive statistic like mean, frequency and percentage will be used as statistical tools to undertake data analysis.

As the study is expected for assessing in detail the claim and exercise of performance management system in Abay, the researcher has restricted the target group of this study to be only staffs of the case organization that has brought through the practice at least for one full performance period.

Geographically, all branch offices in Addis Ababa including the head office are covered by the study. Geographically, the scope of this study was delimited to head office, and city branches of the company.

1.7 Limitation of the study

The research was limited to the identification of the determinant factors of the effectiveness of performance Management systems on employees' performance in Abay insurance. The time existing to study a research problem and to measure change over time might be constrained by such practical issues.

This study was conducted in Abay insurance with a population of 150 employees with a sample of 80 employees being surveyed for questionnaires. The biggest limitation to these studies was resistance of unwillingness of workers to fill in the questionnaires. The mitigation measure taken was to explain to the sample group that the information was for research purposes only and that privacy of their information would be ensured.

1.8 Organization of the Study

This research categorized into five chapters. Chapter one is the introduction parts which shelters the background of the study, statement of the problem, objectives, and research questions, purpose of the study, scope and limitation and the organization of the study. Chapter two is talking about the literature review and it covers reviews of available literature on the subject matter. Chapter three talks about the research design and methods used for the study taking into account the need to achieve a representative sample of the population and accuracy of information. It also covers the area of study, the sampling methods and the data collection methods that were employed. Chapter four applies data analysis methods to the data gathered and presents the findings that bothers on the objectives of the study in the form of tables with explanations. The last chapter, which is chapter five, presents summary of major findings, conclusions, recommendations and summary of the study. This chapter would followed by the reference which acknowledges all persons and institutions cited in the study and the appendices.

CHAPTER TWO

2. REVIEW OF LITERATURES

2.1 Introduction

The power of organization is all the time more linked to its intelligent capital rather than its physical assets. People are now the drivers of corporate performance and effectiveness. Therefore, performance management deals with cultivating organizational performance by improving employee performance. Essentially, the cost of competitiveness involves efficiency and productivity. Dr Mritunjay Arthreya (2004) observed that workforce productivity founds around 60 percent of the total cost. Therefore, the growing importance of performance management needs no additional emphasis.

2.2 Review of Theoretical Literature

2.2.1 What is performance?

A performance management system is a continuous process of identifying, measuring, and developing the performance of individuals and teams and position in a line performance with the strategic goals of the organization. Continuous process is Performance management that is ongoing. It involves never end process of setting goals and objectives, become aware of performance, and giving and receiving ongoing training and response.

Association of performance management with strategic goals requires that managers ensure that employees' activities and outputs are corresponding with the organization's goals and, consequently, help the organization gain a competitive advantage. Therefore, Performance management makes a direct link between employee performance and organizational goals and creates the employees' involvement to the organization clear. Herman Aguinis (2013).

A complete view of performance is accomplished if it is defined as taking on both behavior and consequences. This is well put by Brumbrach (1988): "Performance is both results and behaviors. Behaviors initiate from the player and transform performance from

concept to action. Not just the instruments for results, behaviors are also results in their own right of mental and physical effort practical to tasks and can be rule on apart from results.” Therefore, Performance could be look upon as behavior the way in which organizations, teams and individuals get work done.

Performance = (Skill to do + Will to do)

Performance is essentially what an employee does or does not do. Performance of employees that affect how much they contribute to the organization could include the Quantity of output, the Quality of output, and the timelines of output, the Presence at work and Cooperativeness

Clearly other dimensions of performance might be suitable in certain jobs. But those listed are common to most. However, they are general; each job has specific job gauges or job performance measurement that identifies the elements most important in that job. (David A. DeCezzo & Stephen P. Robbins, 2005).

2.2.2 Objectives of Performance Management System

According to Lockett (1992), performance management objects at developing individuals with the essential obligation and competences for working towards the shared meaningful objectives within an organizational setting. In the contexts of Performance managements are designed with the objective of cultivating both individual and organizational performance by classifying performance necessities, given that regular feedback and helping the employees in their career growth.

Performance Management Systems (PMS) are essential for the effective management of staff and for their development. They help employees grow as they help them improve their business practices and, when needed, redirect their goals and objectives. In fact, when properly done, PMS can accomplish many good things: Dr, Hans –peter Benedikt (2008).

1. All staff members have a clearer understanding of the objectives to be achieved by the organization in which they work, in a given year.

2. Every staff member also have a clearer understanding of the specific outputs they are required to produce as a contribution to the achievement of those organizational objectives.
3. Every staff member see greater effort being made to ensure that the resources and tools required to help them make that contribution as agreed, are provided in a timely manner.
4. Every staff member can discuss regularly with their manager/supervisor, the challenges and successes they are experiencing as they do their work.
5. Every staff have a better understanding of what specific outputs their fellow colleagues in their Division/Section are responsible for producing, allowing them to have more productive and effective work relations within a Division/Section.
6. Career planning and the development of job related knowledge will be facilitated during the performance monitoring and evaluation process, without staff members having to make a separate special request to discuss these issues.
7. Managers/Supervisors should find it easier to manage/supervise individuals with a more structured approach to assigning work and communicating changes throughout the year.

2.2.3 Benefits to Implement Performance Management System

According to Michael Armstrong (2000) when hosting performance management you cannot work against the culture of the organization. You have to work within it, but you can still seek to achieve cultural change, and performance management provides you with a means of doing so. The primary reason to ensure performance management processes are functioning properly is to tighten the link between strategic organizational objectives and day-to-day actions. Effective goal setting (including timelines), combined with a method to track progress and identify obstacles, contribute to success and achievement of mission-related results. Regularly tracing progress against performance objectives and goals also provides the opportunity to reward employees and recognize for performance and exceptional effort, contributing to productivity, and job satisfaction.

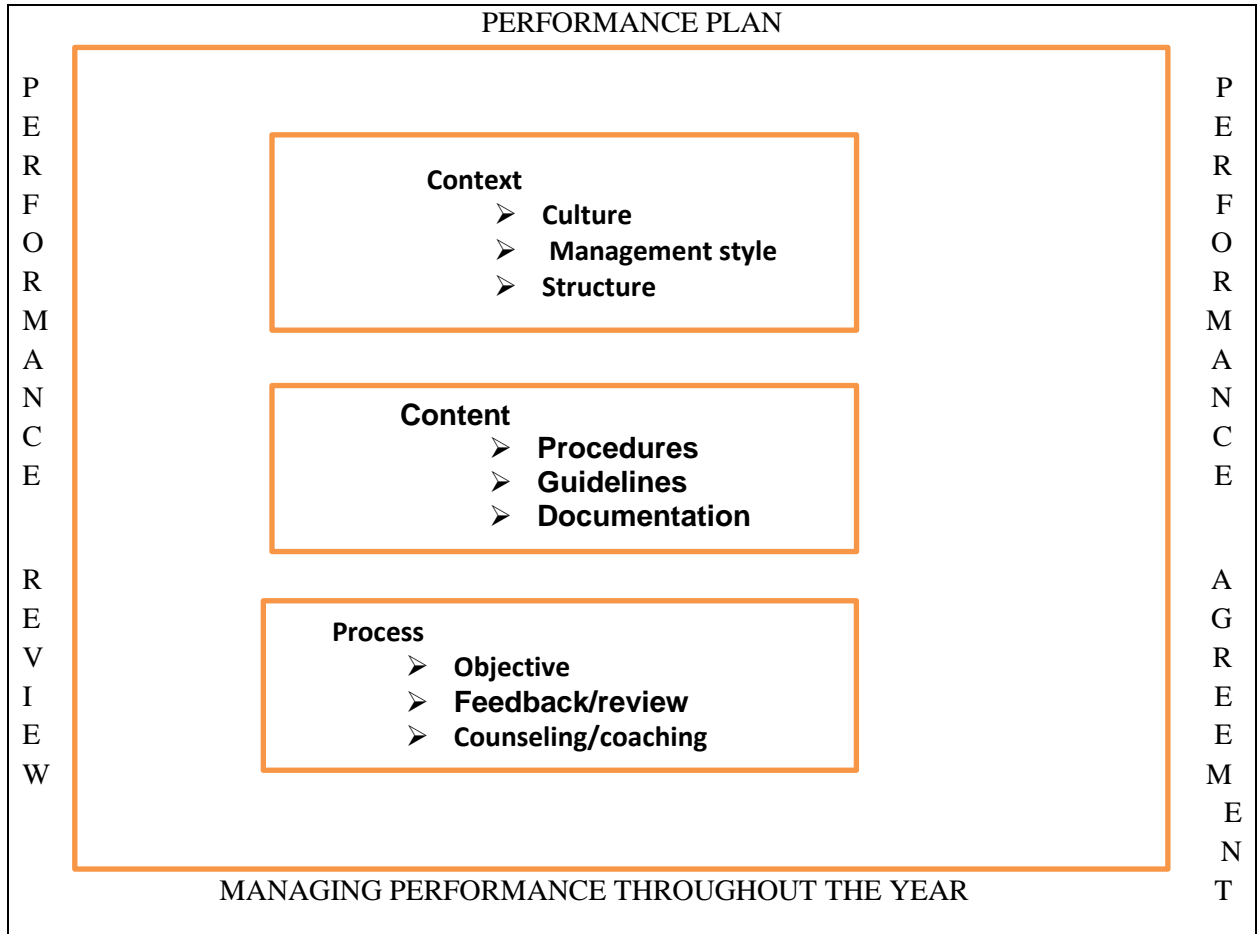
2.2.4 A framework of performance Based Management system

Performance management needs to encourage a balanced approach with the following structures, as defined by Vicky Wright and Liz Brading (1992): Less focus on deep performance valuation and more attentiveness on future performance planning and enhancement. Evidence of identity and recognition of the skills and capabilities connected with higher levels of performance. This proof of identity and gratitude of amount produced that are defined in qualitative and not just quantitative terms. A more teaching and treatment style of appraisal, with less importance on condemnation. More emphasis on an individual's aid to the attainment of the team as a whole, with some objectives defined in these terms. Concern for successful an individual s performance as much as measuring it.

According to Michael Armstrong (2000) Performance management can be considered as a framework, as illustrated in Figure 2.1, within which a number of factors operate that will affect how it should be introduced, developed and evaluated.

Armstrong (2000) The outline of performance management is delivered by the arrangements for agreeing performance necessities or expectations, preparing performance plans, managing performance constantly, and reviewing performance regularly. Inside this framework are the contextual or environmental factors of culture, management style and structure, which will strongly affect the content of performance management procedures, procedures and records, as well as the all-important progressions that make it work. Michael Armstrong (2006)

Figure 2.1 a framework of performance management systems



2.2.5 Policy Guidelines for effective Performance management systems.

According to Herman Agunis (2013) The HR department is in a good situation to magistrate whether policies and procedures have been practical correctly and has good indication about the various jobs, levels of performance of other employees within the unit and organization, and levels of performance predictable.

In addition to the above point Herman Agunis (2013) said, When an applications process is in place, employees have the capacity to question two types of issues: administrative and judgmental. Critical issues center on the rationality of the performance appraisal. Managerial issues involve whether the policies and procedures were keep an eye on.

According to Armstrong (2000) the development plan records the actions agreed to progress performance and to enable individuals to take on wider responsibilities,

extending their capacity to undertake a broader role, and to develop knowledge, skills and competences. It is likely to focus on development in the present job to improve the competency to perform it well and also, outstandingly. This plan therefore plays to the attainment of a policy of continuous development that is built on the belief that everyone is capable of learning more and doing better in their jobs. But the plan will also contribute to increasing the possible of individuals to carry out higher-level jobs.

Armstrong (2014) employee affairs policies definite the philosophy of the organization on what sort of relationships is wanted between management and employees and, where necessary, their unions, and how the pay work bargain-basement should be managed. A social corporation policy will aim to develop and maintain a positive, cooperative, productive and believing climate of employee relations.to Armstrong (2000) Company procedures to managers on performance management often suggest that they should grasp temporary formal progress reviews during the year say once a quarter or middle through the evaluation year.

2.2.6 Characteristics of an effective performance Management system.

As stated in Lovely Professional University text book and its edited by Dr, Pretty Bhalla said, Performance management is an important organizational tool to clarify performance objectives, critical dimensions, standards, and capabilities to improve individual performance.

Performance management works finest when an employee's work is planned and aims for achievement are communicated. Performance management changes organizational objectives and strategy into a quantifiable action plan by getting the right information to and from the right people at the right time and in the right arrangement. It emphasizes the development of capability and capacity of employees to perform consistently, coupled with the agility to respond to a changing dynamic business and work environment.

According to Herman Aguinis (2013) he lists the following ideal characteristics of performance management systems.

2.2.7 Characteristic of an ideal PM systems.

Thoroughness. The system should be thorough regarding four dimensions. First, all employees should be evaluated. Second, all major job accountabilities should be evaluated (behaviors and results). Third, the evaluation should include performance spanning the entire review period, not just the few weeks or months before the review. Finally, reaction should be given on positive performance features as well as those that are in need of upgrading.

Meaningfulness. The system must be meaningful in several ways. First, performance assessment must stress only those functions that are under the control of the employee. Second, the principles and assessments conducted for each job function must be measured important and relevant.

Identification of effective and ineffective performance. The performance management should allow for differentiating between effective and ineffective behaviors and results, thereby also allowing for the identification of employees exhibiting various levels of performance effectiveness.

Reliability. A good system should contain occasions of performance that are reliable and free of error. For example, if two managers provided rankings of the same employee and performance measurements, ratings should be similar.

Validity. The measures of performance should also be valid.

Appropriateness and fairness. A good performance management system is standard and is perceived as reasonable by all participants. Awareness of fairness is subjective and the only way to know if a system is seen as fair is to ask the candidates about the system.

Ethicality. Good performance management systems comply with ethical standards. That means the administrator overpowers personal self-interest in providing evaluations. In addition, the manager evaluates only performance dimensions, which has sufficient information, and the privacy of the employee is respected.

As per Elaine D. Pulakos (2009) Capabilities are defined as the knowledge, skills, abilities, and other personal features that are most contributory for achieving important job results and paying to organizational success.

2.2.8 Development of Performance management systems.

According to Elaine D.Pulakos (2009) the main support of creation and implementation of performance management systems that lead to significant results based on rolling goals from the organizational level going to the individual employee.

Organizations use performance management system as a basis for decision-making, such as assignments, promotions, pay, bonuses, and reductions in force. Other, organizations use performance management systems to guide employee development. This means using performance information as a basis for development planning to help employees improve their skills. Elaine D.Pulakos (2009).

2.2.9 Performance Management Process

Michael Armstrong (2006) Performance management should be regarded as a flexible process, not as a 'system'. The use of the term 'system' implies an inflexible, standardized and bureaucratic approach, which is varying with the concept of performance management as a flexible and evolutionary, albeit coherent, process that is practical by managers working with their teams in accordance with the situations in which they operate.

The process of Performance Management is contained of three important parts (1) Planning manage Performance and Development; (2) Monitoring manage Performance and Development and (3) Annual Stock Taking. These are occurs in a specified sequence. Planning is made at the beginning of the year while intensive care and mentoring is continued throughout the year as the plans are performed.

Elaine D. Pulakos (2004) said, Effective performance management systems have a well-articulated procedure for completing evaluation activities, with defined timelines and roles for both managers and employees. Especially in organizations that use systems as a basis for pay and other HR decisions, it is important to ensure that all employees are preserved in a fair and reasonable manner. Based on inspection of performance management processes in several organizations, most contain some difference of the process.

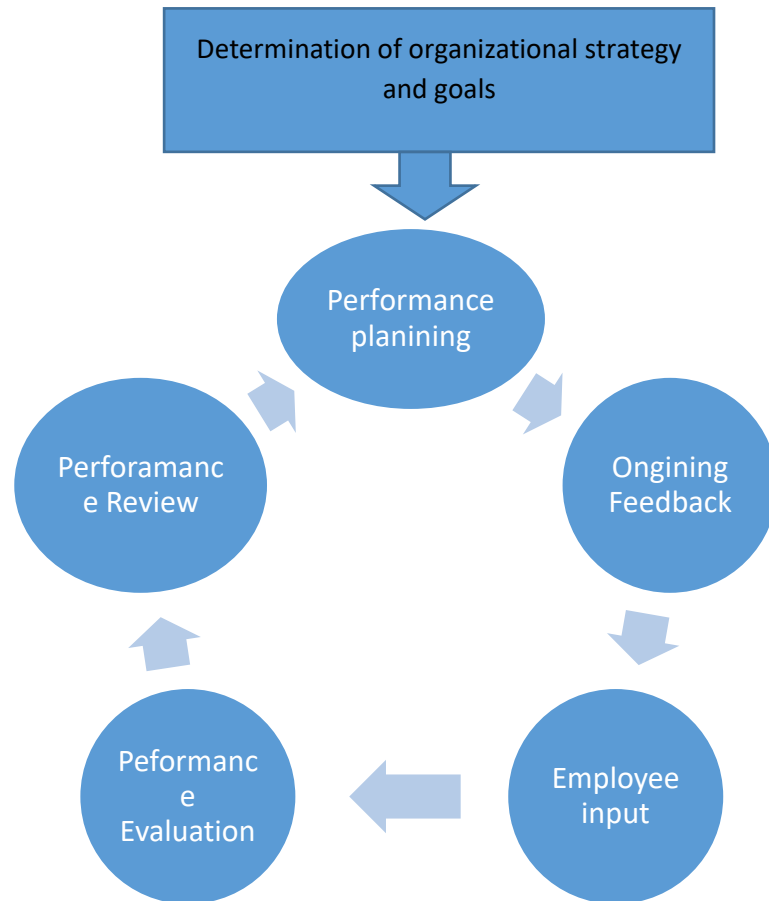
Herman Aguinis (2013) Performance management systems is a continuing process. Performance management does not take place just once a year.

Performance management is a continuous process including several elements. These elements are closely related to each other, and the poor application of any of them has a negative impact on the performance management system as a whole.

A handbook by Dr. Hans-Peter Benedikt (2014) a successful performance management process starts by setting and communicating performance goals. These goals include both what result is expected from employees and how staff should carry out their jobs (behavioral standards). Goals are more effective when they are clear, linked to organizational goals, motivating (difficult but achievable) and focused (no more than 3 areas). Feedback is more effective when it is Timely (close to event), communicative (open to ask employee's views), specific, focused on actions (not personal characteristics), proactive (plan steps to follow) and supporting (offers assistance and resources). Feedback should take place in a continuous form and not only at the end of the year. The final performance review should therefore provide a feedback of the entire performance management cycle. It is not a point in time when employees feel uneasy or "surprised" about the evaluations obtained.

The successful implementation of a PMS requires committed management and staff. It implies continual training. Supervisors and team leaders should become competent in communicating effectively; setting goals correctly; measuring employee performance both in a quantitative and qualitative way; giving feedback that informs but also suggests improvement; coaching and in recognizing job well done. Implementation benefits as well from the use of supporting material (handbooks) and by automation that reduces the paper work.

Figure 2.2 Performance Management Process (Elaine D. Pulakos 2004)



➤ **Performance Planning**

At the beginning of the performance management cycle, it is important to assess with employees their performance prospects, including both the behaviors employees are expected to display and the results they are predictable to achieve during the coming rating cycle.

Behavioral Expectations

Effective performance management systems provide behavioral principles that define what is expected of employees in key competency areas.

During the performance planning process, managers should evaluate and discuss these behavioral criteria with employees. It is important for managers to make sure employees know how the behavioral standards relate to their particular jobs. (Elaine D. Pulakos, 2004)

Results Expectations

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

➤ **Ongoing Feedback**

During performance planning process, both behavioral and results outlooks should have been set. Performance in both of these areas should be discussed and feedback provided on a continuing basis throughout the rating period. In addition to provide that feedback whenever ineffective performance is observed, providing periodic feedback about day-to-day undertakings and contributions is also very valuable.

For the feedback process to work well, practiced practitioners have encouraged that it must be a two-way communication process and a combined responsibility of managers and employees, not just the managers. This requires training both managers and employees about their roles and accountabilities in the performance feedback process. (Elaine D. Pulakos, 2004)

➤ **Employee Input**

Employee contribution has been used successfully in many organizations. It sometimes takes the form of asking employees to be responsible for self-ratings on performance criteria, which are then associated with the manager's ratings and discussed. However, experienced practitioners have originate that this type of process and discussion can lead to increased defensiveness, differences and bad feelings between employees and managers, if managers finally rate employees less effectively than they have rated themselves. An alternative way of assembly employee input is to ask employees to prepare statements of their key results or most commendable accomplishments at the end of the rating period. (Elaine D. Pulakos, 2004)

➤ **Performance Evaluation**

Many organizations are using competency models as a basis for their performance management systems. Competency models articulate the knowledge, skills, abilities and other characteristics that are deemed to be most instrumental for achieving positive organizational consequences. Job analysis techniques, such as job clarifications, interviews, focus clusters and surveys, are used to classify key competencies and associated serious work behaviors.

➤ **Performance Review**

The performance review period is also a good time to plan growing activities with employees. While classifying developmental needs can be easy with the right performance management tools, knowing correctly what to do to address these needs effectively is not always so obvious. Many managers are quick to suggest formal classroom training or distance learning to enhance employees' skills, without realizing that the massive majority of learning occurs on the job. In some organizations, pay, promotion decisions and other managerial actions are also discussed during the performance review session. In others, separate meetings are held to discuss administrative actions. The validation for not discussing rewards or other outcomes during this session is to enable a more open discussion about employee development needs. (Elaine D. Pulakos, 2004)

2.2.10 Employee Involvement towards Performance Management System Effectiveness

As stated by Herman Aguinis (2013) both the supervisor and the employee must assess the performance management. Employee participation in the process increases employee proprietorship and commitment to the system. In addition, it provides important information to be discussed during the performance review.

Herman Aguinis (2013) mentioned that Employees be aware what others think about their performance, which increases their capacity to development because information about performance is no longer a private matter.

Companies can generate trustworthy and satisfied customers through trustworthy and satisfied employees. BMW (2005) says that the employee-orientation of corporate policy ensures long term profitability of the company, by removing negative effects on costs. The cost can be in the form of employees' absenteeism due to monotony, lack of interest; as policy is not supposed to be associated with their goals and advancement etc.

2.2.11 Management Commitment towards Performance Management System Effectiveness.

According to Elaine D. Pulakos (2009) performance management system to be operative, organizational members must agree to take it, consider it is value their time, and be motivated to use it. Research on applying many different types of organizational programs openly shows that success depends, first, on upper management support for the program. The stronger the management commitment, the greater the system's success will be. Without management support, the system will fail.

Rodgers, R., Hunter, J. E., & Rogers, D. L. (1993). The literature on many different types of management programs says that effective program putting in place depend on the level of top management commitment: the stronger the commitment, the greater the possible for program success.

As stated in article review of Industrial Engineering Letters www.iiste.org ISSN 2224-6096 (Paper) ISSN 2225-0581 (online) Vol.5, No.2, 2015. Management should be committed to develop the system and proper communication with the employees should be made. Clear measures should be adopted and employees at all levels must be aware with the adopted measures. Performance management is a continuous process; to follow up should be given to the employees so that employees can come to know regarding their performance in the organization.

Employees working in an environment where management is not devoted to service distinction cannot deal with customers' requests and criticisms successfully. It is obvious that any efforts made by such employees are fated to miscarriage from the start unless management is fully committed to service quality (Zemke 1991).

As stated by (Babakus *et al.* 2003: 275) Organization commitment to service excellence refers to “employees’ appraisal of an organization’s commitment to encourage, develop, support, and reward its employees to achieve service distinction”.

Employees can successfully recover from service failures if they are trained in attending and problem-solving skills as well as technical skills (cf. Boshoff, Allen 2000; Yavas *et al.* 2010).

Permitted employees would be able to provide quick, appropriate, and equitable responses to plaintiffs (Boshoff, Allen 2000; Yavas *et al.* 2003).

2.2.12 Performance Appraisal towards Performance Management System Effectiveness

According to lovely professional university book title performance management systems edited by Dr,pretty Bhalla, The results of appraisal are normally used to: Estimate the overall effectiveness of employees in performing their jobs. Identify strengths and weaknesses in job skills and knowledge. Determine whether a subordinate’s responsibilities can be expanded. Identify future training and development needs. Review progress towards goals and objectives. Determine readiness for promotion, and Motivate and guide growth and development.

According to Ken lloyd PhD (2009) the performance appraisal process can play an ordinarily powerful role in building your employees, as well as their performance and productivity when it’s done correctly.

Also ken Lloyd (2009) say Inspiration is the process that strengthens employees and drives them to pursue their goals. Well-designed and well implemented performance appraisals have a strong motivational influence.

Fletcher (2001) appears to have been moved by the extensive recognition given to PASs when he stated that Performance Appraisal (PA) is now a strategic component of integrating HR functions and company schemes and is now used generally to define operations by which enterprises attempt to assess their workers’ productivity in order to determine their pay.

Dulewicz (1989) states that performance appraisal is a strategic official communication between a worker and his supervisor that takes place from time to time, during which the output of the worker is determined, aiming to improve the output of the worker.

To Lawrence (2014), performance appraisal is a doings that assesses the productivity of employees in an establishment, classifying their strong points as well as their inadequacies in order to make them perform more capably.

2.2.13 Reward System towards Performance Management System Effectiveness

Herman Aguinis (2013) well-defined that a reward system is the set of instruments for distributing both tangible and intangible returns as part of an occupation relationship.

According to (Milkovich et al., 1993; Kalleberg, 1977) it is requested that team reward systems underline cooperation, the sharing of information, loyalty, knowledge, and capability to increase firm's performance.

Furtado et al (2012) state that it is wealth stressing that reward systems are designed with the objectives of increasing organizational productivity and the process of rewarding the employees who have achieved the expected level of performance in the organization.

Kitoito (2014) explains that the systems of reward can be classified as intrinsic or extrinsic. Intrinsic reward systems are inherent in the job, in which the individual enjoys as a result of completing the task successfully to enable the employees to attain the organizational goals and their personal goals. Armstrong (2012) states that reward systems consist of interconnected processes and practices which ensure that reward management is approved out effectively to the benefit of the organization and the employees who perform the tasks.

2.3 Theories of Performance Management System

Buchner (2007) stated that goal setting theory, control theory, expectancy theory and two-factor theory shall be joined in order to deliver a wide-ranging framework to ensure the effectiveness of Performance Management System.

2.3.1 Goal Setting Theory

The theory was developed by Locke (1968). He commented that people are encouraged with directed goals. According to Latham, Brcic & Steinhauer (2017), goal setting theory is to answer a goal which able lead to higher job task and performance and it has an important correlation between difficulties on performance and goals. Employees shall have certain abilities and competencies to perform task and achieve goals in goal setting theory. Struggle and sustainability are important elements in this theory.

Shoaib & Kohli point out goal setting theory and employee participation is a motivational arrangement. Goal setting theory explained a positive relationship with job satisfaction, meaning to say goal setting and employee involvement could able to lead to an extraordinary job satisfaction. A goal could inspire employee to use their knowledge and skills on work. Besides, goal could also motivate employees to study new things and improve self-knowledge. Therefore, a high goal could reproduce a higher performance on work.

According to Lunenburg (2011), challenging and difficult goals could bring greater motivation to employees compared to common and easy goals. Employee's output and productivity could be better-quality with clear and specific goals from the company. Therefore, performance management system with the scheme of goal setting theory able to bring positive impression towards employee performance. Furthermore, goal achieve could be work in a nonstop outline when the current outcome could be the input for the next level of goal setting. Yurtkoru et al. (2017) determined that planned goal could be the performance inducer to employees. Performance goals are able to gain better results on work, enhance job satisfaction and increase employee performance on the job. When goals are not achieved and employee performance does not meet the expectation of company, it could cause employee's dissatisfaction.

2.3.2 Expectancy Theory

According to Lunenburg (2011), expectancy theory defined that employee's behavior which helps employee to achieve wanted performance goals. Which also determine whether employees have such knowledge and abilities to complete task as per standards. As agreed by Mohamed (2015), when there is high benefits provided employees show motivated. There are three important associations on expectancy theory which are expectation towards effort to performance, expectation towards performance to reward and reward valence. On the other hand, the three important elements of expectancy theory are: Employee's effort will lead to the expected performance this Performance will be rewarded systematically and add the value of rewards is positively high.

In the research of Zhang, Song, Hackett & Bycio (2006), DeNisi and Pritchard's literature determined that in order to progress the performance management system's role, a detailed and all-inclusive of motivational structure has to be considered based on expectancy theory. They requested that the framework of DeNisi and Pritchard has interpreted the key factors which could increase the appraisal effectiveness and performance management process. The theory shall involve in the establishment of performance management system as it could help employee to be inspired and achieve better performance. Hence, pronouncement is very important in the performance assessment to determine their current capability on performing current task (Lunenburg, 2011).

2.3.3 Control Theory

Eneanya (2018) stated that control theory is focuses on determining behavior by given that feedback. Feedback is a major element in performance management process as it allows employees to know their performance and how well is their skill and knowledge to achieve the expected goals. Islami, Mulolli & Mustafa (2018) mentioned that control theory will motivate employees when they understood the differences between the standard performance and physical performance. Employers shall provide employees objectives and feedback on their actual performance to improvement job fulfillment and employee productivity.

The use of control theory is depending on the knowledge of supervisors and their ability on setting and measuring performance (Arthur, 1994). Besides, Jarrell, Harley & Lajoie (2016) also mentioned that fulfilment are goal directed and appraisal driven. A fulfilment has a significant relationship with individual appraisal and valuation on performance.

2.3.4 Two factor Theory

According to two-factor theory or Herzberg's theory, there are four important elements in this theory which are, employee performance, hygiene factors, motivational factors and job satisfaction. Employees' job satisfaction and achievement depends on their work with motivational factors and hygiene factors (Khan, Abbas & Zaki, 2017). Motivational factors (e.g. recognition, promotion, etc.) could increase the long-lasting job satisfaction, while hygiene factors (e.g. salaries, job security, safety working environment, etc.) are for short term purposes (Dartey-Baah & Amoako, 2011). William (2010) explained that some employees will be motivated by high pay, while some high performance employees were activated by company procedures, salutation system and working environment. Habib, Awan & Sahibzada (2018) mentioned that the presence of two-factor theory is too distinct the elements which caused satisfaction and dissatisfaction of employees in workstation.

This theory could provide a strong based for a successful and effective performance management system.

2.4 Review of Empirical literature

The literature review shows the significance of performance review, effects of performance management system on the organization and how it affect employees performance., However, many intellectuals have put clear the importance and the right process for performance management and the studies are classified as studies in relation to performance Management system.

2.4.1 Studies in relation to Performance Management System

The study conducted by Woyessa (2015) conducted a research study on the effectiveness of performance management systems in central Universities of Technology in Nigeria. On this study reflect that One of the important factors that may be considered as a weakness to achieving an effective performance management system is the lack of trust between the two parties (employer and employee) on the implementation of the system. It is implied that when there is no trust there is a perception of unfairness. This perception might have led to the views expressed by most participants, which point to the fact that the majority of employees have little insight into the purpose of the performance management system, why it is important to the university and the employees and the implications for excellent performance or a lack thereof.

The conclusions from his study disclose that effective performance management systems should be supported by practices and organizational circumstances with certain characteristics. Indeed, as reported in that study, the main problems are a lack of institutional provision for training and support on performance management, a lack of employee engagement in target setting and absence of emphasis on employee recognition in order for the performance management system to be effective and to deliver more valuable and desirable outcomes.

Naidu (2021) conducted a study on Automotive Manufacturing employees. The objective of the study was to establish an 'effectiveness of performance management systems in working organization'. The researcher raised the question about incentives to understand whether performance is rewarded. Respondent said there is no link between performance management and financial rewards. There is a slight correlation however the firm does not use performance appraisal for merit increase.

Performance appraisal is a three pillar process which involves planning, tracking, and reviewing. In the planning phase, the key performance areas are agreed at the executive committee and cascaded down from each divisional manger to employee who includes employees working on the production floor.

M. Khasro Miah and Chowdhury Golam Hossan (2012) have conducted an empirical study on performance management system in UK retail industry found that implementation of performance management system is different what it is supposed to be. The top level management acknowledges that they are not good in implementing their employee performance management system and most of their line managers are not trained enough to conduct the employee performance review. There is no performance management committee and no formal procedures for performance appraisal.

According to the interpretation of the study Performance Management is therefore lack of trust between the Employer and employees most of employees does not have much more trust on the company implementation of performance management systems. Training activities should ideally be based on performance gaps that are identified during the Maintaining of Performance phase. By linking training to identified performance gaps, training will be focused, specific and relevant. As such, performance data should be a major input source of the annual training needs analysis.

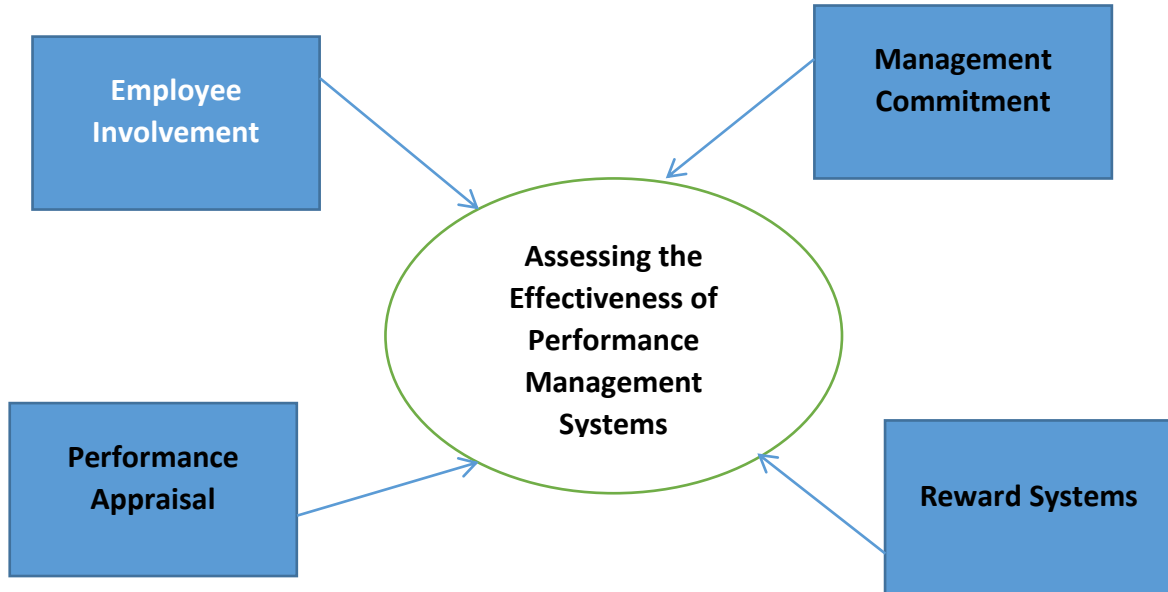
The study concluded that the bottom-line reality is that we all need to know what is expected in a specific role – if that is lacking, uncertainty and frustration, resulting in demotivation and ineffectiveness, is created. This in turn impacts negatively on company performance and long-term sustainability of the organization. To avoid this, clear goals and objectives need to be defined and that is the crux of an effective Performance Management system.

2.5 Conceptual framework of the study

The conceptual framework for this research has been developed from theoretic review of literature which has led to derive out with the theoretical framework in figure 2.1 which describes the relationships between variables that they cannot be separated since they depend on each other.

2.5.1 Conceptual Framework

Figure 2.1 Conceptual Framework



Independent Variables

Dependent Variables

Independent Variables

Source: Schwind 10th Canadian Edition

So, as indicated in figure conceptual framework in the conceptual framework, the two variables are interconnected and there is no way they can be disconnected. Dependent variables are variables that researchers measure in order to establish the modification or effect created on them. A dependent variable waits for the effect of an independent variable. For example, in this study, Employee Involvement, Management Commitment, Performance appraisal, and Reward system are independent variables resulting to determine the effectiveness of performance , Effectiveness of performance Management systems which is dependent because they it depend on the effects of the four.

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

The major objectives of this study is to describe how effective is Abay insurance implementing Performance Management System and how do employees sense on the Performance Management System of their company. The concept of Performance Management System (PMS), research questions and problem statement this research had been introduced in Chapter one. In addition, Chapter two had discussed the review of literature which applicable to variables that affect Performance Management Systems effectiveness. This chapter presented details of research methodology which covered the population and sampling design, data collection methods and data analysis method of the study. According to Zina O' Leary : Research is a creative and planned thinking process that implicates continually accessing, reassessing and making decisions about the best possible means to finding truthful information, carrying out appropriate analysis and tracing acceptable solution.

3.2. Research Approach

There are both quantitative and qualitative method approaches in the thesis. The quantitative approach is more objective. It is used to evaluate the evidence and to clarify theories and hypothesis. It is much more focused on the collection and analyzes of statistics. (Hunter &Leahey 2008). On the other side, the qualitative method is interpreting what the people think and say. That method is much more subject to interviews and case studies and relies less on numbers.(Denzin & Lincoln 2005) In general, the qualitative method produces conclusions and hypothesis and the quantitative method verifies which hypothesis is true.

In this study, descriptive and quantitative research method will be functional as researcher want to know whether Performance Management System in the company is effective from company current situation on employee involvement, management

commitment, performance appraisal and reward system. In addition, questionnaire will be used in this study to collect primary data from the respondents by researcher.

3.3. Research design

Research design is the framework of research methods and techniques chosen by a researcher. The design allows researchers to practice in on research methods that are suitable for the subject matter and set up their studies up for achievement.

Important decision in research design process is the choice to be made regarding research method since it defines how applicable information for a study will be acquired; however, the research design process contains many inter-related decisions. According to Akhtar (2016) stated that there are four types of research design. Descriptive research is widely used in determining current situation. Researcher is suggested to use explanatory research when the study is to examine new topic which has not been discussed or studied by any researchers before. Exploratory research is useful when researcher wants to examine problems with a set of hypotheses. Lastly, experimental research is used when researchers want to test out if the connection between independent variables and dependent variables are valid. In this study, the researcher applied descriptive or explanatory research, which will be applied as researcher want to know whether Performance Management System in the companies are effective from companies' current situation on employee involvement, management commitment, performance appraisal and reward system. Besides, questionnaire will be used in this study to collect primary data from the respondents by researcher.

The study adopted a descriptive research design approach. Use of descriptive statistics was applied because of its capability to summarize large quantities of data using understood measures in form of graphical and numerical techniques (Burns, 2000).

3.4. Sampling Techniques and Sample Size

This study sample size contains all employees of Abay Insurance Company (managers as well as professional) working at the head office and other branches located in Addis Ababa with total of 150 employees (87 in the head office and 63 in branches). Since the number of workers in the branches located in Addis Ababa is small all employees careful as the population of the study are taken to get a large population of respondents.

Table 3.1 Location Spreading of Respondents

| Location Dispersion of Respondents | | |
|------------------------------------|-----------|---------|
| | Frequency | Percent |
| Head Office | 80 | 53.33 % |
| Main Branch | 6 | 4.00 % |
| Life Branch | 5 | 3.33 % |
| Merkato Branch | 4 | 2.67 % |
| Megenagna Branch | 5 | 3.33 % |
| Kera Branch | 4 | 2.67 % |
| Beklo bet Branch | 4 | 2.67 % |
| Kality Branch | 4 | 2.67 % |
| Bole Branch | 5 | 3.33 % |
| Legehar Branch | 4 | 2.67 % |
| Piazza Branch | 4 | 2.67 % |
| Gerji Branch | 3 | 2.00 % |
| Lideta Branch | 3 | 2.00 % |
| Arat Kilo Branch | 4 | 2.67 % |
| Lebu Branch | 4 | 2.67 % |
| Olympia Branch | 3 | 2.00 % |
| Atlas Branch | 4 | 2.67 % |
| Addisu Gebeya Branch | 4 | 2.67 % |
| Total | 150.00 | 100.% |

To select the respondents used Simple random sampling techniques from each branch. Simple random sampling technique involves the selection of samples at random from the sample frame Saunderset.al, (2007).

Sampling means selecting a smaller, more convenient number of people to take part in the research from the population (Catherine, 2002). The study uses the sample

determination method table developed by J Carvalho (1984). The sample size determination table is given below.

Table 3.2: Sample size determining table

| Population size | Sample size | | |
|-----------------|-------------|--------|------|
| | low | Medium | High |
| 51-90 | 5 | 13 | 20 |
| 91-150 | 8 | 20 | 32 |
| 151-280 | 13 | 32 | 50 |
| 281-500 | 20 | 50 | 80 |
| 501-1200 | 32 | 80 | 125 |
| 1201-3200 | 50 | 125 | 200 |
| 3201-10000 | 80 | 200 | 315 |

Source: J Carvalho, "Archival presentation of mathematical sample techniques", records management quarterly 18:63(1984)

Based on the above table the study has taken a sample of 80 respondents out of the 235, which is the highest possible sample size. Since the performance management system is similar across the insurance, the data collected from the samples represent the overall population.

However, Halim & Izhak (2014) & Hill (1998) found that Roscoe's rules of thumb determined the appropriate sample size is from 30 to 500. If sample size is larger than 500, it will affect the significant level between dependent variables and independent variables. According to Hussey and Hussey (1997) no survey can ever be free from error or provide 100 % surety and error limits of less than 5% and confidence levels of higher than 95% can be regarded as acceptable to produce results among variables that are significantly different and it broadens the range of possible data and forms a better picture for analysis.

3.5 Sources of Data

There are different methods used to gather information, all of which drop into two categories, i.e. primary and secondary data (Douglas, 2015). Primary data is one which is collected for the first time by the researcher while secondary data is the data already collected by others. In this study, questionnaire will be used to collect primary data from

the respondents by researcher. According to Bird (2009), questionnaire is a popular means to acquire information for present conduct or condition connected with the research topics and purpose.

3.5.1. Primary Data Sources

In this study used quantitative data collection and questionnaire and distributed by using non-probability convenient sampling. Respondents are employees from company head office and branches and whom office is accompanying performance management system regularly. A five point Likert scale questionnaire ranging from strongly disagree, disagree, neutral, agree and strongly agree was distributed to 80 employees who are working at the Head Office, and Addis Ababa Branches.

3.5.2. Secondary Data Sources

Secondary data sources are used in this study together with primary data. Secondary data is composed by using different books, papers and articles that are written on the topics related to

Performance management system and internal company source such as different annual reports, manuals, Directives and other relevant written sources that is useful to behavior the research.

3.6 Data Collection Tools

Research is a process of solving a problem by discovery information and examining the unknown (Lancaster 2005) The Knowledge claims, the approaches and the method all contribute to a research method that is qualitative, quantitative or mixed (Kent, 2007).

For this study used Primary and secondary data. The primary data was collected through well-thought-out questionnaire, which were dispatched to the respondents electronically. In case of any difficult in understanding the questionnaires. Secondary data was obtained from company records such as the manpower plan manuals, recruitments records and management information systems.

The study take on a 5 point Likert scale the values were ranging from 1-5. Each respondent will be asked to rate each item on the response scale 1= strong agree, 2= Disagree, 3= neutral, 4= Agree, 5 = strongly disagree.

3.6.1 The questionnaire Method

The questionnaire was composed in a brief and appropriate language to avoid ambiguity and to attract respondent's interest. (It is attached as an Appendix).

The questionnaire consists of different types of questions. Information about the demographic data of the participants is gathered from the multiple choice questions (closed), which just required that the right answers be ticked by the respondents. The demographic questions are used to correlate response between different types of groups. It is very important to find whether responses are consistent across groups. The main part of the questionnaire, which concerns the hypothesis of the thesis, consists of likert-scale questions. These questions help us to find how strongly the respondents agree with a particular statement. The answers of the questions are based on five-level scale and the options are: strongly agree, agree, neither agree or disagree, disagree, strongly disagree.

Used almost all types of questions in our questionnaire to confirm or reject our hypothesis and to find our conclusions and recommendations.

3.7. Methods of Data Analysis and Presentation

Data inspection is a process to take to mean a large amount of collected data to make use of it (Kawulich, 2004). Data analysis discussing to both qualitative and quantitative method of data process and information summarizing. In this study, quantitative method will be used to match the relationship of each variable to the effectiveness of Performance Management System.

SPSS (Statistical package for the social sciences) will be used as the statistical software for data examination.

3.8. Data Analysis techniques

The Data analyzed by using both descriptive and inferential statistics. The tools to be used will consist of the mean scores, standard deviation and Pearson correlation. The data will be interpreted and inferences made and presented descriptive using charts, tables, percentage in reference to a number of selected variable such as age, years of experience and level of education. Research will then apply the Pearson's product moment orodho, (2005) to calculate the co-efficient of regression between and among independent and dependent variables

3.9. Validity and Reliability

According to Dr Catherine Dawson (2002) for quantitative data analysis, issues of validity and reliability are important.

Quantitative researchers endeavor to show that their chosen methods succeed in measuring what they purport to measure. They want to make sure that their measurements are stable and consistent and that there are no errors or bias present, either from the respondents or from the researcher.

As mentioned by Patricia leavy (2017) the two main standards for evaluating quantitative research are validity and reliability. Validity refers to the extent to which a measure is actually tapping what we think it is tapping. Reliability refers to the consistency of results. A good measure should be both valid (measure what it's supposed to measure) *and* reliable (the results are dependable) (Babbie, 2013, p. 153).

Beyond these particular types of validity, there are two major forms of validity: internal and external. Internal validity centers on "factors that affect the internal links between the independent and dependent variables that support alternative explanations for variations in the dependent variable" (Adler & Clark, 2011, p. 188).

Reliability also evaluates the constancy of results over time. Reliability holds a particular entrenched notion of stability of the results found, which means that they will be repeatable over time as stated by (Golafshani, 2003). Historically in quantitative research,

content validity is strong-minded by a relationship coefficient (Hull, 1928). Accepting a more all-inclusive definition, Kirk and Miller (1986) have characterized validity as the assurance with which conclusions can be drawn from an analysis, and reliability as the uniformity with which a research procedure will evaluate a phenomenon in the same way over several attempts.

In order to increase the validity and reliability of the study model questionnaires was given to advisor. Based on the comment and suggestion of the model questionnaires that looks by advisor were modified and redesigned. After that the polished questionnaire was distributed to selected employees.

To insure the reliability of the instrument, the most commonly used Cronbach's alpha reliability coefficient technique was utilized to check internal consistency of surveys. As per Tavakol & Dennick (2011) reference a minimum level of Cronbach's alpha should be 0.70 to 0.95, it is considered acceptable values.

3.10. Ethics of the study

The main expected advantage of the study is informed to the respondents prior to the collection of the data. Confidentiality of each respondent and concerned body will not be exposed to other parties.

Data are collected formally from respondent and worried bodies. Formal letter will be providing for legitimacy of the study. The researcher will be dealing with different behavior of respondents like culture, religious, belief, and norms.

For respondents who require special assistance on translation, understanding, reading and writing, were given further explanation by the researcher to complete the questionnaire.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND INTEPRETATION

4.1 Introduction

In this chapter, it will be presenting the analysis of data collected through the questionnaire survey from Abay insurance employees. Demographic information of the respondents and data analysis on independent variables towards effectiveness of performance management system will also be presented in this chapter. The collection of data will be analyzed by using SPSS and interpretation will be included. Moreover, data findings will be discussed and related to the literature review in the previous Chapter.

4.2 Descriptive Findings

As shown in Table 4.1 below, questionnaires were distributed to two categories of employees. These were management (head of departments and Branch) and non-management (Senior and officers) employees.

4.3 Demographic Data of the respondents

This section provides demographic data of the respondents, as stated here below it includes the basic attributes of the respondents such as age, gender, educational background, years of experience and current status.

4.3.1 Gender Distribution of Respondents

The respondents were asked to indicate their gender and their responses are as shown in Table. Table 4.1: Frequency Distribution by Gender.

| Gender Distribution | | |
|---------------------|-----------|--------------|
| Sex | Frequency | Percentage % |
| Male | 44 | 55 |
| Female | 36 | 45 |
| Total | 80 | 100 |

Source: Researcher's Analysis, (2022)

Figure 4 shows that there are 44 of male respondents and 36 of female respondents, in total there are 80 respondents involved in the questionnaire survey to investigate whether the Performance Management System in the company is effective. In short, there are 55 % of male and 45 % of females in this questionnaire survey of 80 respondents. As the samples were randomly selected, it might be concluded that Abay insurance employed more males compared to females.

4.3.2. Age Distribution of Respondents

The respondents were asked to indicate their age.

Table 4.2 Age Distribution of respondents

| | | Age group | | | | | | | | | |
|--------|--------|---------------|-------|---------------|-------|---------------|-------|---------------|---|-------|--------|
| | | 20 – 30 years | | 31 – 40 years | | 41 – 50 years | | Above51 years | | Total | |
| | | Freq. | % | Freq. | % | Freq. | % | Freq. | % | Freq. | % |
| Gender | Male | 27 | 64.29 | 23 | 69.70 | 4 | 80.00 | 0 | 0 | 54 | 67.50 |
| | Female | 15 | 35.71 | 10 | 30.30 | 1 | 20.00 | 0 | 0 | 26 | 32.50 |
| Total | | 42 | 52.5% | 33 | 41.3 | 5 | 6.3 | 0 | 0 | 80 | 100.00 |

Source: Researcher’s Analysis, (2022)

The majority of the respondents (n=66) fall in the age group of 20 -40, out of which from the total number of females, almost half of the respondents (n=11) fall on the age group of 20 – 30 and on the other hand out of the total male participants, majority of them (n=27) fall in the age group of 31 – 40 , which in summation indicates that the majority of the respondents (more than 82%) are below the age of 40. This figure again indicates that the workforce in these specific positions is composed of mainly young employees.

4.3.3 Educational level of Respondents

Table 4.3 Educational level of Respondents

| Educational level | | | |
|-------------------------|-----------|---------|---------------|
| | Frequency | Percent | Valid percent |
| College Diploma | 0 | 0 % | 0 |
| Bachelor's Degree | 55 | 68.75 % | 68.75 |
| Master's Degree & Above | 25 | 31.25 % | 31.25 |
| Total | 80 | 100 % | 100 % |

Source: Researcher's Analysis, (2022)

The above table (Table 4.3) shows that 0 respondents (0%) are College diploma holders, 55 respondents (68.75%) have a Bachelor degree and the rest of the respondents (31.25 %) have Master's degree and above. This shows that majority of the respondents are educated to a level of Bachelor degree and, 1 out of 3 respondents is a holder of Master's degree. This outcome could be due to the fact that the target population of the study are employees who have strategic or administrative exposure in the company i.e. officers, and Managers. In this regard, the researcher believed that as most of the respondents have Bachelor's degree and above educational level, it will be easier for them to understand and answer the questions forwarded.

4.3.4 Job level of Respondents

Table 4.4 Job level of Respondents

| Job level | | | |
|-------------------------|-----------|---------|---------------|
| | Frequency | Percent | Valid percent |
| Managerial | 23 | 28.75% | 28.75% |
| Professional | 57 | 71.25 % | 71.25 % |
| Clerical & Non Clerical | 0 | 0.00 % | 0.00 % |

Source: Researcher's Analysis, (2022)

When we look at the job level of respondents in the Company, 28.75 % respondents were working in the Managerial job level and, 71.25% of the respondents are professional job level in Abay Insurance, It is believed that their tenure in the case organization is professional to participate and provide valuable input in the assessment.

4.3.5 Service Years of Respondents

Table 4.5 Service years of Respondents

| Service Years | | | |
|-------------------|-----------|---------|---------------|
| | Frequency | Percent | Valid percent |
| Less than 5 Years | 32 | 40 % | 40 % |
| 5 to 10 years | 35 | 43.75 % | 43.75 % |
| 10 to 15 years | 13 | 16.25 % | 16.25 % |

Source: Researcher's Analysis, (2022)

When we look at the tenure of respondents in the Company, 40 % of respondents have less than five years and, 43.75% of the respondents have 5-10 years of service in Abay Insurance, 16.25 % of respondents have been in Abay insurance for 10 – 15 years. This shows that majority of middle and higher level positions are occupied by employees having 5 – 10 years of service in the company. It is believed that their tenure in the case organization is long enough to participate and provide valuable input in the assessment.

4.4 Involvement of Employees in PMS

4.4.1 Descriptive of dependent variables Employees involved in the Implementation of PMS

Table 4.6 Employees involved in the implementation of PMS

| Description | Strongly agree | | Agree | | Neutral | | Dis agree | | Strongly disagree | | Mean | Std, De |
|--|----------------|-------|-------|-------|---------|-------|-----------|-------|-------------------|-------|------|---------|
| | Fre | % | Fre | % | Fre | % | Fre | % | Fre | % | | |
| Employees informed during the implementation of PMS | 14 | 17.5 | 30 | 37.5 | 9 | 11.25 | 17 | 21.25 | 10 | 12.5 | 1.54 | 0.615 |
| Employees involvement during the implementation of PMS | 10 | 12.5 | 16 | 20 | 24 | 30 | 21 | 26.25 | 9 | 11.25 | 1.54 | 0.615 |
| In the company PMS There is trainings provided for employees | 12 | 15 | 19 | 23.75 | 23 | 28.75 | 18 | 22.5 | 8 | 10 | 1.54 | 0.615 |
| Employees understand how work contribute to the company performance | 19 | 23.75 | 43 | 53.75 | 10 | 12.5 | 8 | 10 | 0 | 0 | 1.54 | 0.615 |
| I am satisfied with the performance management system of the organization | 11 | 13.75 | 20 | 25 | 28 | 35 | 14 | 17.5 | 7 | 8.75 | 1.54 | 0.615 |
| The system is applied by Abay only to control employees | 6 | 7.5 | 16 | 20 | 35 | 43.75 | 17 | 21.25 | 6 | 7.5 | 1.54 | 0.615 |
| The performance appraisal system was developed with inputs from the employee | 7 | 8.75 | 22 | 27.5 | 21 | 26.25 | 20 | 25 | 10 | 12.5 | 1.54 | 0.615 |
| Employees are receiving an appropriate feedback about their job performance | 15 | 18.75 | 26 | 32.5 | 16 | 20 | 16 | 20 | 7 | 8.75 | 1.54 | 0.615 |

Firstly, participants were asked to confirm if they have been informed during the implementation of PMS in the Company and 4 respondents (21.2%) disagreed, 9 of them (11.25 %) stood neutral and the vast majority (44, 55.1%) respondents agreed. It is appreciated that the company is practiced very well in understanding organizational, departmental and individual objectives by using its performance management system. Therefore, one can say that the organization is targeted to bring the focus of employees on the track it desires in order to achieve a shared understanding of performance requirements throughout the company.

Participants were again asked that succeed organization performance management is using the employees involvement during the implementation of PMS and 30 respondents (37.5%) disagreed, 24 participants (30 %) chose neutral and the remaining 26 respondents (32.5%) showed their agreement that the case organization have to work highly in participation of employees during implementation performance management systems. This significantly shows that in the organization there is weak involvement of employees in PMS.

Concerning the use of PMS output for training for employees, 26 respondents (32.5%) disagreed, 23(28.8%) selected neutral and the rest 31 respondents (38.8%) agreed on the idea that PMS output for training for employees is very highly poor.

As assessing the each employees role in the accomplishment of performance, respondents were asked if employees understand how work contribute to the organization performance and 8 respondents (10.1%) disagreed, 10 respondents (12.5%) reserved neutral and the rest of the participants 62(77.5%) has agreed that how work made great contribution to the organization performance.

On the query provided to examine the organization's current PM system aims in identifying employees satisfied, 21 respondents (26.2%) showed their disagreement, 28 participants (35%) remained neutral and the remainder (31, 38.8%) of respondents agreed and satisfied with performance management systems of the organization.

On the query forward to respondents to view whether the performance management system is applied; only to control employees and 23 of them (29 %) disagreed, 35

employees (43.8%) inclined to neutral and 22 (27.5%) respondents supported that the case organization uses the system to control employees only. Here, from the above discussed queries, it is understood that the system is functioning to control employees. But as identifying performance gaps alone won't bring any progress, it is advised to be accomplished by mechanisms to fill the identified performance gaps. Coaching, mentoring, educating and other training and development methods must be implemented to make the effort meaningful. Therefore, the case organization should take the assignment of assessing where the problem is, and bring the medication.

On the other hand, respondents were asked the performance appraisal system was developed with inputs from the employees and 30 respondents (37.5%) disagreed that the system is not developed with the comments of them in the achievement of their appropriate performance appraisal, 21 of them (26.25%) stayed neutral and the remaining 29 respondents (36.2%) agreed that they are agreed by the performance appraisal system formation from their inputs. It can be agreed that the system is not good in the formation and enabling the employees properly measured on their prospect careers. So, the organization should maintain this performance and try to improve its record more.

As a final point in this category of examining the purposes of performance management system in the case organization, respondents were asked about the receiving an appropriate feedback about their job performance, and 23 of the respondents (28.7%) disagreed, 16 respondents (20%) showed their neutrality while the rest 41 respondents (51.2%) agreed that the outcomes and receiving an equal feedback on their job performances. It inferred that most of the respondents have the information on their activities and good communication with their supervisors.

During the interview with the selected respondents, the researcher witnessed that in the case of the organization, the current management performance system is used mainly for administrative purpose. Above this, it is aimed to ensure the cascading of organizational mission and vision, to confirm goal integration, by keeping the record of performance result for the avoidance of legal cases and also to communicate to employees the expectation of organization and supervisors. It is observed by the interview that unlike

developmental, administrative purpose is emphasized and served most in the case organization.

4.5 commitment of Management in PMS

4.5.1 Management commitment in the implementation of PMS

Table 4.7 Management committed in the implementation of PMS

| Description | Strongly agree | | Agree | | Neutral | | Dis agree | | Strongly disagree | | Mean | Std, De |
|---|----------------|-------|--------|-------|---------|-------|-----------|-------|-------------------|------|------|---------|
| | Fre q. | % | Fre q. | % | Fre q. | % | Fre q. | % | Fre q. | % | | |
| Top management Strongly supports PMS. | 18 | 22.5 | 28 | 35 | 14 | 17.5 | 12 | 15 | 8 | 10 | 1.54 | 0.615 |
| My manager/ superior constantly monitor my performance. | 22 | 27.5 | 35 | 43.75 | 12 | 15 | 8 | 10 | 3 | 3.75 | 1.54 | 0.615 |
| My supervisor inspires the very best in me in the way of top performance. | 21 | 26.25 | 28 | 35 | 19 | 23.75 | 6 | 7.5 | 6 | 7.5 | 1.54 | 0.615 |
| My supervisor inspires me to establish my career plan objectives. | 11 | 13.75 | 29 | 36.25 | 21 | 26.25 | 13 | 16.25 | 6 | 7.5 | 1.54 | 0.615 |
| My supervisor guides me to achieve my individual goals. | 13 | 16.25 | 27 | 33.75 | 27 | 33.75 | 9 | 11.25 | 4 | 5 | 1.54 | 0.615 |
| standard are set before proceeding the performance appraisal process | 14 | 17.5 | 28 | 35 | 22 | 27.5 | 13 | 16.25 | 3 | 3.75 | 1.54 | 0.615 |

To understand and observe the perception of employees towards the Management committed in the implementation of performance management system in the objective organization, six measures were prepared as can be seen in Table 4.7. First, they were asked top level management strongly support in the performance management system, and 20 respondent (25.1%) disagreed, 14 (17.5%) respondents were neutral and the majority of the respondents (n=46, 58%) shown that they are happy their top level

management members to be strongly support of the performance management systems in the organization.

It is completely useless to have a well-developed PMS without commitment from the management team. If senior and line management do not show commitment to the implemented PMS, the employees will also not take it as serious and important. In this survey, the cumulative proportion of neutrality and agreement (63.5%) indicates that there is a gap witnessed in the support of line management to the system. The interviewees also confirmed that the commitment of line managers is not satisfactory in the application. It is observed that supervisors usually focus only on one component from the system i.e. evaluation.

Regarding the adequacy and sufficiency of manager/superior constantly monitor employees performance in the organization, the respondents of 11, (13.70%) disagreed, 12 of them (15%) chose neutral and the rest the majority 57 (72.2%) respondents appeared to be satisfied by the manager/superior constantly monitor employees performance. Therefore, the case organization should think about the keeps, and commit to expanding in remaining sections.

Respondents were asked if the supervisor inspires the very best in the way of top performance case organization, and the respondents of 12 (15 %) disagreed, 19 (23.7%) remained neutral and the rest 49 (61.2%) respondents very much enjoy supervisor inspiration on top performance of their employees.

Respondents were asked again whether supervisor inspires employees to form career plan objectives, and the respondents of 19 (23.8%) of the respondents opposed the idea; 21(26.2%) participants remained neutral and 40 (50 %) of respondents expressed their points that supervisor inspires employees to establish staff career plan objectives.

Similarly, the respondents were questioned their supervisor guides employees to achieve their individual goals by the case organization, and 13 (16.2%) of the respondents have disagreed and confirmed that they didn't get guidance to achieve their goals, 27 (33.75%) didn't take either of the sides and the remaining 40 respondents (49.9 %) approved that they are taking guides to their individual goals.

Regarding the standard of performance appraisal process, more than half of the respondents (n=16, 19.9%) disagreed, 22 individuals (27.5%) stayed neutral and 42(52.5%) respondents agreed that standards are set before going through the performance appraisal process.

4.6 Performance Appraisal in PMS

4.6.1 Performance appraisal included in PMS framework.

Table 4.8 Performance appraisal included in PMS

| Description | Strongly agree | | Agree | | Neutral | | Dis agree | | Strongly disagree | | Mean | Std, De |
|---|----------------|-------|--------|-------|---------|-------|-----------|-------|-------------------|------|------|---------|
| | Fre q, | % | Fre q, | % | Fre q, | % | Fre q, | % | Fre q, | % | | |
| Appropriate training given to employees if they failed to meet the expected performance level | 13 | 16.25 | 24 | 30 | 18 | 22.5 | 18 | 22.5 | 7 | 8.75 | 1.54 | 0.61 |
| There is discussion in the regarding of performance appraisal | 11 | 13.75 | 24 | 30 | 24 | 30 | 15 | 18.75 | 6 | 7.5 | 1.54 | 0.61 |
| There is a clear and accurate performance appraisal criterion. | 15 | 18.75 | 22 | 27.5 | 21 | 26.25 | 17 | 21.25 | 5 | 6.25 | 1.54 | 0.61 |
| There is Lack of alignment between performance appraisal system and objective of the organization | 15 | 18.75 | 25 | 31.25 | 23 | 28.75 | 11 | 13.75 | 6 | 7.5 | 1.54 | 0.61 |

In this category, expected included in the performance Management systems framework. At the start, respondents were asked to provide their opinion, if there is appropriate training give to employees to meet the expected performance level and 25 (30.7%) disagreed, 18 individuals remained neutral and the majority (n=37, 46.2%) agreed that

employees are get appropriate training when they are failed to meet the expected performance level. Training one of the major elements to get the expected performance. The company has to use internal and external training methods for employees. As it is stated in Herman Aguinis (2009), there are some best practices that one performance management system should consist and among them is “Meaningfulness of the system”; which means, if that system has no consequences in terms of outcomes the participants value, people will not pay attention

Again respondents were asked if there is discussion in the regarding of performance appraisal, and 21 (26.3%) disagreed, 24 individuals remained neutral and 35 of them (43.7%) agreed that the system is open to have discussion in the regarding of performance appraisal. From this figure, it is witnessed that the applied system in the organization is rigid and not inviting clear team form of discussion in performance appraisal.

Moreover, respondents were asked if there is a clear and accurate performance appraisal criterion and 22 (27.5%) disagreed, 21 individuals (26.3%) remained neutral and the rest 37 (46.2%) agreed that clear and accurate performance appraisal criterion is applied in the organization.

On the other hand, concerning lack of alignment between performance appraisal system and objective of the organization, 17 (21.2%) disagreed on the statement, the majority (n=40, 49.9%) agreed that there is lack of alignment between performance appraisal systems and objective of the company.

4.7 Reward systems in PMS

4.7.1 Reward Systems aligned with PMS

Table 4.9 Reward Systems aligned with PMS

| Description | Strongly agree | | Agree | | Neutral | | Dis agree | | Strongly disagree | | Mean | Std, De |
|--|----------------|-------|-----------|-------|-----------|-------|-----------|------|-------------------|------|------|---------|
| | Fr eq, , | % | Fre q, | % | Fre q, | % | Fre q, | % | Fre q, | % | | |
| The company reward system aligned with Performance Management System | 9 | 11.25 | 29 | 36.25 | 27 | 33.75 | 14 | 17.5 | 1 | 1.25 | 1.54 | 0.615 |
| Promotion is linked with performance appraisal. | 13 | 16.25 | 28 | 35 | 30 | 37.5 | 7 | 8.75 | 2 | 2.5 | 1.54 | 0.615 |
| The performance rating result is used as a determinant factor for compensation and benefit | 19 | 23.75 | 33 | 41.25 | 16 | 20 | 10 | 12.5 | 2 | 2.5 | 1.54 | 0.615 |
| The performance appraisal rating is used as an input for coaching and development | 20 | 25 | 24 | 30 | 23 | 28.75 | 8 | 10 | 4 | 5 | 1.54 | 0.615 |

Reward helps to attract and retain the high quality people the organization needs, it provides motivation for people and obtains their engagement and commitment, besides it develops a high performance culture. Reward provides the right things to convey the right message about what is important in terms of behavior and outcomes. (Greer, 2001)

As the researcher continuous, respondents were asked to provide their thought on the presence of the company rewards systems aligned with the organization PMS and 15 respondents (19%) disagreed, 38 respondents (47.5%) agreed that it is their believe that employees get equal reward that aligned with performance management systems, while the remaining 27 individuals (33.7%) stood neutral. It can be inferred from this figure

that the majority of the employees' awareness and understanding of the practice of performance management system and its benefits is poor and not satisfactory, which is counted by employees as a challenge in the journey to success.

With regard to promotion linked with performance appraisal, 9 respondents (11%) disagreed with the statement, 41 individuals (51.2%) agreed that promotion is linked with performance appraisal while the rest of the respondents (n =30, 37.5%) stayed neutral.

In order to check the performance rating result is used as a determinant factor for compensation and benefit, respondents were asked their experience and 12 (15%) of the respondents disagreed and confirmed that they are not agree performance result considered elements for reimbursement and benefits, 52 of them (65 %) agree on the performance rating result is used as a determinant elements for compensation and 16 (20%) of them stood neutral.

The last measure in this category discussed the issue of performance appraisal rating being used as an input for coaching and development, and 44 respondents (55%) agreed that evaluators are mostly subjective in their rating, 12 participants disagreed on the statement while 23 (29%) of the respondents remained neutral. To the contrary, employees do not get training and coaching during new task assignments. In addition, it is also concluded that employees lack the skill to manage performance and actively participate in the system. As feedback and coaching practices are the basis for success of PMS, the management must commit to make continuous feedback and coaching the predominant style of managing people, where commitment to achieving organizational objectives is embedded in a parallel commitment to improving the people.

CHAPTER 5

5. SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

In chapter four, data analysis and interpretation has been presented in this chapter, based on the major findings subsequent conclusions are made. Based on the conclusion, recommendations are forwarded in relation to literature reviewed to better enhance the organization's effectiveness of performance management systems.

5.2 Summary of major finding

The purpose of this study was to understand the effectiveness of the performance management system (PMS) in Abay Insurance. Therefore the study was aimed at providing a better involvement of employees' in the implementation and attitudes towards performance management system which could contribute to the adapting of a suitable performance management system that would have buy in from all employee as well as to provide concrete guidelines and practical steps that can be used to improve the performance management systems in Abay Insurance.

The findings on the employees interpret performance appraisal framework with the Performance Management System that there was less of discussion. As for a clear and accurate criterion on performance, the majority of the staff needed head information that was the main elements of the performance appraisal system, but should include the components of staff goals and target achievements, teamwork and leadership skills and ability to problem solve. The following are the majors' findings of the researcher.

- ✓ Very low employees' involvement in the implementation of performance management systems.
- ✓ Employees considered the systems as control tools up on them,
- ✓ Performance appraisal system was developed with less input from employees.
- ✓ challenges like absence of alignment between performance appraisal systems and objective of the organization and
- ✓ Inadequate commitment from the Human Resource Department and other executive managements was pointed out.

5.3 Conclusions

As mentioned in the introductory section of this study, human resource management is critical for the successful operation and profitability of an organization since the people are main assets used to operate an organization. It is known that one of the core HRM functions is managing employee's performance. Accordingly, the main objective of the study was assessing in detail the effectiveness of performance management system, exploring its major aims, assessing the perception and knowledge of employees over the system and thereby identifying the challenges that the case organization and its employees are facing in their journey of applying the system. Thus, based on the major findings stated above, the following conclusion has been reached.

5.3.1 Implementation of PMS

Employees are well-informed of the organization's performance Management systems. Objectives at different levels throughout the structure are integrated and aligned well. Moreover, jobs are clearly described to employees. To the contrary, employees do not get full chance in the implementation of the systems. In the regarding of PMS employees has less training and coaching provided. There are also findings from Mughal et al. (2014). They determined that performance management system shall include employee developments which are training in order to enhance skills and knowledge to improve work performance. According to Maina (2015), performance management system can be enhanced by fostering employee involvement.

From the perspective of the researcher, employees should be encouraged to be involved in Performance Management System by understanding the structure of the Performance Management System, company's objectives and goals. Employees should also have their individual goal which is aligned with the company's goals in order to achieve the company's vision. Goal alignment is important as it drives the consistency between employee and the company. The improvement of employee performance and efficiency will naturally lead to the increasing of company profitability and productivity.

Employees are observed as interested and pleased to participate in the performance appraisal system which enhances cooperation in every angle. They believe that they are

not wasting time in their practice and involvement in performance management systems. The system is not applied to control employees, and they do not feel as 'controlling' method. On the other hand, employees are not given much more interest in the organization's performance management system, which possibly created lack of confidence in the knowledge and skill that the employees possess in their participation in the system. The system generally was not fully satisfactory to employees.

5.3.2 Management Commitment

Analysis indicated that there is a significant relationship between Management Commitment and Effectiveness of Performance Management System, therefore there is some rejection in the management supports in systems implementation. According to the study, it claims that performance management system implementation shall include supervisor's inspiration to establish employee's career plan objectives towards goals achievement.

The findings on how the supervisor guides employees to achieve individual goals but the outcome of the study is that, there are many managers do not support employees to succeed their goals, and objectives the purposes of performance management system. Managers are constantly monitoring employee's performance maybe is because there is a key performance indicator (KPI) for the department which will bring direct impact to the whole team on annual salary increment or bonuses. Therefore, managers have to carry out the monitoring task on employee's performance by following company policy.

Based on the findings of the study on the statement of supervisor inspires employees to establish career plan objectives. One of the explanations for this circumstance is there might be an instruction from the company's top management or human resources department to develop employee's career plan for company succession planning or any human resource manpower planning in the company. In order to follow the company policy, managers have to propose the career plan for their subordinates to human resources department. That explained why thereafter there is no following up or guidance provided from managers to employees on the created career plan.

5.3.3 Performance appraisal

As a challenge, absence of appropriate training activities to meet the expected performance, which may be caused by lack of budget, is listed at the top. Negligence of employees, subjective decision making of evaluators, poor understanding and knowledge of employees over the system and its processes were among the challenges in the application. In addition, in some ways, lack of sufficient support from the HR department and lower commitment of management to the program's success were found to be challenges faced by employees.

Performance appraisal is one of the important factors in performance management system in the cause of employee performance maximization and company performance improvement. Discussion after performance appraisal could help companies to make decisions on further step up on salary and promotion. Appropriate training and some development programs shall be assigned to employees in order to overcome their weakness and improve productivity.

5.3.4 Reward systems

Performance management system able to provide salary information and plan of compensation. Company has to ensure that the reward and recognition system is aligned with the company objectives and goals. If the reward and recognition system has misaligned, companies will not achieve their desired objectives and goals. Therefore, it explained the positive and moderate relationship between reward system and effectiveness of performance management system.

5.4 Recommendations

The following are the recommendations of this study:

➤ From this study, the researcher found that employees' understanding has the highest effectiveness of performance management system as compared to employee involvement during the implementation of the systems. Therefore, future researchers could consider studying more in-depth on employee involvement towards effectiveness of performance management system. In future, employers shall invite employees to develop and implement a performance management system since they are the users and

they understand what motivated themselves to work better. The researcher believes since there is only employee involvement which is significant, the future researchers could omit the other factors and include other relevant factors which have significant elements towards the effectiveness of performance management system.

➤ From this study, another point the researcher found is that very low perception and understanding of employees about the application of systems and their purposes plays a vital role in the acceptability and success of the Performance Management Systems. Therefore, the organization should work on raising awareness of employees to develop a better attitude towards the performance management system.

➤ This research only covered two areas in Abay insurance which are Head office, and city branch of the company. Hence, the results may not represent or as a conclusion for all branches in the company. Besides, future study could also record and analyze the data collected by the National Bank of Ethiopia. Researcher will also suggest the future researchers to study and investigate in others industry or sector rather than only insurance industry as researcher believe other industries such as Government owned Insurance Corporation, Micro finance sectors (credits association), will have different results and outcome based on the generated their implementation of employee involvement, management commitment, performance appraisal and reward system in this research.

➤ In order to improve the effectiveness of the performance management system, the organization shall improve by introducing the company objectives to employees and encourage employees to have their individual goals which is aligned with the company objectives. Human resource department could propose to implement a career path development plan to encourage designing of individual goals and supervisor have opportunities to understand and inspire their employees' goals. Also, they could provide guidance and periodic feedback and monitoring on employee's objectives.

➤ When designing the performance appraisal system which is linked with the performance management system, human resource department shall do a simple survey on the needs and wants from employees, discuss in the elements of performance appraisal and create clear and accurate performance appraisal criteria. Employees will only be motivated when the rewards and benefits given are something which employees desire.

REFERENCES

- Aguinis H. 2009, Performance Management, 2nd Ed. Upper saddle River, NJ: Pearson Prentice Hall, USA.
- Aguinis, H. (2013). Performance management. Retrieved from <https://www.ebsglobal.net/EBS/media/EBS/PDFs/Performance-Management-Course-Taster.pdf>
- Akhtar, I. (2016). Research Design. *Research in Social Science: Interdisciplinary Perspectives*, 68–84.
- Armstrong M. 2009, Armstrong's hand book of performance management: an evidence based guide to delivering high performance. 4th Ed. Kogan Page Limited, London, UK.
- Armstrong, B. (2003). Journal search results - Cite This For Me. *Epidemiology*, 14(4), 467-472.
- Armstrong, M. (2012). *Armstrong's handbook of reward management practice*. London: Kogan Page.
- Armstrong, M., & Armstrong, M. (2009). *Armstrong's handbook of human resource management practice*. London: Kogan Page.
- Boshoff, C.; Allen, J. 2000. The influence of selected antecedents on frontline staff's perceptions of service recovery performance, *International Journal of Service Industry Management* 11 (1):63-90. <http://dx.doi.org/10.1108/09564230010310295>
- Buchner, T. W. (2007). Performance management theory: A look from the performer's perspective with implications for HRD. *Human Resource Development International*, 10(1), 59-73. <https://doi.org/10.1080/13678860601170294>.
- Campbell, D., (1990), "The Forces of prejudice," *The Guardian*, October 31.
- Campbell, S., (2003), "Making Performance Management Work for You", *People Focus*, summer, Vol.1 No.3, pp.39-40.
- Creswell, J. W. (2003), *Research Design: Qualitative, Quantitative and Mixed Methods Approaches*, 2nd ed., Thousand Oaks, Sage publications.
- Dr Catherine Dawson (2009). *Introduction to Research Methods: A practical guide for anyone undertaking a research project*. Fourth edition.

- Dulewicz, V., 1989, "Performance Appraisal and Counselling, in Herriot, P., (ed.), *Assessment and Selection in Organizations: Methods and Practices for Recruitment and appraisal*", John Wiley and Sons, New York, pp. 645 – 649
- Elaine D. Pulakos 2004 *Performance Management. A roadmap for developing, implementing and evaluating performance management systems.* SHRM Foundation.
- Fletcher, C., 2001, "Performance appraisal and management: The developing research agenda, in Petterson, F., (ed.), *Journal of Occupational and Organizational Psychology*, Vol. 74, Issue 4, pp. 379 – 562, John Wiley and Sons, New York.
- Flood, P. & Guthrie, J.P., (2004) "High *Performance Work Systems in Ireland*" - *The Economic Case*, Forum on the Workplace of the Future, Research Series, No.4.
- Furnham, A. (2004). *Performance Management Systems.* European Business Journal. 83 - 94.
- Gold, J., Thorpe, R., & Mumford, A. (2010). *Gower handbook of leadership and management development.* Burlington, VT: Gower.
- Herman Aguinis 2019 by John Wiley & Sons, Inc., Hoboken, New Jersey
- Lawrence, J., 2014, "What are the Different Types of Performance Appraisal Systems?", Sift Media, Bristol, UK.
- London, M. (2003). *Job feedback.* Mahwah, N.J.: Lawrence Erlbaum Associates.
- Pulakos, E. (2004). *Performance Management: A roadmap for developing, implementing and evaluating performance management systems.* SHRM Foundation.
- Robbins, S., & Judge, T. (2007). *Organizational behavior.* Upper Saddle River, N.J.: Pearson/Prentice Hall.
- Rodgers, R., Hunter, J. E., & Rogers, D. L. (1993). Influence of top management commitment on management program success. *Journal of Applied Psychology*, 78, 51–55.
- Williams, S. (2009). *Human resource management.* Oxford: Oxford University Press.
- Wolcott, H. F. (1990). On seeking – and rejecting – validity in qualitative research. In E. W. Eisner, & A. Peshkin (Eds.) *Qualitative enquiry in education: The continuing debate* (pp. 121-152). New York, NY: Teachers College Press.
- Abay Insurance S.C HR Manuals and document.

APPENDICES

St. Mary University School of Graduations Studies

MA Program in Human Resource Management

Dear respective respondents

The main objective of this questionnaire is to collect data that are vital to analyzing and assessing the effectiveness of performance management systems in Abay insurance. For the partial fulfillment of the Master of art. The information you provide in this questionnaire will be kept confidential and utilized only for this study.

Your genuine response is highly valuable to the achievement of the objectives of this research. You will not be required to reveal your identity in this individual assignment. Thank you for your cooperation in filling out this questionnaire.

Part one: - Demographic back ground information.

1. Age

20 – 30 31 – 40 41 – 50 above 50

2. Gender

Male Female

3. Level of Educational

Diploma Bachelor's Degree Master's Degree and above

4. Job level

Managerial Clerical Professional Non clerical other -----

5. Years of service in Abay insurance

Less than 5 year's 5 to 10 years 10 to 15 years

Part Two

In the following tables you find some dimensions of effectiveness of performance management systems in our insurance. Please give your responses for your causes by putting a tick mark (√) in the corresponding spaces under each number in front of each situation based on your agreement level. The numbers are decoded in the following manner.

| No | Descriptions | SA = 5 | A = 4 | N = 3 | D = 2 | S D = 1 |
|---|--|--------|-------|-------|-------|---------|
| 1. Employees involve in the implementation of Performance Management System | | | | | | |
| 1. | Employees informed during the implementation of PMS | | | | | |
| 2. | Employees involvement during the implementation of PMS | | | | | |
| 3. | In the company PMS There is trainings provided for employees | | | | | |
| 4. | Employees understand how work contribute to the company performance | | | | | |
| 5. | I am satisfied with the performance management system of the organization | | | | | |
| 6. | The system is applied by Abay only to control employees | | | | | |
| 7. | The performance appraisal system was developed with inputs from the employee | | | | | |
| 8. | Employees are receiving an appropriate feedback about their job performance | | | | | |

| No | Descriptions | SA = 5 | A = 4 | N = 3 | D = 2 | S D = 1 |
|---|---|--------|-------|-------|-------|---------|
| 2.Management committed in the implementation of Performance Management System | | | | | | |
| 1. | Top management Strongly supports PMS. | | | | | |
| 2. | My manager/ superior constantly monitor my performance. | | | | | |
| 3. | My supervisor inspires the very best in me in the way of top performance. | | | | | |
| 4. | My supervisor inspires me to establish my career plan objectives. | | | | | |
| 5. | My supervisor guides me to achieve my individual goals. | | | | | |
| 6. | standard are set before proceeding the performance appraisal process | | | | | |

| No | Descriptions | SA = 5 | A = 4 | N = 3 | D = 2 | SD = 1 |
|----|---|--------|-------|-------|-------|--------|
| 3. | Performance appraisal included in Performance Management System framework. | | | | | |
| 1. | Appropriate training given to employees if they failed to meet the expected performance level | | | | | |
| 2. | There is discussion in the regarding of performance appraisal | | | | | |
| 3. | There is a clear and accurate performance appraisal criterion. | | | | | |
| 4. | There is Lack of alignment between performance appraisal system and objective of the organization | | | | | |

| No | Descriptions | SA = 5 | A = 4 | N = 3 | D = 2 | SD = 1 |
|----|--|--------|-------|-------|-------|--------|
| 4. | Reward system aligned with Performance Management System | | | | | |
| 1. | The company reward system aligned with Performance Management System | | | | | |
| 2. | Promotion is linked with performance appraisal. | | | | | |
| 3. | The performance rating result is used as a determinant factor for compensation and benefit | | | | | |
| 4. | The performance appraisal rating is used as an input for coaching and development | | | | | |

| No | Descriptions | SA = 5 | A = 4 | N = 3 | D = 2 | SD = 1 |
|--|---|--------|-------|-------|-------|--------|
| 5. Assessing of the effectiveness of Performance Management System | | | | | | |
| 1. | I understand the structure and objectives in Performance Management System. | | | | | |
| 2. | PMS motivate me to achieve my individual goals & improve self-development. | | | | | |
| 3. | I understand my strength and weakness from Performance Management System. | | | | | |
| 4. | My individual goals are linked with the company objectives. | | | | | |
| 5. | The Performance Management System is effective in improving company and my performance. | | | | | |

THANK YOU