

***FACTORS AFFECTING EMPLOYEES' PERCEPTION TOWARDS
THE PERFORMANCE MANAGEMENT SYSTEM (PMS) IN CASE
OF COMMERCIAL BANK OF ETHIOPIA, JIMMA CITY***

***A Thesis Submitted to the School of Graduate Studies of Jimma
University in Partial Fulfillment of the Requirements for the Award of
the Degree of Master of Business Administration (MBA)***

**BY
HABTAMU ABEBE**



**JIMMA UNIVERSITY
COLLEGE OF BUSINESS & ECONOMICS
MBA PROGRAM**

**SEPTEMBER , 2018
JIMMA, ETHIOPIA**

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Abstract

The Purpose of this study is to assess factors affecting employees' perception towards the performance management system in Commercial Bank of Ethiopia at a branch level. The study was also meant to identify the progress and challenges that have encountered and considers how employees perceive the new performance management system. The data for the study was collected through questionnaire. The questionnaire was distributed to 178 employees of the bank working in eleven branches and one district office in Jimma town namely: Jimma district office, Jimma Main, Hirmata, AbaJifar, Jiren, Shenenghibe, Bishishe, Ginjo Gudru, Mentina, Awetu, Sedecha and FerenjArada branches and then among the all distributed questioners 170 are collected and presented.. Due to the homogeneity of the respondents, stratified random sampling technique was employed. The collected data was duly coded and entered into a Statistical Package for Social Science (SPSS) version 20 for analysis. The data analysis techniques and reliability test used in this study are Cronbach's test, descriptive analysis, inferential analysis, maximum, minimum and descriptive mean. Demographic characteristics of respondents, gender, age, level of education of staff were described using descriptive statistics like frequency and percentage. On the basis of the data gathered and analyzed it was found out that a medium level perception on the performance management aspect, the performance appraisal aspect, the performance rating aspect, periodic review aspect, and reward and recognition aspect. The study has also identified the progress and challenges that have encountered and considers how employees perceive the new performance management system. Finally, the study forwarded some recommendations as to what should be done to have an improved PMS that is welcomed by employees. Such as the organization if it works harder on communicating the PMS to the whole employees better by avoiding the doubt in the employees mind through manuals, trainings and through showing them how it done.

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ACRONYMS/ABRIVATIONS

CBE.....	Commercial Bank of Ethiopia
CRO.....	Credit Relationship Officer
CSM.....	Customer Service Manager
CSO.....	Customer Service Officer
HR.....	Human Resource
HRD.....	Human Resource Development
PA.....	Performance Appraisal
PMS.....	Performance Management System
HRM.....	Human Resource Management
SCSO.....	Senior Customer Service Officer
SBC.....	Senior Branch Controller
BM	Branch Manager
HRMD.....	(human resource management and development)
BSC.....	Balance Score Card
EPM.....	Employee Performance Management
PM.....	Performance Management

CHAPTER ONE

1. INTRODUCTION

This chapter deals with the background of the study, statements of the problem, research questions, objectives (general & specific), significance, Limitations of the study and organization of the paper.

1.1 Background of the Study

In broader concept, HRM is concerned with the human beings in an organization. “The management of Man” is a very important and challenging job because of the dynamic nature of the people. No two people are similar in mental abilities, tacticians, sentiments, and behaviors; they differ widely also as a group and are subject to many varied influences. “People are responsive, they feel, think and act therefore they cannot be operated like a machine or shifted and altered like template in a room layout. They therefore need a tactful handling by management personnel”. HRM is the process of managing people of an organization with a human approach (Deshpande, 2009).

Human resources approach to manpower enables the manager to view the people as an important resource. It is the approach through which organization can utilize the manpower not only for the benefits of the organization but for the growth, development and self-satisfaction of the concerned people. Thus, HRM is a system that focuses on human resources development on one hand and effective management of people on the other hand so that people will enjoy human dignity in their employment (Deshpande, 2009).

The term Performance Management (PM) was widely accepted in the 1980’s at the time when total quality management achieved higher standard of importance and quality performance. It is the most important system for a successful business and human resource policy of a given organization. The purpose of managing performance is to reward employees with satisfactory performance and to improve poor and unsatisfactory performance. Employees who perform poorly and unsatisfactorily will be subjected to training to improve their performance. According to Koontz (1971), the first known example of performance appraisal took place during the Wei Dynasty (AD 221-65) when the emperor employed an ‘imperial rater’ whose task was to

evaluate the performance of the official family On the other hand, those who perform well are given the chance to further develop their skills and knowledge so as to ensure that they work on their desirable job position (Muralidharan and Deshmukh ,2009).

Performance management is a process owned and driven by line management that aims at getting better results from the organization, teams, and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements (Armstrong, 2009). The keys to be successful in the implementation of performance management are: being clear about what is meant by performance; understanding where the organization is and needs to be in ‘performance culture’; being very focused on how individual employees will benefit and play their part in the process. Performance management is an integral part of an effective human resource management and development strategy. It is an ongoing process in which subordinates and supervisors together strive to improve the institution’s wider objectives. To be effective and efficient, PMS has to be implemented after the necessary understanding of the process among all stakeholders, mainly employees, is duly created and maintained (Armstrong, 2009).

Perception is defined as “a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment (Robbins, 1998). Perception is the mental process we use to pay attention selectively to some stimuli and cues and not to others. Perception has impact on people’s judgment and attitudes towards a given situation. It could be expected different opinions from the staff of CBE’s about the new PMS in the Banking institution. So the purpose of PMS is to utilize its human resource capital to achieve the objectives and goals of the institution by achieving its financial targets and other (Nahavandi and Malekzadeh, 1998).

Employees need to know what is expected from them and how they perform not by waiting for formal appraisal but continuous feedback and appraisal will have paramount importance. The CBE is committed to fostering a high performance culture to achieve its strategic objectives and will facilitate this process by ensuring the continuing deployment of a competency based performance management system that encourages employee development and outstanding work (CBE, 2013).

Performance is a topic that is a popular catch-cry and performance management has become a new organizational ideology. Under the global economic crisis, almost every public and private organization is struggling with a performance challenge, one way or another. Various aspects of performance management have been extensively discussed in the literature. Many researchers and experts assert that sets of guidelines for design of performance management systems would lead to high performance (Kaplan and Norton, 1996, 2006). A long time ago, the traditional performance measurement was developed from cost and management accounting and such purely financial perspective of performance measures was perceived to be inappropriate so that multi-dimensional performance management was development in the 1970s (Radnor and McGuire, 2004). In fact, the term “performance management” was not utilized until the 1970s (Armstrong and Baron, 2005). Since then, the language of performance has become an almost every-day feature of work in many public sector organizations, in some form or another and the language of performance has been associated with the establishment of standards or indicators to be achieved, and the audit of organizational systems to ensure conformance (Boland and Fowler, 2000)

Brown (2005) notes many different reasons for introducing performance management in to different countries :(1) to provide information on organizational and/or employees’ effectiveness; (2) to improve organizational and/or employees’ effectiveness; (3) to provide information on organizational and/or employees’ efficiency; (4) to improve organizational and/or employees’ efficiency; (5) to improve employees’ levels of motivation; (6) to link employees’ pay with perceptions of their performance; (7) to raise levels of employee accountability; and (8) to align employees’ objectives with those of the organization as a whole

In addition, based on the agreement of the development of human resource strategy with the Frankfurt School of Finance and Management on January 1, 2011 the bank provided various on-the-job and off-the-job staff training and recruited additional new employees and trained them. Around 9,705 employees were offered various training programs in which special emphasis was given to retain the existing staff through devising different incentives and benefit packages (CBE Annual Report, 2011/12).

Currently the banking business is facing high competitive pressure because of the fact that the country is still living with many unbanked society and some growth indicators in investment,

agriculture and construction. The banking industry also meets more challenges from financial landscape. Therefore, it seems the right thing to do for CBE to introduce performance management system in order to achieve its corporate goals and objectives.

The employee performance management system of CBE integrates the balanced score card with leadership competencies and core competencies to rate the performance of employees. A balanced scorecard approach to employee performance appraisal is an effective way of getting a complete look at an employee's work performance, not just a partial view. For the balanced scorecard to be fully effective as a strategic and performance appraisal tool, it is necessary that all employees understand the strategy and conduct their work in a way that contributes to the mission and objectives of CBE. Corporate level scorecards are cascaded' to lower-level processes and sub processes, and even where individual scorecards are used; employees must take part to the organizational strategy for effective implementation. By using balanced scorecard measures at the organizational level and individual level, and by sharing the results with supervisors, teams, and employees, managers are providing the information needed to align employee performance plans with organizational goals. By balancing, the measures used in employee performance plans, and the performance picture becomes complete.

Therefore, this study was aimed at examining factors that affect employee performance management system within the commercial bank of Ethiopia Jimma city.

1.2 Statements of the Problem

In today's competitive world, organizations compete with their business rivals by devising and employing innovative systems and managing their employees efficiently via strong and well-thought-out HR schemes. The human resource system can become more effective by having a valid and accurate performance management system (PMS) used for rating performances of employees (Armstrong, 2003; Bohlander& Snell, 2004). However, the number of organizations using an effective PMS is quite limited (Hennessey &Bernadin, 2003).

Considering the fact that CBE is using PMS used to evaluate their employee performance with in quarterly and yearly. It helps effectively the PMS is being employed particularly in light of employees' perception. This is very much important owing to the fact that the organization

claims to have special value to its employees. A better knowledge about their opinion, moods, self-concept and motives about PMS will have a tremendous amount of importance for the success of the bank in general and of the PMS in operation in particular.

Perceptions of employees about the targets, outcomes and uses of performance appraisal (PA) results would be beneficial depending on a number of factors. For example, employees are more likely to be receptive and supportive of a given PA program if they perceive the process as a useful source of feedback which helps to improve their performance (Mullins, 2005).

It is agreeable and easy to amend some form of performance system when the perception of employees is well known. It will be acceptable and valuable through the eyes of an employee if a given PMS is perceived in a positive manner which means if the performance scheme is used for promotion opportunity, a way to success by enhancing personal development, gives chance that demonstrate once ability and skill. Or in other ways employees perceive negatively in a way if the scheme unreasonably controls employees and have a closer supervision, as a result of which various unwanted reaction may result (Anthony et al., 2002).

According to an assessment done on the level of implementation of employee performance management system in commercial bank of Ethiopia by Eyerusalem, 2016 keeping in to mind the old way of appraisal system that the CBE has been applying for decades to appraise employees' performance which is overly subjective , and did not engage line managers to coach their subordinates and giving timely feedback; trend of the bank to reward processes and sub processes based on their score card performance but not individual contribution; and lack of the practice of attaching performance to the human resource management decisions, visa-a-verse the change the bank envisages and committed to bring which demands a paradigm shift on peoples' attitude as well as work aids, it signals the need to assess the effective implementation of the EPM as a system in the bank.

As per the preliminary investigation made by the researcher, there are gaps in appraising the performance of employees. This is assumed to be because of such factors as subjectivity based appraisal system, non- measurability and common technique of annual behavior-based evaluation. It is, therefore, worth investigating whether the current PMS is linked with the entire package mentioned and if it measures performance as objectively as possible. This question inspired the student researcher to conduct this study. That is to mean, it is felt imperative to look

closely into the process of the PMS and the perception of the employees. Moreover, there were not adequate local studies conducted in the area PMS, particularly with reference to the banking industry. This study is, hence, meant to fill this gap. Due to considering this, the researcher assessed that factors affecting employees' perception towards performance management system of CBE Jimma city branches and District office employees.

1.3. Research Questions

The study was address the following key research questions:

1. What are the major constraints to the implementation of performance management system in CBE?
2. What is the employees' perception towards the performance management system in CBE?
3. Does performance appraisal have effect on the perception of employees towards the performance management system?
4. Does periodic review has significant effect on the perception of employees towards the performance management system?
5. Does reward have any effect on the perception of employees towards the performance management system?
6. Does performance appraisals has influence on employee performance in commercial bank of Ethiopia

1.4 Objective of the Study

1.4.1 General objective of the Study

The purpose of the study was to examine employees' perception towards the performance management system in Commercial Bank of Ethiopia Jimma city branches.

1.4.2 Specific Objective of the study

Specifically speaking, the study was set out to address the objectives under here:

- ❖ To assess the major constraints to the implementation of performance management system
- ❖ To find the perception of employees towards the performance management.
- ❖ To assess if performance appraisal have effect on the perception of employees towards PMS
- ❖ To explain whether periodic review has any significant effect on the perception of employees towards the performance management system.
- ❖ To assess if reward have any effect on the perception of employees towards the performance management system.
- ❖ To explain the influence of performance appraisals on employee performance in commercial bank of Ethiopia

1.5 Significance of the Study

The result of the study is believed to be important for different perspectives. First, it assists or helps the bank to see its progress in terms of effective implementations of EPMS the ongoing process of the PMS in the bank by providing it with vivid picture of the way the employees perceive it. And the study findings gathered information and feedback from staffs then show the way for the bank regarding of its policy, procedure, appraisal system, standards and the like.

The study further aimed future researchers and academic institutions. Especially for those of higher learners students uses the findings of the research as a source of reference and it helps as a data for further researchers.

1.6 Limitation of the Study

This study was limited to the commercial banks of Ethiopia found only in Jimma city biranches. It not included other Jimma District branches and CBE districts due to very wideness of branches different constraints like:time,financialconstraint,work overload..e.t.c. It is further limited to the extent of assessing the employee perception towards the PMS. It is also to be noted it is also noteworthy that data was collected only from the clerical staffs it mean the study dos not included non clerical CBE staffs. Even if there are numerous research questions, only the specified research questions sub categories are about to be examined in the study. About 178(one hundred seventy eight) questionnaires was distributed among employees of the Bank and then,170 questionnaires have been collected the remaining 7 questionnaires have been left on the hands of respondents even if the researcher has decided to collect the all .

1.7 Organization of the study

This paper is organized in such a manner that the first chapter presents the back ground of the study, statement of the problem, objectives of the study, significance of the study, limitation of the study and organization of the paper. The second chapter presents the review of related theoretical conceptual and empirical literatures. The third chapter focuses on research design and approach, target population, sampling technique and size, data source and method of data collection, validity and reliability, method of data analysis, description of the study variables and ethical consideration. And the fourth chapter was discussed data analysis and presentations. The last chapter presents finding, conclusion and recommendations.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1. THEORETICAL FRAMEWORK

2.1.1 Introduction

The primary purpose of this chapter is to get the theoretical understanding of the perception and performance management process and problems. More specifically, it focuses on four primary areas. First, basing on the definitions given by different scholars on the term performance management and appraisal the student researcher adopted the meaning of the term as it is related to the study. Second, the literature review examined studies which discuss the purpose and the benefits that may be received from conducting performance appraisals. Third, review identified the problems of the performance appraisal process. Fourth, the review of the literature has tried to assess the common Perception of employees towards the PMS and the theoretical reviews assessed performance appraisal, rating, reward and recognitions issues, and it deals factors influencing the outcomes of performance appraisal. Finally, researcher has tried to summarize the outcome of the review of the literature as it is related to the subject under study.

2.1.2 Concept of Performance Management

Performance management is one of the most important systems in any organization. If the organization implements a successful and effective PMS then the organization can meet its goals and objective by managing employee performance. Performance management can be seen as a systematic process and inductive approach by improving individual employee performance with in a team frame work we can improve the overall performance of the organization. The most important issue faced by different organization is that the perceived fairness of performance review and evaluation (Sunitha&Sangetha, 2013). Performance management is the total process of observing an employee's performance in relation to job requirements and incumbent over a period of time; clarifying expectations; setting goals; providing on-the-job coaching; filing and retrieving information about performance and then making an appraisal on the basis of this information (Casio, 1993). Performance management is a “continuous process of identifying,

measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization” (Aguinis, 2009). Boxall, Purcell & Wright (2007) point out that the distinguishing factor between performance management and performance appraisal is that performance management is an ongoing process, whereas performance appraisal is done at discrete time intervals.

Performance management system as referred to by (Cook, 2003) is the process of achieving organizational objectives by making productive use of people. Other scholars say that performance management includes the process of designing formal systems that ensure the efficient and effective use of human talent to achieve organizational objectives (Burgess et al., 2007). One of the key functions in Human Resource Management is performance evaluation. According to Baker, (2013) performance evaluation is the key difference between organizations just managing to survive and high performing organizations. Performance evaluation aligns itself to the organization strategies and also provides a lively link to general and specific human resource functions (Vukotich, 2014). However, performance evaluation is casually done in organizations where the business strategies are not properly aligned. Tobin & Pettingell, 2008 ofemphasize that HR as afunction should not impose the idea of performance evaluation because it is everyone’s responsibility in an organization.

2.1.3 Performance Management System

PMS provides a framework for assessment, identification of good and poor performance and to act appropriately through development and recognition of good performance (Simeka 2003). An authoritative framework for managing employee performance, which includes the policy framework as well as the framework relating to all elements in the performance cycle, including performance planning and agreement; performance monitoring, review and control; performance appraisals and moderating; and managing the outcomes of appraisal (Bacal,1999).

Performance management is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. It is the main vehicle by which managers communicate what is required from employees and give feedback on how well they

are achieving job. It brings together many of the elements that make up the practice of people management, including in particular learning and development(Simeka 2003).

Performance management establishes shared understanding of what is to be achieved and provides an approach to leading and developing people that will ensure it is achieved; as such it is an essential element of your role and will support your relationship with individuals in your team(Vukotich, 2014)

2.1.3.1 Staff members

In this study, Staff members are those Employees of Commercial Bank of Ethiopia that is working at branch level and they are employed in terms of under, labor proclamation No.377/2003.

2.1.3.2 Performance

Performance is a multi-dimensional construct, the measurement of which varies depending on a variety of factors. They also state that it is important to determine whether the measurement objective is to assess performance outcomes or behavior (Bates and Holton, 1995).Boxall, Purcell & Wright (2007) concur, stating that performance is behavior or action relevant to the attainment of organizational goals that can be scaled and measure. From the above definition we can understand that performance can be seen as an action and behavior that can be measured in terms of achievement to meet the organization goals and objectives.

2.1.4 History and Purposes of Performance Appraisal System

In the 1970s a revised approach to performance assessment was developed under the influence of the management by objectives movement. It was sometimes called ‘results-orientated appraisal’ because it incorporated the agreement of objectives and an assessment of the results obtained against these objectives.

It has long been recognized that performance appraisal plays an important role in organizations (Michael, 1984). It serves a variety of purposes such as providing the basis for making selection

decisions, determining salary increases, and providing a vehicle for feedback between the supervisor and employees and can be used a powerful tool for managerial control. (Linda, et al., 2001; John Edmonstone, 1996) According to (Michael Beer, 1987) performance appraisal (PA) data are important to make decisions and to justify them for their objectivity, equity, and fairness. The personnel department also requires data on employee performance and potential to determine how many employees will be available to fill future openings assuming a certain turnover, retirement, and growth rate, and to help the line managers decide who will be promoted. Centrally maintained records are the means by which the corporation attempts to remove favoritism, subjectivity, and politics from personnel decisions. Evaluation is also needed to improve the performance and potential of employees. There is no question that the role of a manager is changing rapidly in the world market place and this opts for systematic management development efforts at the organizational level (Clinton O.Longenecker, 1997). So many other scholars argued that performance Appraisal is to be effective device for: administering a formal organizational reward and punishment system, evaluating the legitimacy of selection test, providing feedback to employees and thereby serves as vehicles for personal and career development; establishing objectives for training programs and diagnosing organizational problems.

The “Performance Appraisal” or review is essentially an opportunity for the individual and those concerned with their performance in the bank, most usually their line manager - to get together to engage in a dialogue about the individual’s performance, development and the support required from the manager. It should not be a top down process or an opportunity for one person to ask questions and the other to reply. It should be a free flowing conversation in which a range of views are exchanged (Shrivastava&Rai, 2012) performance appraisal Indian banks.

2.1.4.1 Need for Performance Appraisal

According to Dale, 1999 People differ in their abilities and their aptitudes. There is always some difference between the quality and quantity of the same work on the same job being done by two different people. Therefore, performance appraisal is necessary to understand each employee’s

abilities, competencies and relative merit and worth for the organization. Performance appraisal rates the employees in terms of their performance. Performance appraisal helps to rate the performance of the employees and evaluate their contribution towards the organizational goals. If the process of performance appraisals is formal and properly structured, it helps the employees to clearly understand their roles and responsibilities and give direction to the individual's performance. It helps to align the individual performances with the organizational goals and also review their performance.

Performance appraisal takes into account the past performance of the employees and focuses on the improvement of the future performance of the employees. Its aim is to measure what an employee does. It is a power tool to calibrate, refine and reward the performance of the employee. It helps to analyze his achievements and evaluate his contribution towards the achievements of the overall organizational goals(Bersin, 2008).

2.1.4.2 Benefits of Appraisal

run and Mirza, 2002 Appraisal offers a valuable opportunity to focus on work activities and goals, to identify and correct existing problems, and to encourage better future performance. Thus the performance of the whole organization is enhanced. However benefits of performance appraisal can be summarized as follows.

a) **Motivation and Satisfaction:** Performance appraisal can have a profound effect on levels of employee motivation and satisfaction - for better as well as for worse. Performance appraisal provides employees with recognition for their work efforts. The existence of an appraisal program indicates to an employee that the organization is genuinely interested in their individual performance and development, which can have a positive influence on the individual's sense of worth, commitment and belonging.

b) **Training and Development:** Performance appraisal offers an excellent opportunity perhaps the best that will ever occur for a supervisor and subordinate to recognize and agree upon individual training and development needs. Performance appraisal can make the need for training by an employee's work performance, the presence or absence of work skills, by linking it clearly to performance outcomes and future career aspirations.

c) **Recruitment and Induction:** Appraisal data can be used to monitor the success of the organization's recruitment and induction practices. Appraisal data can also be used to monitor the effectiveness of changes in recruitment strategies.

d) **Employee Evaluation:** Evaluation is a major objective of performance appraisal. Performance appraisal is the process of examining and evaluating the performance of an individual. The need to evaluate employees is to encourage and develop them.

e) **Career planning and Development:** Performance feedback guides career decisions about specific paths one should investigate.

f) **Compensation adjustments:** Performance evaluations help decision makers determine who should receive pay raises and who should not. Many firms grant part or all of their pay increases and bonuses based upon merit, which is determined mostly through performance appraisals.

g) **Placement decisions:** Promotions, transfers, and demotions are usually based on past or anticipated performance.

2.1.5 The Process and Purpose of Performance Appraisal

2.1.5.1 Purpose of Performance Appraisal

Studies show that there are many approaches for evaluating employee behavior and performance with respect to job tasks and/or organizational culture. As a result, various applications of PA have left many managers in a state of confusion and frustration with the employee evaluation process (Gurbuz&Dikmenli, 2007). This situation seems to negatively impact the popularity of appraisal systems in many organizations. Most people support the concept and purpose of PA, in spite of their concerns about the process and application of appraisal outcomes by managers (Grote, 1996). The biggest complaint from managers is that they are not given sufficient guidelines to assess people; and the biggest complaint from employees is that the process is not equitable and fair. PA concentrates much in assessing past behaviors of employees, a situation some manager's exploit to victimize unfavoured employees (Bersin, 2008).

2.1.5.2 Process of Performance Appraisal

The appraisal process has been categorized into: (1) Establishing job criteria and appraisal standards; (2) Timing of appraisal; (3) Selection of appraisers and (4) Providing feedback (Scullen et al., 2003). Early PA processes were fairly simple, and involved ranking and comparing individuals with other people (Milkovich & Boudreau 1997). However, these early person-based appraisal systems were fraught with problems. As a result, a transition to job-related performance assessments continues to occur. Thus, PA is being modified from being Person-focused to behavior-oriented, with emphasis on those tasks or behaviors associated with the performance of a particular job (Wellbourne et al., 1998).

According to Mirza, 2008 performance appraisal process consists of the following stages.

a) Establishing Performance Standards: The first step in the process of performance appraisal is setting up of the standards which will be used as the base to compare the actual performance of the employees. The standards set should be clear, easily understandable and in measurable terms.

b) Communicating the Standards: Once the standards are set, it is the responsibility of the management to communicate the standards to all the employees of the organization. The employees should be informed and the standards should be clearly explained to them. This helps them in understanding their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators.

c) Measuring the Actual Performance: The next step in the process of performance appraisal is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process.

d)Comparing the Actual with the Desired Performance: The actual performance is compared with the desired or the standard performance. The comparison helps to know the deviations in the performance of the employees from the standards set. The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance.

e)Discussing Results: The results of the appraisal are to be communicated and discussed with the employees on one-to-one basis. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be The purpose of the meeting should be to solve the problems faced and motivate the employees to perform better.

f)Decision Making: The last step of the process is to take decisions which can be taken either to improve the performance of the employees, take the required corrective actions, or the related HR decisions like rewards, promotions, demotions, transfers etc.

2.1.6 Aim of Performance Management

An important aim of performance management is to support the achievement of the business strategy integrated in four senses:

Vertical integration – linking or aligning business, team and individual objectives; Functional integration – linking functional strategies in different parts of the business;HRM integration – linking different aspects of human resource management, especially organizational development, human capital management, talent management, learning and development, and reward, to achieve a coherent approach to the management and development of people; and The integration of individual needs with those of the organization, as far as this is possible. It is focused on performance improvement in order to increase organizational, team and individual effectiveness. The key purpose is to focus people on doing the right things by achieving goal clarity (Smither, 2009).

2.1.7 Why We Implement Performance Management

Strategic, Administrative, Communication, Developmental, Organizational maintenance and Documentation purposes

2.1.7.1 Strategic Purpose

It links the organization's goals with individual goals, thereby reinforcing behaviors consistent with the attainment of organizational goals. Even if for some reason individual goals are not achieved, linking individual goals with organizational goals serves as a way to communicate what are the most crucial business strategic initiatives (Smither,2009)

For example, having a strategic objective to move from an inward focus to a customer service approach. Another objective to bring about an entrepreneurial spirit in employees whereby is challenged to identify opportunities for greater profits.

In sum, the performance management system can be used as a strategic tool to change organizations' culture because senior management views encouraging key desired behaviors as critical to the company's success in the marketplace.

2.1.7.2 Administrative Purpose

Performance management systems are a source of valid and useful information for making administrative decisions about employees (Smither, 2009).

The administrative decisions include: Salary adjustments, Promotions, Employee retention or termination, Recognition of superior individual performance, identification of poor performers, Layoffs, and merit increases.

In other words, the implementation of reward systems based on information provided by the performance management system falls within the administrative purpose.

Having a good system in place is particularly relevant for the implementation of contingent pay (CP) plans, also called pay-for-performance. CP means that individuals are rewarded based on how well they perform on the job. Thus, employees receive increases in pay based wholly or partly on job performance.

CP (contingent Plan) plans are becoming popular worldwide (Milliman, Nason, Zhu, & De Cieri, 2002), which highlights the important administrative purpose of performance management systems.

2.1.7.3 Communication Purpose

A performance management system can be an excellent communication device. Employees are informed about how well they are doing and receive information on specific areas that may need to be improved. MS are a conduit to communicate the organization and the supervisor's expectations and what aspects of work the supervisor believes are most important (Smither, 2009).

2.1.7.4 Development Purpose

Feedback is an important component of a well-implemented performance management system. Managers can use feedback to coach employees and improve performance on an ongoing basis. This feedback allows for the identification of strengths and weaknesses as well as the causes for performance deficiencies (which could be due to individual, group, or contextual factors).

Another aspect of the developmental purpose is that employees receive information about themselves that can help them individualize their career paths. Thus, the developmental purpose refers to both short-term and long-term aspects of development (Smither, 2009).

2.1.7.5 Organizational Maintenance

Performance management systems are the primary means through which accurate talent inventories can be assembled. Assessing future training needs, evaluating performance achievements at the organizational level, and evaluating the effectiveness of HRM interventions (for example, whether employees perform at higher levels after participating in a training program).

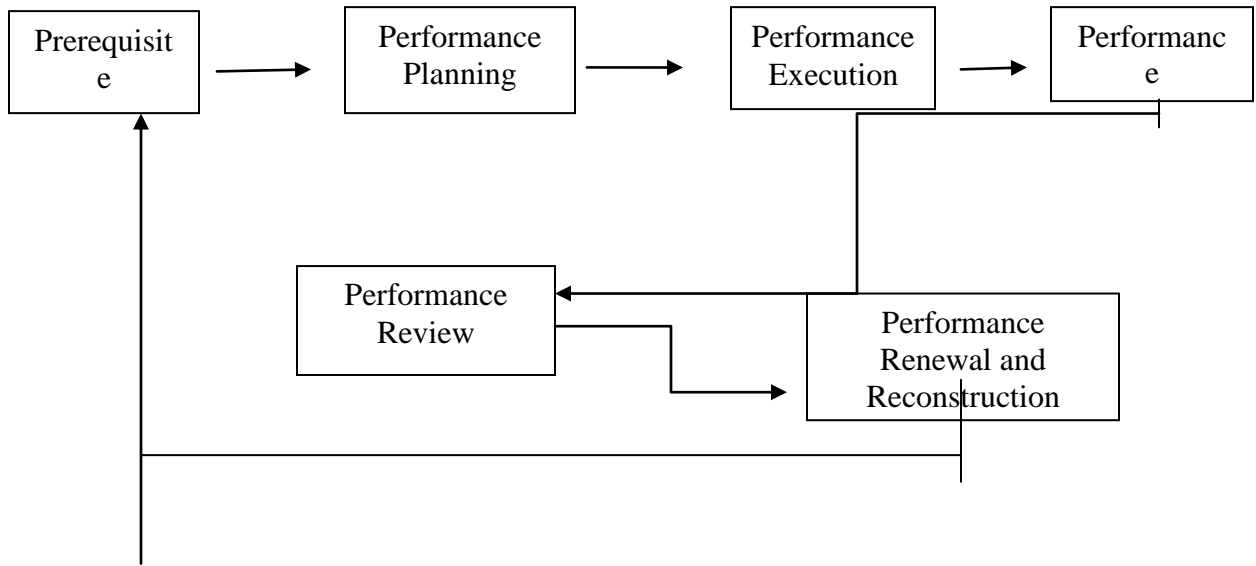
2.1.7.6 Documentation Purpose

Performance data can be used to assess the predictive accuracy of newly proposed selection instruments. Performance management systems allow for the documentation of important administrative decisions (Smither, 2009). This information can be especially useful in the case of litigation.

2.1.8 Performance Management Process

As noted earlier, performance management is a continuous process. However, when a system is first implemented, the process follows the following stages (Aguinis, 2009): (1) pre-requisites, (2) performance planning, (3) performance execution, (4) performance assessment, (5) performance review, and (6) performance renewal and reconstructing.

The flow of the performance management process is depicted graphically in Figure 1.



Source: Aguinis, 2009

Figure 1: A Performance Management cycle operates as a continuous and self-renewing cycle as shown above.

Stage 1: prerequisite

There are two important prerequisites that must be considered before the implementation of performance management (1) Knowledge of the organization mission and Strategic goals and (2) Knowledge of the job in question.

Stage 2: Performance Planning

The performance planning stage has the goal for employees to have a thorough knowledge of the performance management system. In fact, at the beginning of each performance cycle, the supervisor and the employee meet to discuss, and agree on, what needs to be done and how it should be done. This performance planning discussion includes a consideration of: Results, Behaviors, and Development plan.

Results: Key accountabilities / statements of responsibility. Objectives, Performance standard (yardstick)

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

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

Stage 3: Performance Execution

This is the stage of the PM process that has received the greatest attention from I/O Psychology researchers (Agunis and pierce, 2008). The fact that both parties are involved in the assessment provides good information to be used in the review phase. It is the discrepancy between these two views that is most likely to trigger development efforts, particularly when feedback from the supervisor is more negative than are employee self - evaluations. The inclusion of self - appraisals is also beneficial regarding important additional factors. Self - appraisals can reduce an employee ' s defensiveness during an appraisal meeting and increase the employee ' s satisfaction with the performance management system, as well as enhance perceptions of accuracy and fairness and therefore acceptance of the system (smither,2009).

Once the review cycle begins, the employee strives to produce the results and display the behaviors agreed on earlier as well as to work on development needs. The employee has primary responsibility and ownership of this process. Supervisors have primary responsibility over the following issues:

Observation and documentation: Supervisors must observe and document performance on a daily basis. It is important to keep track of examples of both good and poor performance.

Updates: As the organization's goals may change, it is important to update and revise initial objectives, standards, and key accountabilities (in the case of results) and competency areas (in the case of behaviors).

Feedback:on progression toward goals and coaching to improve performance should be provided on a regular basis, and certainly before the review cycle is over.

Resources: Supervisors should provide employees with resources and opportunities to participate in development activities. Thus, they should encourage (and sponsor) participation in training, classes, and special assignments.

Reinforcement: Supervisors must let employees know that their outstanding performance is noticed by reinforcing effective behaviors and progress toward goals.

What determines whether an employee is performing well or not? A combination of three factors allows some people to perform at higher levels than others:

Declarative knowledge: involves knowing that something is the case - that J is the tenth letter of the alphabet, that Paris is the capital of France. Declarative knowledge is conscious; it can often be verbalized. Met linguistic knowledge, or knowledge about a linguistic form, is declarative knowledge.

Procedural knowledge: involves knowing HOW to do something - ride a bike, for example. We may not be able to explain how we do it. Procedural knowledge involves implicit learning, which a learner may not be aware of, and may involve being able to use a particular form to understand or produce language without necessarily being able to explain it.

Motivation: Yes, motivated employees may be more productive, provided they have the requisite skills to do the job and the perception to realize whether they have or not. It is just as important to take steps to improve ability by means of good selection and training as it is to pay attention to motivation (Smither, 2009).

Stage 4: Performance Assessment

This is the stage of the PM process that has received the greatest attention from I/O psychology researchers (Agunis and Pierce, 2008). The fact that both parties are involved in the assessment provides good information to be used in the review phase. It is the discrepancy between these two views that is most likely to trigger development efforts, particularly when feedback from the supervisor is more negative than are employee self - evaluations. The inclusion of self - appraisals is also beneficial regarding important additional factors. Self - appraisals can reduce an employee ' s defensiveness during an appraisal meeting and increase the employee ' s

satisfaction with the performance management system, as well as enhance perceptions of accuracy and fairness and therefore acceptance of the system.

Stage 5: Performance Review

The performance review stage involves the meeting between the employee and the manager to review their assessments. This meeting is usually called the appraisal meeting or discussion. The appraisal meeting is important because it provides a formal setting in which the employee receives feedback on his or her performance. In spite of its importance in performance management, the appraisal meeting is often regarded as the “Achilles’ heel* of the entire process” (Kikoski, 1999). This is because many managers are uncomfortable providing performance feedback, particularly when performance is deficient (Ghorpade& Chen, 1995)

Stage 6: Performance renewal and reconstructing

Essentially, this is identical to the performance planning component. The main difference is that the renewal and reconstructing stage uses the insights and information gained from the other phases.

2.1.9 Objective of employee performance management

The objectives of implementing employee performance management system into CBE are as follows:

Achieve sustainable improvements in service delivery to our customers, To establish a link between employee performance management system and human resource systems like promotion, demotion, training and development, succession planning, reward etc..., Develop constructive and open relationships between supervisors and employees, Promoting open and constructive communication to identify job related strengths and weaknesses, Promoting a results-orientated work outlook that will identify unsatisfactory, average, outstanding and exceptional work performance, Identifying employee’s development needs and implement appropriate action and developing ways in which employees might enhance their performance and further develop skills/competencies (CBE 2013).

2.1.10 The Supervisors /Managers role:

Coaching and developing employees. This involves giving ongoing performance feedback to employees and assessing their performance, setting objectives with employees in such a way that continuous improvement is encouraged, Monitoring employees' performance against the objectives, Using reward and recognition to reinforce good performance, managing poor performance appropriately

To be successful in managing performance the Supervisors/managers needs to:

Communicate the CBE strategic objectives and the process or sub process goals to employees, and show them how their work contributes to the success of the organization, Communicate effectively the CBE values and beliefs, Ensure that employees know what is expected of them and why?, Help employees to set realistic objectives and work with employees to help them achieve these objectives, Identify knowledge, skills and behaviors needed by the employee to achieve the objectives and performance standards that have been set, Conduct a quarterly review with the employee to ensure that the objectives are still relevant and to assess the employee's progress to date against the objectives, Create a comfortable working environment that makes employees to be creative and innovative(CBE 2013).

The employee's role: The employee must take an active role in the performance management process. The employee's role includes:

Suggesting realistic objectives that will support the CBE strategies and process or sub process goals, Taking responsibility for the standard of their performance by trying to improve and develop them, Developing and implementing action plans so that they can achieve their objectives, Asking their Manager for information, help, or advice to assist them in meeting their objectives, Asking for feedback from others, including their supervisor so that they can monitor their own performance, Making suggestions on how they can improve on their performance (CBE 2013).

2.1.11 Balanced Score Card (BSC) in Commercial Bank of Ethiopia

The introduction of performance management of commercial banks has some important roles in the commercial banks. Since the Balanced Scorecard was invented in 1990s, it was received a wide range of use and promotion in the global business community, and some of the major

international banks have successfully used the Balanced Scorecard, which makes its performance increase greatly.

BSC (balanced score card,) was presented in the "balanced scorecard: a good performance evaluation system", by Harvard Business School professor Robert S. Kaplan and the rejuvenation of the Global Strategy Group's founder and president, David P. Norton (year) Balanced Scorecard showed the great vitality since it appeared (source?). It can effectively help enterprises give solution on two major problems: performance evaluation and the implementation of the strategy. In 1,000 companies in the world which "Fortune" magazine published, 70% of which used the Balanced Scorecard system; "Harvard Business Review" sees it as the most influential strategic management tool in 75 years(Foss, 2007).

Balanced scorecard is increasingly being used as a strategic performance management tool in both public and private sectors. This adoption has encouraged evolution of the balanced scorecard methodology over the last two decades. Although, the available generations of this methodology are readily adoptable for private sector organizations, public sector organizations present diverse challenges for balanced scorecard. This is further complicated by the fact that scholarly works on strategic performance management have predominantly focused on private sector organizations (Foss, 2007)

The model for performance evaluation and control known as Balance Score Card came to collaborate with SI and continuous improvement of processes, enabling organizations to establish actions aligned to their strategy aiming to create value. BSC contributed to meet shareholder, employee and customer expectations, to the achievement of strategies and, still, to improvement in services, internal processes, learning and innovation. Such model can help to disseminate the strategic plans of an organization at all levels, aiming to guide people's actions towards improvement of present and future performance (Julnes, 2008).

2.1.12 Perception

Perception is defined as “a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment (Robbins, 1998). Perception is the mental process we use to pay attention selectively to some stimuli and cues and not to others (Nahavandi and Malekzadeh, 1998). From above definition perception it is a mental process how we gather, select and interpret information about the how we view our self, others, physical objects and some form of system.

2.1.12.1 Employee Perceptions of Performance Management

There is a negative perception the employees have concerning Performance Management System. They believe that the system is influenced by subjectivity, according to the investigation done by (Newel, 2000) concerning the perception that employees have of performance management system. There is very little employee involvement in formulating criteria, agreeing performance standards and objectives when designing performance systems. Management selects a few top representatives to develop the system in the absence of staff. According to Makori, (2014) on a study that he carried out on employee perceptions of performance management, the employees in the hotel industry believed that they performed better in their daily tasks but there was no significant relationship between their individual performance and the perception they had of the initiatives that the hotel had put in place for performance appraisal. The study therefore concluded that employee perception on performance management was not necessarily influencing individual performance in the hotel industry.

2.1.12.2 Clarity in Tasks and Duties

Perceptions principally relate to social contacts rather than to procedures. In order to develop positive perceptions organizations should ensure that their processes are clear in relation to the key performance indicators and rewards, consistent feedback and clear explanations about performance management processes by Managers (Palethorpe, 2011). Recognition and rewards are one of the primary objectives that need to be aligned with the overall organizational strategy. In order for a performance management to be successful, there need to be a collaborative process between supervisors and employees. A performance management cycle should begin

with a discussion of employee and supervisor to discuss results, the expected behaviors and developmental aspects for better future performance (Aguinis, 2009). This collaborative aspect of performance management process lets supervisors understand the story from a subordinate's perspective (Robbins, 2007). This will therefore provide a forum to elaborate the expectations for employees. It also provides information for future decisions about promotion or rewards as well as providing a platform to attain the desired employee behaviors for better performance. Human Resource tasks such as performance management impact and include employees as well as supervisors. This inclusion will influence the quality of the relationship and also improve on perceptions as pointed out by (Manville &Greatbanks, 2013). The organization perceptions that are possessed by an employee are largely contributed by supervisors as researched by (Greenberg &Havilland, 2008). This can be a key factor in transmitting an organization's perceptions to outsiders as well as stakeholders (Reynolds, 2009).

2.1.13 Perceptual process

We have three stages of perception process. The first stage is the attention stage which involves selection of stimuli, cues, and signals to which we pay attention. In this stage of perception we consciously and unconsciously select various social cues to which we pay attention. And the process we select some information and keeping out the rest is called perceptual filter. The second stage is organizing here we organize the information that has focused our attention. The third stage is interpretation and judgment, we clarify and translate the information we have organized and decide on its meaning as cited (Nahavandi and Malekzadeh.A, 1998)

2.1.14 Perceptual Biases

It is a Perceptual distortions, often caused by cognitive shortcuts such as ignoring information that does not fit our expectations or making assumption based on perception rather than objective facts and this all leads to mistake in judgment. There are five perceptual biases that affect organization behavior. 1) Halo effect: A perceptual error whereby our general impression of a person, usually based on one prominent characteristic, colors the perception of other characteristics of that person. Halo effect occurs when complete information is not known about the perceived target because it might be missing or we are not motivated to search for it, in that

case we fill our general impression on that missing information.2) Horn effect: is just the opposite of Halo effect a single trait or occurrence creates a negative impression that colors and influences all other events.3) Stereotyping: The process of assigning traits to people based on their membership in a social category. It is also a generalization about an individual based on a given group perception where it belongs 4) attribution error: The perceptual process of deciding whether an observed behavior or event is caused largely by internal or by external factor. Internal factor could be lack of personal motivation and competency will lead to poor performance whereas the external factor is lack of resource or any other external lack. 5) Primacy and Regency: primacy effect a perceptual error in which we quickly form an opinion of people based on the first information we receive about them. Regency effect is A perceptual error in which the most recent information dominates one's perception of others (Mishane and Vonglinow, 2008).

2.1.15 Rates issue

Major focus of PA research relates to the role of PA in performer motivation and performer reactions to PA processes. Roberts (2003) identified the significance of participation in the PA process as an antecedent of performers work motivation. The author suggests that participation is simply essential to any fair and ethical appraisal system. (Pettijohn et al, 2001) identified participation and perceptions of fairness as integral to employees' perceptions of job satisfaction and organizational commitment. They conclude that PAS can be used to actually improve employees' levels of job satisfaction, organizational commitment, and work motivation. Roberts and Reed (1996) submit that participation, goals, and feedback impact on appraisal acceptance, which affects appraisal satisfaction and eventually employee motivation and productivity performer reactions to PA has been categorized into: (1) reactions to the appraisal process, (2) reactions to the appraisal structure or format, and (3) reactions to multi-source appraisal or feedback (Levy & Williams, 2004).

However, employees who undergo PA several times, regardless of their age, accumulate valuable information, knowledge and experience about its process and purpose through the feedback system. This eventually helps reduce their anxiety during subsequent appraisals. In general, both youthful and older employees' perception of PAS does not vary significantly

according to their ages. The authors further suggest that highly educated and professionally competent performers are generally more co-operative and supportive of PA than those of relatively lower educational and professional competence. However, many factors, including organizational leadership and culture, impact the attitude of most employees towards PA, regardless of their educational or professional standing (Gurbuz&Dikmenli, 2007).

2.1.16 Superior-Subordinate Relationship Issues

Trust is a key element in managing the supervisor-employee relationship (Patton, 1999; Mayer & Davis, 1999). Researchers believe that trust issues can limit the effectiveness of PA (Levy & Williams, 2004; Dirks & Ferrin 2001; Hedge & Teachout 2000) citing Boachiemenshe and seidu (2012). If performers have low levels of trust for their supervisor, they may be less satisfied with the appraisal and may not readily accept feedback from that source. Mani's (2002) study suggests that trust in supervisors is important for determining satisfaction with the appraisal system. In examining factors that influence trust within the PA process, Korsgaard and Roberson (1995), citing Boachiemenshe and seidu (2012), submit that when employees are given assertiveness training and opportunity to self-appraise, they report greater trust in the manager and more attitudes towards the appraisal. PAS is perceived as accurate and high in instrumentality employees report higher levels of trust for management. Another leader-member relationship issue is the impact of leader gender on performance ratings. Varma and Stroh (2001) citing Boachiemenshe and seidu (2012), propose that same-sex leader-member relationship would result in greater liking for subordinates. This, in turn, would result in higher leader-member exchange relationships (Duarte et al, 1994). As to whether or not female and male managers rate performance differently, Furnham and Stringfield (2001) posit that male employees receive lower ratings than female employees. Female managers, as compared to male managers, rate male employees lower than female employees. This seems to suggest potential rating bias due to gender.

2.1.17 Group Dynamics and Appraisal

There has been a growing concern about other multiple, complex relationships that impact on the appraisal Process. There has been focus on issues revolving around group, team, or workforce composition, which has been categorized into: (1) politics and impression management, (2) work group or team processes, and (3) the feedback environment or culture experienced by organizational employees. Kozlowski et al. (1998) contend that PA is a ripe situation for those involved to play political games through several approaches, including rater distortion of ratings or rate performers 'active management of impressions. Similarly, Sims et al. (1987) argue that PA may be used by many raters as a political process for rewarding and punishing subordinates. On the role of impression management in PA, Wayne and Liden (1995) posit that self-focused impression management will lead to less similarity to the subordinate and, thus, lower ratings. Assertive impression management techniques will result in higher performance ratings than defensive impression management techniques(Boachiemenshe and Seidu (2012),

Doing PA in a team-based environment is complicated for various reasons. It is imperative that the appraisal system balances the individual versus the team. Both are important, but emphasizing individual or team performance to the exclusion of the other will result in an ineffective system. It is also complicated because the PAS needs to be broad enough to include non-traditional performance criteria such as teamwork or co-operation (.Levy & Steelman, 1997). Levy and Steelman (1997) citing Boachiemenshe and seidu (2012), considered these complexities in proposing a team-based model for the appraisal system. This model certainly requires adjustments to fit a particular organization, but the generic model includes multi-source ratings of individual and team performance, objective measures of individual and team performance as well as measures of teamwork.

Another important element that impacts group dynamics in relation to PA is the feedback environment, otherwise referred to as feedback culture (London & Smither, 2002). Feedback is an integral component of the PA process in organizations characterized by feedback-oriented culture (London, 2003). A more favorable feedback environment leads to higher levels of commitment and organizational citizenship behaviors. In the view of Steelman et al. (2004), using feedback as a diagnostic tool to identify strengths and weaknesses of supervisors as coaches has great potential for improving the PA process.

2.1.18 Errors in Performance Appraisal

In practice, there are many possible errors or biases in the PA process. Raters are usually blamed for most of this error. They affect the objectivity of the appraisal negatively. The most common errors in appraisal are discussed. One of the most common errors in PA is the halo effect. It is the influence of a rater's general impression on ratings of specific performer's qualities as cited by Boachiemenshe and seidu (2012) (Solomonson & Lance, 1997). The rater gives subordinates good grades although their performances are not worthy. Sometimes one prominent characteristic of the subordinate may color the supervisor's perception of other qualities of the subordinate. This occurs because raters sometimes fail to evaluate the employee's other characteristics separately. From his review of several studies, Lefkowitz (2000) concludes that positive regard for subordinates is often associated with greater halo effect and better interpersonal relationship. Horn effect is the opposite of halo effect. It means that the rater might give poor grade even though the rate performer's performance is commendable. Some raters have tendencies to view negatively all behaviors or actions of a subordinate because the superior dislikes a particular behavior or action of the subordinate (Lefkowitz, 2000). The leniency error is perhaps the second most common appraisal error (Tziner & Kopelman, 2002). Some managers are concerned about damaging a good working relationship with a subordinate by giving poor or negative ratings. For this reason, they have the tendency to give rate performers higher ratings than they truly deserve. Lenient raters have the tendency to rate subordinates higher just because they do not want to adversely impact the future of the subordinate or risk being perceived as a harsh superior. Management psychologists' claim that PA ratings obtained for administrative purposes (such as pay raises or promotions) would be more lenient than ratings meant for feedback or employee development purposes (Jawahar & Williams, 1997).

As cited by Boachiemenshe and seidu (2012), (Tziner & Kopelman, 2002) described The contrast error occurs when an employee's evaluation is biased either upward or downward because of another employee's performance, evaluated just previously. Contrast errors are most likely when raters are required to rank employees in order from the best to the poorest. The probability for this error to occur is higher if the rater appraises many employees within a short period. In other words, an appraisal grade of performers tee may be affected by the grade of another performers who gets appraised just before him or her. The similarity effect occurs when raters succumb to

the tendency to give better rating to those subordinates similar to themselves in terms of behavior, personality, or background As cited by Boachiemenshe and seidu (2012), (Pulakos&Wexley, 1983). Employees might also contribute to this error when they make efforts to demonstrate that their behaviors, tastes and tendencies match those of the superior, or hide those not matching with the superior's, with the intent to please the superior for more favorable ratings.

As cited by Boachiemenshe and seidu (2012), (Pulakos&Wexley, 1983) the effects of “similar to me” error can be powerful, and when the similarity is based on race, religion, or gender, it may result in discrimination. Although training for raters may provide solutions to rater errors in some cases, it is ineffective in other instances due to a myriad of factors that distort ratings (Gilbert, 1994). Roberts (2003) argues that four out of ten supervisors believe that employees are to blame for poor performance, when in reality it is poor management practices. To minimize these errors, raters must be fully knowledgeable of the system, and the organization should provide rater training for managers (Roch& O’Sullivan,2003).

2.1.19 Performance rating

Performance ratings are also closely linked with talent management. Since the management of human-capital is important, so are talent management strategies. Here, HR puts their focus on attracting, developing and retaining talent within the organization. Studies have also shown that larger companies and organizations have more systematic processes for dealing with talent, and also for regularly reviewing and identifying low-performing individuals within the organizationRoberts (2003).These are either flushed out of the organization or given coaching and counseling. Differentiating and identifying the different levels of performance amongst the employees will focus the efforts of HR-management. The company needs to identify their top-performers and devote even more resources on them to retain their talent. They need to affirm their average-performers and try to develop them, and they need to coach or act decisively regarding the low-performing individuals. However, many companies feel uncomfortable in labeling their employees in this manner, singling out individuals that are not meeting their standards. It is easy for managers or executives to feel that they are passing judgment on others, when in fact they should view the process as helping to develop, and evaluate performance

3.4.5 Bonus and other incentive programs These types of programs gives employees, managers and executives an added annual compensation, which is often based on the company's profit and performance throughout the year, measured against set goals. These programs are intended to directly reward employees and managers for their performances. However as with pay increases above the norm, the persons receiving these bonuses or incentives may come to expect them, and thus put pressure on the company to deliver them regardless of performance or financial situation.

3.4.6 Special recognition

These types of programs are aimed at recognizing performance on a very individual basis. They are often non-monetary rewards and recognition such as employee of the month awards, sponsored trips or tickets to different venues. They might also be geared towards celebrating an individual's long-time commitment towards the organization. A drawback with this system is that it might create rifts amongst employees, and might do little to boost performance or influence positive behavior in the organization Roberts (2003)..

All organizations and companies have their reward systems. Executives and managers might often see rewards as being only monetary compensation, but this entails more than just pay. Without these rewards, employees would not join the organization, be inclined to come to work, or perform in line with the mission or strategy of the company. A reward system is also a part of a larger HR-strategy, with the goal of strengthening employee loyalty, raising motivation and increasing job satisfaction. Managers also use the reward and recognition strategies as a tool to motivate their employees. Rewards are one of the most important tools managers can use to communicate to employees what they think is effective and important behaviors at work. If for instance, managers want people to effectively work in teams, they need to set their reward systems for teamwork. Rewards can be given to an individual based on their performance or for a group to be divided equally. Reward systems can make the team hold together, they help team members to understand the companies strategies and visions, help to stimulate the effectiveness in the team and they increase the learning and motivation process in the group. For global companies, reward strategies also need to take into consideration the companies goals and objectives as well as the global economy. Reward management starts with the HR-strategy of the company, where it is aligned with the company's visions and goals. It is also an important tool in

aligning the employees to the values and goals of the organization. According to the Harvard model of HRM, the employees should be part of designing the reward system, and the manager must make sure that it is aligned with the organizational goals Roberts (2003).

2.1.20 Review of Performance Management

Lack of constant review of performance management system to align with changes in the organization is a common phenomenon in many organizations. The performance management system can be a good mechanism for quality assurance if implemented in the right manner and enabling environment. According to New Strom, (2011) study, though limited in scope, clearly showed that performance management systems need to be reviewed on a regular basis to make them compatible with international trends of making businesses more responsive to the needs of the clients. Most performance management systems, while well intentioned, are fraught with numerous challenges that impact on its implementation. This range from lack of regular system review, lack of training on performance management, shortage of resources in organizations, abuse of the system as well as lack of reward. These impediments need to be addressed with a sense of urgency if at all the performance management system is to remain credible in the eyes of the stakeholders (Robbins, 2007).

2.1.21 *Reward and recognition strategies*

Teamwork has been increasing in the companies due to several reasons. One reason is that organizations are changing their structure from a hierarchical to a flatter system where equality between group members occurs. Another reason is that the level of competition has been increased between companies and if one company does not see the opportunities in a market another one does. By having employees who provides powerful work in teams and are more responsive to the customer needs, a company can have a competitive advantage. Rewards in teams can be given for individual performance within the team or can be given for the whole team to be divided equally. Reward systems are important to keep the motivation at a high level for team members and help the team to achieve their vision and goals. Common goals and visions are also very important for the team to achieve success. Rewards and recognition also helps to increase the relationship between the team members, and can strengthen the behaviors

needed to succeed. However, successful cooperation between team members in a work context is closely linked to the organizational culture, which is the framework for also establishing a team culture which premieres the values and behaviors laid out by the organizational culture. In this way, the level of successful teamwork and cooperation is not only based on individual group member's preferences. It is also supported and guided by the HR-systems that rewards and recognizes specific behaviors and performance in the organization, and if these are geared towards recognizing and rewarding individual or team performances Nyemberzi,(2009).

There are generally three different ways of rewarding teams. 1) Money/prizes/gifts 2) Recognition and praise awards 3) Development/Empowering work Every organization has their own organizational culture and offers different kinds of working environments to their employees. It is important that the reward and recognition systems have a good fit with organizations culture as well as a good fit with the team-culture. When managers establish their reward systems, they need to take some things into consideration. For example if the company has a materialistic and competitive environment, it would be more effective to give monetary rewards or in a smaller organization where personal relationships are very important it would be more effective to write personal thank-you letters or letter of recognitions.

2.1.22 Feedback

2.1.22.1 The Importance of Continuous Feedback

For accomplishing several of these aims, traditional annual or semiannual appraisal reviews make sense. For example, promotions and raises tend to be periodic decisions. Similarly, you probably wouldn't want to make career decisions without at least several months of data gathering and introspection. (Gary, 2013)

However, it's usually a mistake to wait until the actual appraisal to let employees know what they're doing wrong and doing right. Aligning the employee efforts with the job standards should be a continuous process. When you see a performance problem, the time to take action is immediately there is no substitute for nudging your employee s performance back into line continuously and incrementally. Similarly, when someone does something well, the best reinforcement comes immediately, not 6 months later.

2.2 IMPERICAL REVIEW

In this section empirical evidence supporting the study of Employees perception toward performance management system and tool has been presented .However, only few studies were undertaken of which most of the mare on the banking industry and other service delivery and manufacturing sectors it seems to me that related concepts are looked.

According to (OdunayopaulSalau,2014) conducted on the relation between performance Appraisal and organization productivity in Nigeria Public sector pointed out that performance appraisal has become a fundamental tool used for facilitate organizational effectiveness and greater employees commitment in the work place. In addition, it addresses that when employees were well rewarded and promoted for job done, it will increase commitment and loyalty in the organization. In the same veins the research find out that when employees were properly motivated with the necessary and adequate training needs, innovation would increase rapidly on the job and this will thereby lead to competitive positioning. All these theories showed a high level of relationship that exists between performance appraisal and productivity in an organization which relates to the perception of employees towards the performance appraisal process and it being a positive one.

The other study(Mr.Suhesh ,2011) of employees perception towards organizational success through performance management system find out that Since the success of PMS depends very much on the human factor, i.e. the attitudes and behavior of the respondents of the IT professional towards PMS, an attempt was made to study the overall attitude of the employee's towards implementation PMS, IT sectors in Karnataka. In general, the attitude of the IT professional towards implementation PMS is positive.

(Karen M.Katavich,2003) study of The importance of Employee Satisfaction with Performance Appraisal Systems .The study found that there is a positive correlation between an employee's rating and their attitude towards the performance appraisal process .And also the study show that there is no relationship between performance appraisal satisfaction and high level of work

performance. Although performance appraisal satisfaction was found not to be significantly related to work performance, it was found to be positively related to effective commitment and negatively related to employees' intention to leave.

The other study of (Francis O.Boachie-Mensah, 2012) Employees Perception of PA system finding show that a series managerial implications for training resources for effective PA. In order to minimize if not completely eliminate, perceived appraisal errors, as well as establish a more rational system, certain approaches are recommended. Regarding halo effect and leniency error, precise definitions of the job related behaviors being rated are required. This would help reduce the tendency for appraisers to rely on their individual interpretations. To help reduce the occurrence of recency error, the appraiser should be considered. Concerning similarity bias, performance standards must be clearly defined and also additionally formal training programs can help to reduce subjective errors commonly made during the rating process.

In the same spot other study of (Zhang YING,2012) The Impacts of performance Management System on Employee Performance the data analyzed in order to test the impact PMS on employees performance by using a package STATA for windows. And the results showed that the PMS has a positive but insignificant relationship with employees performance. It pointed that a company productivity would be developed and profit would be increased as well through surprising the whole process of PM, such as building objectives checking feedback and evaluating performance.

ArikPrasetya and Masanori Kato,2007 the study of Employees Perception towards the Performance Assessment System and Salary system in case of PT.TelkomIndonesia, Malang Regional Office. As they described that PT.Telkom as one of the large SOEs, the main HRM on PM has been very good as well the results\ showed that perception of the employees for the assessment system and the salary system was synonymous to the corporate intention.

According to Agatha FilemonShayo, 2013 study of the effects of Performance Appraisal System on Employees Performance in Tanzanian Community Radios. The study find out that the large extent workers are not comfortable with the way PA is being implemented at WAPO, Tumaini

and Upendoradios. They are not aware they lack training and participating in setting goals, evaluation and feedback to the employees. So, this research result show that most critical problems that contribute to low morale, stress and high turnover in most organizations today stem a lack of employee involvement in the decision making process.

The other study of Singh & Madhumita Mohanty, 2013 Performance Appraisal Practices in Indian Service and Manufacturing Sector Organizations study find out that the existing relationship between performance appraisal and employee performance in service and manufacturing sectors play important role in both sectors of employee's performance. And also the study indicated that conducting periodical review of workforce performance by organizations has become a fundamental requirement which will help to shrink the gap between EP and successful attainment of its objectives.

The other related study of Zelalem, 2017 the performance evaluation system of the bank should be designed future oriented and focused on the long term developmental benefits rather than focusing on the controlling aspect only which is short term in nature. The evaluation result needs to be discussed among the raters and rates clearly and design ways to communicate the results of the employees as well as the criteria against which you are going to evaluate the employees. If the appraisal system is required to be effective, it should be used as an instrument of motivation rather than of punishment.

And also according to Perez Ngow, 2014 study said that if the appraisal system is required to be effective, it should be used as an instrument of motivation rather than of punishment. But most of the organization managers and supervisors use their power subjectively. So, this affects employees' performance as well as the organization as whole.

From these different empirical reviews what the researcher understood is that the gaps of performance management system application on different sectors like service delivery and manufacturing. And from these empirical reviews the researcher tried to assess the employees'

perception and feedback about the performance management system, so it helps for further investigations of employees perceptions toward Performance Management System.

2.3 Conceptual Framework

Employee performance management framework of CBE is based on two basic elements. These includes performance appraisal component which is based on balanced scorecard, leadership competency, and core competency and the performance management cycle which is based on five basic events such as job analysis, employee readiness, performance planning, performance appraisal, rewarding and improving performance. The leadership competency and core competency are included in the BSC under learning and growth goals however; non-supervisory employees will not be rated based on leadership competency.

In order to view the actual employee performance management that is ongoing, suitable integrated statement were brought under consideration to determine staff perception. The statements used to assess the actual staff perception towards employee performance management are overall performance management Aspect, performance rating aspect, periodic review aspect and reward and recognition aspect. The above mentioned statements were adopted from the questioner of a master thesis wrote by (Nakani, 2008) which are convenient to assess the perception of employees towards the performance management system.

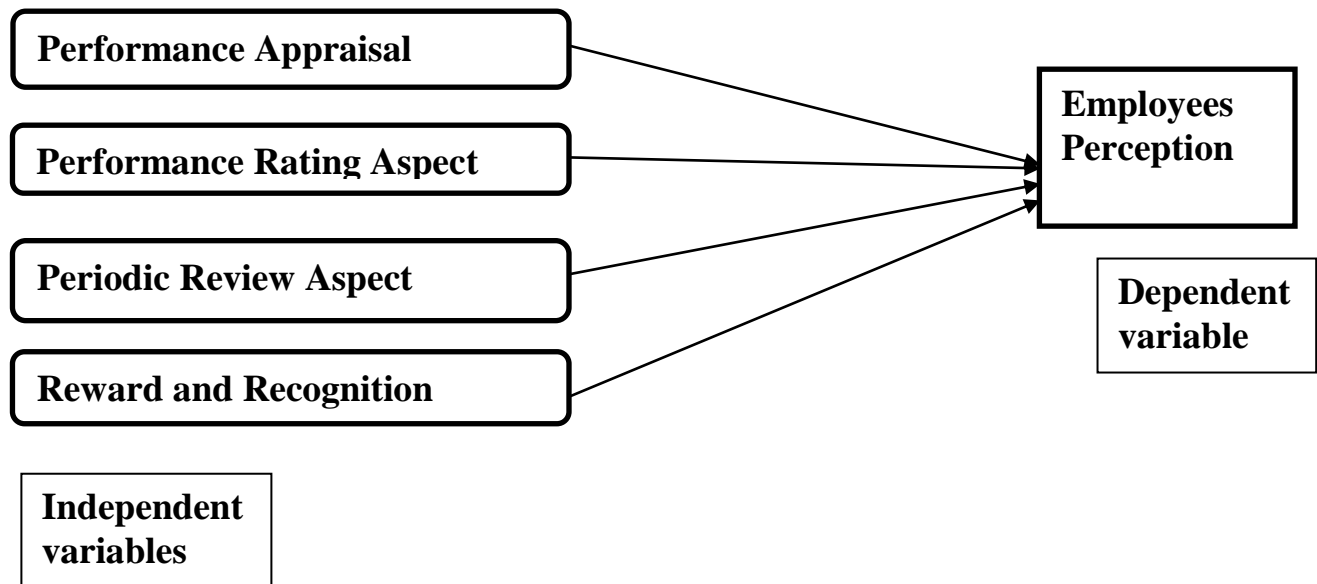


Figure 1: Conceptual Frame Work

2.3.1 EMPLOYEE PERCEPTIONS

Perception is the process by which an employee organizes and interprets his/her impressions in order to give meaning to his/her environment and thus, it influences significantly his/her workplace behavior (Langton & Robbins, 2006). The evidence suggests that what individuals perceive about their work situation influences their attitudes and behavior during organizational change. Thus, Kleanthis K. Katsaros, Athanasios N. Tsirikas and Sofia-Maria N. Bani 38 employee perceptions will lead to either resistance or acceptance of change. (Galpin, 1996)

2.3.2 Performance appraisal

Performance appraisal is the most important and indispensable tool for an organization. Performance appraisal measures the effectiveness of the personnel. Edwin B Flippo,2001 defines performance appraisal as a systematic, periodic and as far as humanly possible an impartial rating of employee’s excellence in matters pertaining to his present job and potentialities for a job.2 To Maurice, B. Coming performance appraisal means “attempts to recognize and reward for personnel abilities that an individual brings to his job, measured by the extent to which his output or quality of his work exceeds the minimum that is fixed as the basic rate of pay”.

2.3.3 Performance rating

Performance ratings or appraisal systems are one way for the company to try to raise motivation and satisfaction. This means that the company regularly (often annually) reviews the performance of their employees and that this rating is then the basis for the rewards given, such as promotions or other benefits. Most use of performance rating systems depend on ratings of multiple criteria. For example, training needs analysis requires ratings on many individual criteria so the employee can be directed into training that speaks to specific shortcomings or areas for improvement. Similarly, staffing uses of performance ratings require measures of various strengths and weaknesses so that proper decisions on employee assignments – or de assignments – can be made (Chris Roweley & Kwith Jackson,2011).

2.3.4 Reward and recognition aspect

Reward management is a strategic tool, used by management to formulate and implement policies and strategies that aim to recognize and reward the members of the organization in a way that is consistent with the organizational goals. Furthermore, it also encompasses rewarding people with fairness, and in relation to their contribution and the value they add to the organization(Armstrong,2003).

CHAPTER THREE

3. RESEARCH METHODOLOGY

INTRODUCTION

This chapter presents the research design and methodology. The chapter covers research design, research approach, target population, sampling method and Sampling size determination, data source and methods of collection, validity and reliability, methods of data analysis, descriptions of study variables and ethical consideration,

3.1. Research design and approach

Descriptive and explanatory research design are used .Descriptive research is applied to come up with informative analysis of the findings. Thus can be supported by the mere purpose of descriptive research is description of the state of affairs as it exists at the present (Kothari, 2004, as cited Tefere,2015). In addition to the descriptive designthe researcher used explanatory research design which helps as to explain rather than simply to describe the intended studied phenomena. Explanatory research design is referred as gathering information in an informal and unstructured manner. The explanatory research design is proper when the researchers knows small about the opportunity or issue. It is not limited to one specific paradigm but may use either qualitative or quantitative approaches (Burns and Bush, 2006).

In addition to these the study used both qualitative and quantitative research approach to obtain desired objectives.

Qualitative research is a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. And also it involves emerging questions and procedures; data typically collected in the participant's setting, data analysis inductively building from particulars to general themes, and the researcher making interpretations of the meaning of the data (John, Creswell, 2009).

Quantitative research is a means for testing objective theories by examining the relationship among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures. The final written report has a set structure consisting of introduction, literature and theory, methods, results, and discussion (Creswell, 2008). So, the research used these quantitative and qualitative approach helps us to investigate the perception of employees toward the PMS of the bank.

3.2. Target population

Cooper and Schindler (2008) define a population as the total population of the elements upon which inferences can be made. The population was the largest set of observations while the smaller set is called the sample. The populations in this study were 320 full time employees of Commercial Bank of Ethiopia. Target population of the study was employees of commercial bank of Ethiopia Jimma city including district office clerical staffs such as: branch managers, CSM, CRO, SCSO of cash attendant and controllers, CSO, Accountants & etc.

3.3 Sampling Method and Sampling Size Determination

3.3.1 Sampling Technique

In order to study Employees perception towards Performance Management System of CBE, the researcher applied stratified sampling method to determine sampling population that is by selecting Jimma area CBE from Jimma district. Stratified Random selection was a procedure through which a sample of participants is chosen from the population due to the homogeneity of the respondents. In such a population have equal chance or probability of being selected to participate in the study (Kazdin, 1992).

3.3.2 Sample Size Determination

The branch of CBE, Jimma town (Jimma Main, Jimma district office, Hirmata, Abajifar, Jiren, Bishishe, Shenen Gibe, Ginjo Guduru, Mentina, Awetu, Ferenj Arada and Sedecha branch) total employees number is 320. So, for the homogeneity and similarity of the bank's structure and working procedures for the convenience of the area to collect the questionnaire, the researcher by

far limited the target population in to employees of Jimma district office and eleven Jimma town branches. So, the researcher used the following sample size determination formula to determine the sample size of the Jimma city CBE employees. Taro Yamane (1973) developed the formula. It is calculated as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where; n is the sample size

N is the population size, (320)

E is the level of precision or sampling error=(0.05)

e² = error limit

$$n = \frac{320}{1 + 320(e)^2}$$

$$n = \frac{320}{1 + 320(0.0025)}$$

n=177.77 so, n= 178

To determine the sample size the following formula has been used

$$n = \frac{N}{1 + N(e)^2}$$

Table 3.1 Sample size determinations

Category of Respondents	Number of Employees	Sample Size
Jimma District office	69	38
Jimma main	62	34
Hirmata	40	22
Mentina	18	10
Awetu	14	8
Sedecha	12	7
FerenjArada	12	7
ShenenGhibe	15	8
GinjoGuduru	20	11
Bishishe	17	10
JimmaAbaJifar	23	13
Jiren	18	10
Total	320	178

Source: Own Data Survey, 2018

The above table data showed that among total population of 320 the researcher took 178 samples by stratified random sampling technique from the above mentioned CBE district and branch staffs.

3.4. Data Source and Methods of Data Collection

3.4.1 Data Source

Both primary and secondary data were used for the study. Each sampled participant staff were asked to fill in questionnaire. The study used primary data from Managers', customer service managers and branch clerical staffs through questionnaires. A source of secondary data has been collected from different policy documents, manuals, articles, publication as well as office documents, reports directives and other related documents were reviewed.

3.4.2 Methods of Data collection

Each employee those participated in the performance management system in the selected branches (excluding non- clerical employees) filled out questionnaire. Out of the 178 distributed questionnaires, 170 of them were returned and use in the data analysis. This makes 95.5% of the distributed questionnaires were successfully collected for the analysis. In the questionnaire part, five-point Likert scales are used in order to measure perception, where 1 stands for (strongly disagree); 2 (disagree); 3(neutral); 4 (agree) and 5(strongly agree).

3.5. Validity and Reliability

3.5.1 Validity test

Validity refers to the accuracy and meaningfulness of inferences, which are based on the research results. Harper and Thompson (2011) note that in order for data collection tools to provide useful results, the questions must be both valid and reliable. Reliability measures the relevance of the questions included in the questionnaires. Validity also refers to whether the instrument is actually able to test what it is supposed to test (Harper and Thompson, 2011). According to Creswell (2009), the usual procedure in assessing the content validity of a measure is to use a professional or expert in a particular field which helps in discovering question content, correction in the wording and the sequencing problems before the actual study as well as exploring ways of improving overall quality of study. For the sake of this study, the researcher used the opinions of experts in the field of study especially university research instructors to establish the validity of the research instrument. Also the researcher used opinions of experts of the organization for the questionnaires whether they are correctly processed or not. This facilitated the necessary revision and modification of the research instrument thereby enhancing validity.

3.5.2 Reliability test

Reliability of the data collection instrument is the consistency of measurement and frequently assessed using a test–retest reliability method (Cooper and Schinder, 2007). Reliability enables the researcher to identify the ambiguities and inadequate items in the research instrument; where the instrument reliability is the dependability, consistency or trustworthiness of a test. The test retest technique is the measure, where questionnaires were administered to a group of individuals (according to the tested number) with similar characteristics as the actual sample. The scores were tested using Cronbach’s Alpha for the data to be reliable for those questionnaires raised by likert scale. According to George & Mallery (2003), it is recommended that if a Cronbach’s coefficient of measurement scale exceeds 0.70 is acceptable as an internally consistent so that further analysis can be carried unless it is unacceptable. They indicated the alpha in the following rule of thumb concerning reliability coefficient: Alpha > 0.9 – Excellent, Alpha > 0.8 – Good, Alpha > 0.7 – Acceptable, Alpha > 0.6 – Questionable, Alpha > 0.5 – Poor and Alpha < 0.5 – Unacceptable. Accordingly the result of this study is reliable enough because the Cronbach Alpha is 0.941.

Table 3.2: Summary of reliability measurement (Cronbach’s Alpha)

Category of questionnaire	Cronbach’s Alpha	No of Items
Appraisal	.874	4
Rating	.772	4
Per Review	.791	4
Rate Reward	.833	5
Employee Perception	.887	5
Total	.941	22

Source: Own survey data 2018

3.6 Method of Data Analysis

The study used descriptive data analysis to analyze the collected data through the questionnaire and analyzed it according to the objectives of the study and framing the different sections of the questionnaire and variables. The study used a quantitative method to generate descriptive statistics. All assumption (linearity, normality and equal variance assumption) of linear regression were checked and at acceptable range. Simple and multiple linear regression model were fitted at 95% of CI and unstandardized B (beta) was used for interpretation at P-value of <0.05 . Candidate variables were selected from simple linear regression model at P value of <0.25 before taking to the final multivariable linear regression model. In all regression model, enter method was used since the number of variables are manageable.

3.7 Study variables

In this study, many variables were identified. The variables are categorized in to performance management system of job analysis, employee readiness, performance planning, performance appraisal, rewarding and improving performance.

3.7.1 Independent variables

In this study, the independent variable (performance appraisal, rating, periodic review, reward and recognition's) are the activities in performance management system. Each independent variables extracted from the stages of performance management system from the literature review and also the established relationship of these independent variables with employee performance. Those variables affecting performance management system are the domain considered as first-order independent variables.

3.7.2 Dependent variable

The dependent variable is the employees (staffs) perception of PMS. The employees' perception measuring the performance management system was considered as dependent variable.

3.8 Ethical Considerations

As the researcher indicated in the questionnaire, all employees were assured that all data of this study were used for academic purpose and analyzed anonymously. And also the researcher got permission from the concerned body like the bank managers of every branch for their willingness to give necessary data for the researcher. After the managers allowed access to different data of the organization, the researcher tooka responsibility not to do biased or fault action and to keep their internal secrets in time of data collection. As per the promises made to the respondents, the entire necessary attempts were made to carry out data gathering and analysis in accordance with the generally accepted ethical concerns.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATIONS

4. INTRODUCTION

In this chapter the analysis of the data is presented. The data was analyzed by using descriptive method; by measuring numerical values and converting them to percentages. The analysis process was done in such a way that 'disagree' responses were merged with 'strongly disagree'. Likewise, 'strongly agree' responses were analyzed together with 'agree' responses. Therefore, results are expressed cumulatively as a negative and positive response respectively while the neutral results are expressed as they are.

After conducting the descriptive analysis, inferential analysis was used to show results. Data analysis was verified against the literature reviewed and recorded electronically according to the variables being investigated.

The primary data collected purposively from the selected branches and District office in a form of questionnaire had three sections. The first section contained items related to respondents' biographical data, the second section was composed of items of dependent variable which is employees' perception of PMS to be answered in a five-point likertquestions. In the third section were contained independent variables predominantly statements regarding such aspects as performance appraisal, performance rating, periodic review and rewards and recognition. With the purpose of triangulating the responses obtained through questionnaire.

4.1 Descriptive analysis for demographic profile of respondents

The descriptive analysis discusses the features and the pattern of a collection of information from survey by questionnaire. The objective to do this is to summarize large sets of information obtained from the respondents.

<i>Sample Respondents</i>			
Respondents	Managers and District HR officers	Branch Employees of different position	Total
Total			178

Table 4.1: Sample Respondents

Source: Own Survey, 2018

The table above shows the number of respondents who were able to complete questionnaire forms. Accordingly, the total sample size of the study comprises 178 respondents of questionnaire. However, after verification of completed forms, coding and preliminary analysis of the data, a total of 8 questionnaires were not returned at all,. Thus, the final sample remained to be a total of 170 which is employees' perception respondents. The study has managed to yield a response rate of 95.5 percent. The researcher deemed this response rate as adequate and sufficient for purposes of data analysis. According to Mugenda(2003), a response rate of over 60% of the respondents is considered adequate for analysis as it is representative of the population under study.

4.1.1 Demographic Characteristics of Respondents

As stated earlier, the first section of the questionnaire sought information on biographical data about the respondents such as gender, age group, educational qualifications, present position in the organization and number of service years. The questionnaire consisted of twenty(20) questions about the PMS and employees perception towards the PMS. The statements allowed the respondents a choice on a five-point scale, as to the extent to which the respondents agreed or disagreed with the statement.

4.1.2 Gender of the respondents

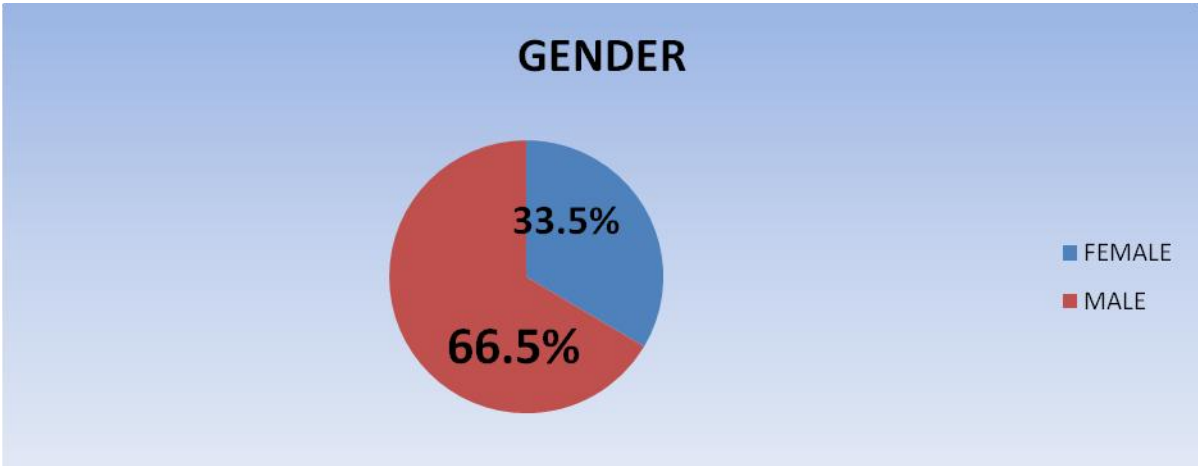


Figure 1: Genders of Respondents

It was felt important to identify the gender of the respondents in order to know how representative the sample was and to view their perception about the PMS in light of gender. In view of this, respondents were asked to indicate their gender. As shown in Fig 1 above, the sample reflected a fairly uneven gender balance; with 57(33.5%) females and 113(66.5%) males. It is clear from the below results that the sample respondents was dominated by male.

4.1.3 Age Distribution of Respondents (Employees)

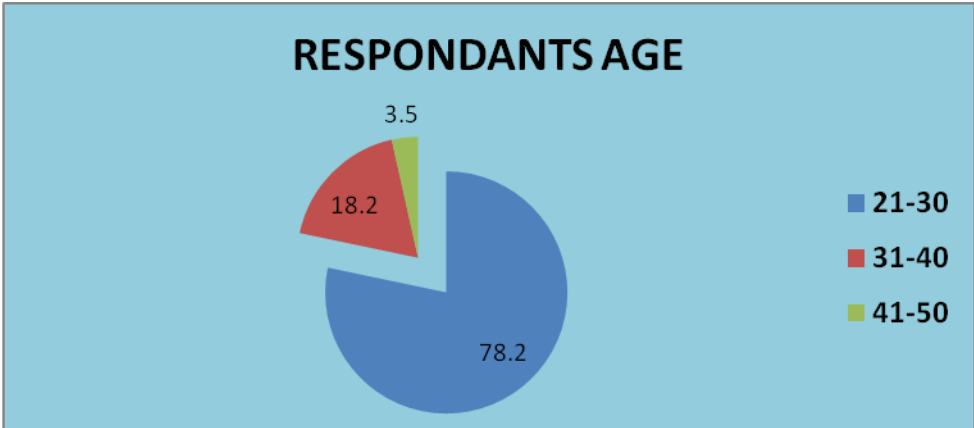


Figure 2: Age Distribution of Respondents

The above Fig 2 summarizes the frequency distribution of the age of respondents. The results shows that the majority of the respondents (78.2%) were between the ages of 21 and 30 years old, 18.2% were between 31-40 years old and only 3.5% was between 41-50 years. This distribution suggests that majority of the employees were relatively youth (between the age of 21-30). This does not seem to create any sort of disparity on their perception towards the performance appraisal. In this regard, Gurbuz and Dikmenli (2007) suggest that young as well as older employees' perception of PA generally does not vary significantly according to their ages. This apparently implies that younger and older employees alike are substantially similar in terms of their perception of PA errors, as well as their commitment and willingness to submit to PA.

4.1.4 Educational Status of Respondents

Respondents were also asked to indicate their highest qualification. The categories of qualification are presented in the figure below.

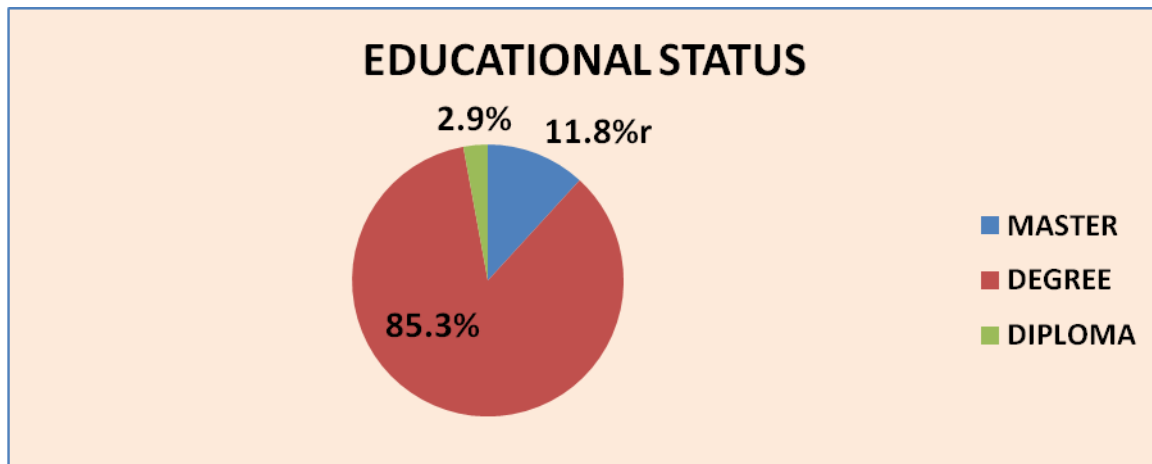


Figure 3 Educational Statuses of Respondents

The results in Fig 3 above depicts that the majority of the respondents (85.3%) possessed Bachelor's degree or equivalent professional qualification. Small proportion (11.8%) of them was Master's degree holders and the remaining 2.9% were Diploma holders. There is a general notion that highly educated and trained people perform tasks within their professional

competence. They tend to support established procedures and standards of performance. It is, therefore, not difficult to state that respondents with higher professional qualifications and advanced academic qualifications might manifest greater co-operation, commitment and willingness to submit to the PMS than their counterparts with relatively lower qualifications.

This assertion is corroborated a study conducted by Gurbuz and Dikmenli's (2007). As a developing commercial bank, many of the employees required opportunity to improve on their academic and professional credentials so as to contribute more effectively towards attaining organizational goals.

4.1.5 Position and service year of respondents

Demographic Variables		Respondents	
		Frequency	Percentages
Current Position held	Branch Manager	4	2.4
	SCSO	29	17.1
	CRO	3	1.8
	CSM	26	15.3
	CSO	101	59.4
	S. BR controller	7	4
	Total	170	100.0
Service years in CBE	From 2 up to 5	100	58.8
	From 6 up to 10	47	27.6
	From 11 up to 15	11	6.5
	From 16 up to 20	4	2.4
	21 and above	8	4.7
	Total	170	100.0

Source: Own Survey,2018

Table 2. CBE employees Position and Service Year

The respondents were also requested to indicate the position they hold in their respective branches. Accordingly, as shown in the above table, the majority of the respondents (59.4%) held a position of customer service officer. And 15.3% were customer service managers who assist the manager in customer handling and supervising. Further still, 2.4% of respondents were managers who were supervising employees. Credit relationship officers comprised 1.8% of the subjects. As per their job description, they mainly deal with loan and credit handling. Others are senior staffs (Accountant, branch controller and chief cashier), i.e. totally combined; they account 21.1% of the respondents.

Simeka (2003) indicates supervisors are responsible for contracting and reviewing the performance of their subordinates. Thus, it is believed, the respondents had appropriate experience for reliably critiquing the implementation of PMS. From the above result, it is possible to infer that most of the respondents were the customer service officers and were the main participants in PMS, which made them very well-positioned to evaluate the overall process.

4.1.6 Service Year in the CBE

The respondents were asked the number of years they have been employed in the Bank. The above table reflects the responses.

It is evident from the above table that great majority of the respondents (58.8%) had worked in the institution for 2 to 5 years. In addition, (27.6%) had worked in the bank for 6 to 10 years. And 11 to 15, 16 to 20 and 21 and above have been stayed in the organization 6.5%, 2.4% and 4.7% respectively. In fact, most of the respondents above (85%) had worked in the institution for 2 up to 10 years gap. They might have been exposed to the appraisal process more than once. One could assume these groups of employees are familiar with the PMS process. And could be considered to have gained greater insight into the system. Therefore, they might be better placed to provide relevant information to facilitate fair assessment of the ongoing PMS.

This view is supported by Gurbuz and Dikmenli's (2007), citing Nakani (.....), argued that employees who undergo PA several times acquire significant information, knowledge, and experience about its process and purpose through the feedback mechanism

4.2 Employees perception towards performance management system

The questionnaire for this section consisted of five aspects of performance management namely: Employees perception towards the PMS(dependent variable),performance appraisal practice, performance rating, periodic review, and reward and recognition. The statements provided the respondents with choices on a five point scale, as to the extent to which they agreed or disagreed with the statements. Seventeen categories of measurement were identified with each statement relating to a particular factor. A descriptive analysis and inferential analysis was followed to measure the degree of positivity or negativity. Finally an open ended interview was also provided with the purpose of triangulating the responses obtained via the questionnaire.

Table3:Employees Perception towards PMS

Items		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
The performance management system can aid in identifying the areas where an employee needs training	Frequency	44	51	33	34	8	170
	Percent	25.9	30	19.4	20	4.7	100
Clearly defined purpose and process of Performance Management System(PMS) is communicated effectively to all employees.	Frequency	49	46	31	33	11	170
	Percent	28.8	27.1	18.2	19.4	6.5	100
The performance management system is viewed by employees as a valuable tool for managing How work gets done and how effective each individual performing	Frequency	33	50	31	42	14	170
	Percent	19.4	29.4	18.2	24.7	8.2	100
The performance management system can help distinguish the strength of employee	Frequency	32	46	26	49	17	170
	Percent	18.8	27.1	15.3	28	10	100
The performance management system can help distinguish the weakness ofemployee	Frequency	40	34	28	47	21	170
	Percent	23.5	20	16.5	27.6	12.4	100

Source Own Survey, 2018

Employees' Perception on PMS as Tool to Identify Training Needs

Items in the above table asked the respondents their perception regarding the role of PMS to identify the area where they need training. The majority 95(55.9%) of employees responded unfavorably to the question, whereas 42(24.7%) have perceive the system to assume this role. And the remaining 33(19.4%) have no assumptions regarding on the question. From this one can conclude that fairly a good number of employees have awareness of the function of PMS to identify training needs of employees. This implies also that the PMS of the bank is a reliable tool to identify the area where the employees need to improve their skills and knowledge. It is vital for every employee to know where they stand in an organization. PMS should be transparent. Supervisors or the HR department of the bank need to update the individual employee of their PMS results so as to have an idea about their strengths and weaknesses which would be a basis to determine possible areas for improvement.

Employees' Views on the Function of PMS as an instrument to Identify Strength

It is also possible to see in the table above that a total of 78(45.9%) respondents held the view that con not agree the PMS distinguish the strengths of the employee. In contrast, 66 (38.8%) of the employees believed otherwise. The remaining 26(15.3%) held a neutral position in this respect. This implies that the management has a long way to go to raise the awareness of the employees about the value of PMS in identifying the strength of employees.

It is argued that when PMS is done in a systematic way and procedures are strictly followed in doing it, reliable data are obtained to show employees' good side. Based on the literature review, one of the most important objectives of PMS is to identify the strengths and weaknesses of employees and to put the right man on the right job. The identified strength eventually helps the employees to be positioned on the right job, thus a bigger chance for them to be improved. Subsequently, this pushes them to a possible promotion, additional compensation, or transfer of work for career development. This finding is also corroborated by the members of the focus group who asserted that the PMS of the bank can identify the strength of an employee.

Employees' Perception on the Role of PMS to Identify Performance Gaps

The table also depicts the perception of the employees as how far the PMS of the bank can help confirm the weaknesses of the employee. Accordingly, 68(40%) of the participants responded positively to the significance of PMS in confirming weakness. On the other hand, a good number 74 (43.5%) of the respondents replied against such role of PMS. And the remaining 28(16.5%) stayed in neutral. The findings imply a little less than half of the employees are aware of the functions of PMS to identify the gaps of employees' performance. This finding is also corroborated by the members of the focus group who confirmed that the PMS can identify the weakness of an employee.

It is, therefore, safe to assume that the bank makes use of PMS for the purpose of identifying performance gaps of employees. This in turn implies employees who have demonstrated weaknesses receive interventions for improvement; while those that do not improve in spite of the training and development the bank provided them have either been recommended for demotion or termination.

Employees who are considered to have shown weaknesses are those that could not deliver their outputs on time, resulting to delays which would subsequently affect the overall performance of the bank. Determining employees for the right work and the right team composition is a crucial activity for any organization in general and for a bank in particular. PMS can be a tool to track the weaknesses of the employees so that they would either receive training to improve performance or place them on tasks that probably suit the level of their working capabilities.

Performance Appraisal

Performance appraisal as one component of the performance management process is the step at which an individual's work performance is assessed or evaluated with the ultimate purpose of addressing the extent how well has the employee performed during the period under review.

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Your periodic performance is based on objectively recorded data	Frequency	51	43	20	43	13	170
	Percent	30.0	25.3	11.8	25.3	7.6	100
Performance appraisal makes me work harder than expected	Frequency	58	27	31	41	13	170
	Percent	34.1	15.9	18.2	24.1	7.6	100
Performance appraisal makes me better understand what should be doing.	Frequency	45	35	28	47	15	170
	Percent	26.5	20.6	16.5	27.6	8.8	100
Performance appraisal have a positive influence in individuals performance	Frequency	44	47	22	38	19	170
	Percent	25.9	27.6	12.9	22.4	11.2	100

Table 4 Performance Appraisal Item

Source: Own Survey, 2018

The employees response about their performance appraisal practices focused on objectively recorded data

From the above table data figure showed that 94(55.3%) does not accept their performance appraisal results based on the recorded data. But, less than half of respondents 56(32.9%) were accepted that their appraisal was based on recorded data. The remaining 20(11.8%) were stayed in neutrals. From this data what the researcher understands that most of the appraisal practices of CBE focuses on manager or supervisor mediated supervision which means they interpret their employees' performance based on their assumptions or subjectivity. So, the Bank should effectively implement objectively traced data and the Managers and supervisors give the feedback to their employees according to recorded data.

Performance appraisal makes the employees work harder than what they expected

The above table 85(50%) of employees have not agreed with Performance appraisal makes them work harder than expected. 54(31.7%) of employees have been agreed with this. But the remaining 31(18.2%) employees were stayed neutral. From this it implies that the performance appraisal mechanisms of CBE will target on enhance the performance of employees. It is useful to implement a variety of appraisal methods simultaneously in an organization to a wide range of job-performance information for effective decision-making. This gives credence to the use of 360-degree appraisal (Schuler, 1995; Lepsinger & Lucia (1998; Hurley, 1998).

Performance appraisal makes the employees better awareness for their activities

The above data figure indicated that 80(47.1%) employees have negative attitudes about the contributions of performance appraisal for their understandings of what they do. 62(36.4%) were assumed that performance appraisal make them to understand what they do. And the remaining 28(18.2%) staffs were no assumptions about the contributions of PA on their work. So from this the one can assume that most employees have not awareness about the contributions of PA on their works and some of them which is below half percent employees understand the PA effects on their work .

Influences of PA on the individual performances

91(53.5%) of respondents have not agreed with PA have positive influences on their individual performances . But 57(33.6%) employees have agreed toward the influences of PA on their individual activities. The remaining 22(12.9%) were assumed neutral . From this what we understand that PA some extent it have an influence on the employee largely employees have been understand that its influence has small contributions on their performance. Others assumed

that whether PA have influence on their performance or not they does not have assumptions or understanding.

Underlining the positive aspects with regard to setting the basic understanding of using performance appraisals as developmental tools which leads to raised employee motivation and commitment to deliver better, the gaps with respect to: supporting the appraisal by continuous feedback and guidance, appropriateness of job evaluations and standards, and time constraint of managers to discuss performance appraisal , has significant impact on the effectiveness of the bank's employee performance management system via affecting employees' motivation to perform, false or misleading information may be used due to poor integration between jobs and standards, standards and ratings may vary and unfair, biases can replace standards which lead to de-motivation and mystery surrounds(Agunis, 2005).The challenges in relation to the appraisal process as disclosed by the respondents are, lack of properly tracked and recorded data mainly due to lack of system to support data tracking and documentation and limited awareness and experience with regard to importance of data, PA practices and poor or inappropriate standards and evaluation tools that do not take into consideration the differences in the nature of the tasks and competence level of individual employees.

4.2.3 Performance Rating Aspect

Table 5: Performance Rating Survey Result

Items		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Total
In my opinion, the performance evaluation form used to evaluate my performance is capable of distinguishing effective performers from ineffective performers	Frequency	45	44	33	35	13	170
	Percent	26.5	25.9	19.4	20.6	7.6	100
I have ways to appeal a performance rating that I think is biased or inaccurate	Frequency	35	42	38	40	15	170
	Percent	20.6	24.7	22.4	23.5	8.8	100
My rater evaluates my performance based on my accomplishment and achievement	Frequency	45	46	29	40	10	170
	Percent	26.5	27.1	17.1	23.5	5.9	100
The performance management system is completely measurable and fair comparing it with previous one	Frequency	56	51	25	29	9	170
	Percent	32.9	30.0	14.7	17.1	5.3	100

Source: Own Survey, 2018

Perception on the Role of PMS to Distinguish High and Low Performers

The table above reveals nearly half 89(52.4%) of the respondents did not perceive PMS as serving as a tool to distinguish between high and low performing employees. On the contrary 48(28.2%) of the participants were of the opinion that PMS is capable of distinguishing effective performers from ineffective ones. Where the remaining 33(19.4%) stayed in no assumptions. It is useful to implement a variety of appraisal methods simultaneously in an organization to a wide range of job-performance information for effective decision-making. This gives credence to the use of 360-degree appraisal (Schuler, 1995; Lepsinger & Lucia (1998; Hurley, 1998).

Employees' Perception on the Appeal Procedure

Participants were asked if appeal procedure is in place in case an employee feels the rating is wrong. The finding in the above table suggests almost than half 77(45.3%) of the respondents claimed there is no ways to appeal for inaccurate rating. Such appeal procedure was believed to be in place for just a third 55(32.3%) of the employees. From this, one can safely assume that most employees have little or no room to contest the result of the PMS no matter whether they have been misjudged or not.

Rater Effect

The above table also reveals the employees' perception as to how they are evaluated. As such, 91(53.6%) felt raters did not evaluate their performance on the basis of their accomplishment. But this does not hold true for 50(29.4%) of the respondents who believed they were evaluated as per their accomplishments. The remaining 29(17.1)% chose to remain neutral in this regard.

Employees' Perception on the Measurability and Fairness of the PMS

As compared to the previous PA, the PMS currently on progress at CBE seemed to be measurable and fair in the eyes of a little more than half 38(22.4%) of the respondents. This view was not shared by nearly a quarter 107(62.9%) of the employees of the bank who took part in the study. The rest 25(14.7%) of the respondents were indifferent in terms of the measurability and fairness of the PMS. By implication, the bank should work on some mechanisms so as to win the trust of the entire employees so that it would end up with effective and efficient PMS.

4.2.4 Periodic Review Aspect

Periodic review survey result

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Senior Management demonstrates that they Take performance reviews seriously.	Frequency	53	48	27	28	14	170
	Percent	31.2	28.2	15.9	16.5	8.2	100
Performance is measured against the factors Previously agreed upon.	Frequency	39	47	26	43	15	170
	Percent	22.9	27.6	15.3	25.3	8.8	100
Effective personal recognition is provided During review meetings.	Frequency	37	50	28	43	12	170
	Percent	21.8	29.4	16.5	25.3	7.1	100
Feedback is given as soon as possible after The review activity is performed	Frequency	41	51	30	36	12	170
	Percent	24.1	30.0	17.6	21.2	7.1	100

Table 6 periodic review aspect

Source: Own Survey, 2018

Analysis of findings from the above table item 1 the statement Senior management take performance reviews seriously reveal that slightly greater than half of the respondents (59.4%) were negative with the statement, (24.7%) of the respondents were positive with it, while the rest (15.9%) were indifferent which is not encouraging. Armstrong (2000) states that the purpose of performance and development reviews is to enable the immediate supervisor and subordinate to get together so that they can engage in a dialogue about the employee's performance and development. Support provided by the supervisor is an essential part of performance management.

The findings as per above table, item2 the statement performance is measured against the factors previously agreed upon reveal that (34.1%) of respondents replied positively with the statement, while (50.5%) replied negatively and the rest (15.3%) stayed neutral. Simeka (2003) cited by Nakani states that during performance planning there should be agreement reached and a shared view held of the aspects of performance that will be measured and level of competencies needed to achieve performance standards. The study found that managers and supervisors are performing well in this aspect.

The finding for table item 3 the statement effective personal recognition is provided during review meetings reveal that about (32.4%) of respondents were positive with the above statement and (51.2%) were negative and the rest (16.5%) were indifferent. Simeka (2003) cited by Nakaniis of the opinion that Performance management system provides a framework for assessment, identification of good and poor performance and to act appropriately through development and recognition of good performance. Further that praise and appreciation for some specific achievement should be given at the beginning of the review meeting because it facilitates relaxation.

The finding for the last item on the above table reveals whereby (28.3%) of respondents replied positively with the above statement feedback is given as soon as possible after the activity performed, while (54.1%) replied negatively with the statement and (17.6%) were neutral.

Spangenberg (1994) states that managers must give feedback soon after an activity has been performed in order to improve performance. Day to day feedback is highly desirable

4.2.5 Reward and Recognition Aspect

Reward and recognition survey result

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Pay decisions are linked to performance Achievements	Frequency	49	50	31	28	12	170
	Percent	28.8	29.4	18.2	16.5	7.1	100
Positive and negative financial and nonfinancial consequences of performance are utilized Effectively.	Frequency	65	44	25	22	14	170
	Percent	38.2	25.9	14.7	12.9	8.2	100
PMS establishes a clear connection between Performance and rewards.	Frequency	47	50	27	35	11	170
	Percent	27.6	29.4	15.9	20.6	6.5	100
The performance management system can help in decision whether to recognize good performance of	Frequency	36	47	37	36	14	170
	Percent	21.2	27.6	21.8	21.2	8.2	100

employee							
The reward motivated me to be timely in completing my duties	Frequency	40	43	30	44	13	170
	Percent	23.5	25,3	17.6	25.9	7.6	100

Table 7 Reward and Recognition aspect

Source: own survey,2018

The findings above table item first on the statement pay decisions are linked to performance achievement indicates (23.8%) of views among respondents were positive. (58.20%) of respondent were negative and the rest (18.2%) were indifferent. Coetsee (1996) states that rewards and recognition must satisfy employees' preferences, realistic expectations and must be significant in order to have a high valence.

The findings on the above table item second on the statement Positive and negative financial and non-financial consequences of performance revealed that many of respondents (64.10%) responded negatively and around (21.10%) responded positively on the statement (14.7%) were indifferent. Spangenberg (1994) states that a recognition and reward system that is aimed at reducing the emphasis on base salary increases must be developed. A set of rewards and types of recognition including: base salary merit increase; bonuses, verbal recognition and praise or appreciation awards could be implemented. Such a recognition and reward system would motivate employees in addition and some of the non-cash rewards can be cost effective.

The other finding on table item third which is PMS establish a clear connection between performance and rewards reflects majority of the respondent (27.10%) had a positive response while (57%) of the respondents had negatively responded and (15.9%) were neutral. Armstrong (2000) states that a participative performance review process helps ensure that appropriate performance is rewarded.

The last finding on the above table the performance management system can help in decision whether to recognize good performance of employee shows that (29.4%) of the respondents

responded positively while (48.80%) of them responded negatively and the rest (21.8%) were neutral.

As per the interview held with the managers and customer service managers, the study reveals that the first challenge was the employees tend to resist towards the new PMS because of the fact that new methods takes time adopting them. Awareness creation was a problem since training could not be possible to give for the whole staff; even if, it is given it's just not that much effective. Planning and cascading down targets and goals to each performer was a challenge by itself. Manual data collection was used because of this probability of missing the jobs done was high and the other is committing a single error leads to immediately poor performance appraisal which is unrealistic in differentiating effective performer from ineffective one. Non-financial targets were successful ex. Signature scanning was updated on daily bases, daily transfer of outgoing telegram without backlog, book balance with no difference, daily completion of back office transaction and careful attention was given to suspense accounts and reconciliation. Similarly some of the progress were customer base has increased, knowledge build up & communication has increased, poor performers were communicated, error free environment was created, Customer complaints have also minimized and goals and target has been achieved more than the required target and so on. There are some challenges concerning rating manual data collection was used. So, probability of missing the jobs done may be higher where the problem emanates from not supported by IT to collect data or it could be data tracking problem.

4.3. Factors Affecting Perception of Employees Towards PMS

Candidate variables (age:P=0.122, Current position:P=0.010, Performance appraisal scale:P=0.001, performance rating scale:P=0.001, periodic review scale,P=0.001, and reward and recognition scale:P=0.001), which were statistically significant to be selected as a candidate for the final model of perception towards PMS. Out of 6 variable/scales, only 2 variables were significantly independent predictors of perception towards PMS score ($P < 0.001$).

This model explained almost 53% (Adjusted R Square=0.525) of the variability in the perception towards PMS scale score.

In this study, a one unit increment in the performance rating scale score resulted in 0.343 unit increase in the perception towards PMS measuring scale score at any given item (P<0.001). One unit increment in the reward and recognition scale score, increases their perception score by 0.489 (P<0.001). (Table 8)

Table 8: Independent predictors of employees' perception towards PMS scale score, Jimma CBE district, SW Ethiopia, 2018 (n=170) (multivariable linear regression)

Independent Variables/scales	Un standardized Coefficients B	standardized Coefficients B	P value
Respondents' Age	.012	.030	.601
current position	-.011	-.063	.275
Performance appraisal scale	.108	.117	.116
Performance rating scale	.343	.314	.000*
Periodic review scale	-.070	-.067	.460
Reward and recognition scale	.489	.454	.000*

Constant=0.126, Adjusted R Square=0.525, *significant at p value <0.05, dependent variable:-perception towards PMS scale score.

4.4 Correlation between independent variables and dependent variable

Correlation is a statistical tool to determine the strength of relationship between two suitability variables. Therefore, correlation matrix is an interpretation of the correlations is based on a significant of the correlation between two or more variables. The ranges of r value from -1 to +1, which used to describe a direction relationship between two variables. Among them, minus means the relationship between two variables is negative, and if the greater the absolute value of correlation coefficient, the stronger the relationship. It shows that if one variable becomes bigger and another variable will become to smaller. For plus sign means a positive relationship between two variables, a variable tends to directly become bigger with another variable, or smaller and smaller with this variable (direct relation). When correlation coefficient equal to 0, it means the weakest relationship between two variables. The correlation matrix table is a comparison of

needs, requirements, or functions whereby the user identifies a relationship of either mutual benefit, conflict, or no

Table 9. Correlation

	Appraisal	Rating	Periodic Review	RateReward	Perception
Appraisal	1				
Rating	.598**	1			
Periodic Review	.646**	.674**	1		
Rate Reward	.568**	.600**	.727**	1	
Perception	.540**	.628**	.566**	.668**	1

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

The above table indicates that reward is strongly significant with the dependent variable employee perception compared to other variables at the (0.01) level with a positive relationship between two variables, which is the independent variable (reward) and independent variable (employee perception) of the staff members. Also the correlations between other independent variables like appraisal, rating and periodic review have positive relationship with the dependent variable (employee performance). All of the independent variables are a significant predictor of the dependent variable employee performance.

4.5 Resultsof Multiple Regressions

Correlation and multiple regression analyses were conducted to examine the effect of appraisal, performance rating, periodic review and reward. The multiple regression model used to predict the employee performance is,

$$\text{Employee perception} = B_0 + B_1AP + B_2RA + B_3PR + B_4RE + P$$

Table 10 Coefficients

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.	Co linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.421	.176		2.394	.018		
1 Appraisal	.124	.067	.134	1.835	.068	.525	1.905
Rating	.353	.083	.323	4.251	.000	.485	2.060
Per Review	-.062	.095	-.059	-.658	.511	.350	2.860
RateReward	.475	.086	.441	5.521	.000	.441	2.269

a. Dependent Variable: Employee Perception

Table 4.10 shows that employee performance is positively associated with AP(.124), RA(.353), and RE(0.475). Meanwhile, periodic review(-.062) is negatively associated with employee perception. The multiple regression model with all four predictors produced $R^2=.733$, $F=47.763$, $p=0.000$. Since the p-value is less than $\alpha=.05$, we can conclude that some of the predictors did contribute to the multiple regression model.

The multiple regression model with all four predictors produced $R^2=.733$, $F=47.763$, $p<.001$. Therefore, the final model for the multiple regressions is,
Employee perception = $0.421 + .124AP + .353RA - .062PR + 0.475RE + P$

B0: not analyzed (generally, it is the mean for the response when all of the independent Variables (x) take on the value 0.), employee performance be 0.421.

Rate of reward in Commercial Bank of Ethiopia have positive significant effect on employee perception $B_4 = 0.475$ with $P=0.000$, the existing periodic review activities of the company had negative significant effect on the performance of employees $B_3 = -0.062$ with $p = 0.000$ and finally the performance appraisal and rating system of the company have significant effect on the perception of employees with $B_1 = 0.124$, $B_2 = 0.353$ with $p < 0.01$ and $P < 0.05$ respectively. From the result of multiple regression analysis presented in table 10, the researcher concluded that participation of employees in rate of reward has stronger effect on employee perception than the other independent variables.

CHAPTER FIVE

MAJOR FINDING, CONCLUSION AND RECOMMENDATION

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

5.1 Summary of Findings

There was no effective communication about the purpose and process of the PMS among each employee. And most of the employees view the PMS not as a valuable tool for managing how effectively each individual is performing. Based on the finding, the performance management system cannot help to distinguish employee's strengths, weaknesses, and areas where an employee needs training.

On the other hand, the staff has partial perception on whether raters evaluate their performance based on their achievement, their views on effective personal recognition, positive and negative consequences utilized effectively. A negative perception has been seen because one of the challenges of the PMS was planning and cascading the branch's target to each performer as per HRMD (human resource management and development) manual, the PMS is not capable enough distinguishing effective performers from ineffective ones. It was difficult to appeal for inaccurate rating because formal procedures were not properly communicated, performance reviews were not seriously taken, pay decisions were not linked to performance achievement and most of all, there were challenges with committing single error will disqualify the employee's whole performance.

The results of the multiple regression analysis show that appraisal, rating and employee reward of the Bank have positive effect on the employee performance but periodic review has negative effect on the performance of the organization. This is one negative findings of the study.

5.2 Conclusion

- ❖ The findings of this study are in its moderate level because employees are not satisfied by the performance management system of the organization. From these findings one is that there is no strong communication between the supervisors of the organization and the subordinates of the bank. From the mean of the employees perception 2.68 is found to be moderately acceptable but, from the factors of employee perception communication is akin to carry out day to day activities of the organization. Without good communication between supervisors and low level staffs it is not easy to meet one's organizational goal.
- ❖ The PMS capability of distinguishing effective performers from ineffective performers was dominated by negative respondents. This means most of the staffs believe that the PMS captures only the results. Looking only for results without considering the right way of achieving might bring negative impact on the consistency of the performer's result which intern brings a negative impact on the organization. Respondents also had a negative response on having options to appeal to a performance rating that they think is biased or inaccurate. This made the PMS less perceived by the employees because there is no way that the employees could appeal if they feel they have been given a wrong result. And there is positive staff perception on the PMS measurability and fairness when comparing it to the previous PA which made the employees feel that it is fair to be measured by it than the former one. The descriptive statistics of performance rating aspect shows a mean of 2.55 that Staff perceives partially raters evaluate performance based on accomplishment and achievement but this means half of the staff did not believe that they are not. This shows that there is a mistake on taking down the records of the employees which might distort the result of the performance rating.
- ❖ According to the study, Pay decisions were not linked to performance achievement. And this makes employees perform lower than their capacity because no matter how hard they do, they get the same payment with those who do not work hard. Positive and negative financial and non-financial consequences of performance like salary adjustment and recognition are partially utilized effectively and the staffs have positively responded that The PMS can help to recognize good performance of an employee. Even if it is not fully, recognizing some employees with

salary and position has made other employees to work hard to be rewarded like their fellow workers. But the bad side of this is that fellow workers might also feel they have been ignored. The descriptive statistics of reward and recognition aspect showed the mean of 2.51 on the statement the PMS has established a clear connection between performances and reward. Getting half of the employees believe that reward is connected to performance is good but half of them did not believe that reward and performance are not connected which makes them less care on performing well.

5.3 RECOMMENDATION

Based on the finding the following recommendation was given:

- ❖ It has been found that there is no such constructive communication on the purpose and process of performance management system with employees of the. It is advisable to the organization if it works harder on communicating the PMS to the whole employees better by avoiding the doubt in the employees mind through manuals, trainings and through showing them how it does and make them know and realize its importance. At the end it brings better communication and enhances the performance of the organization. It is also good if there is another new method of identifying weaknesses and maintaining strengths of employees, to get a satisfactory result and feel gaps.
- ❖ As found above, the performance rating has a positive and significant impact on the perception of employees towards the performance management system. It is advantageous to the bank if it made all the employees feel that each and every measurement are based on their achievement through showing their recordings of what they have done . By improving and preserving the fairness of the PMS.
- ❖ The findings has also reviled that periodic review has a negative and insignificant effect on the perception of employees towards the performance management system. It also advantageous to the bank if the performance review is taken seriously because it help the employees not repeat same mistakes and learn from the past colleagues. It is also very good if the bank implements a strict periodic review by which the bank can see the improvement of employees and it is easy for the bank to recognize and appreciate.

- ❖ As reward has a positive and significant impact on the perception of employees towards the performance management system. It is better to link payment with performance which makes employees not work lower than their capacities thinking everyone is paid the same. In order to avoid differentiated payment to the same position and early promotion, it is good if there is a standard known not to be biased. So, it would be advantageous if reward is connected to performance achievement

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Web sites

www.combank.et.com

3.7 APENDIX

JIMMA UNIVERSITY
College of Business and Economics
Management department MBA PROGRAM

Dear Respondent

The purpose of this questionnaire is to collect primary data for conducting on the topic of” employee perception towards the Performance Management System in case of commercial banks of Ethiopia at Jimma city “for partial fulfillment to the completion of the MBA program at Jimma University. In this regard I kindly request you provide me reliable information so, the finding from the study would meet the intended purpose. Your attention to this make me confidential to achieve my MBA as well as it will support for the contribution of knowledge about the perception of employees about PMS .I strongly assure you of confidential treatment of your answers and I would like to thanks from my heart for your active cooperation to fill this form.

Directions

- ❖ **No need to write your name**
- ❖ **Answer by making a tick**

NOTE:In case if you face any ambiguities or you want to rise questions or comments regarding on the questioner, please do not hesitate to contact me.

Through:Mobile = 0917834399

email= habtish333@gmail.com

THANKS A LOT !!!!!!!

HABTAMU ABEBE

3.7.1 Section 1 Respondent's Personal Profile

Instruction: Kindly put a tick in the box provided that best describes you.

1.1 Gender

Female Male

1.2 Age

21-30 41-50
 31-40 51-60 60 And above

1.3 Educational Status

Degree Post Graduate
 Diploma other indicate

1.4 Your Current Position

Branch Manager Customer Service Manager Customer relationship officer
 Senior Customer officer Customer Service officer senior branch controller

1.5 Number of Years in the Service?

2-5 6-10 11-15 16-20 21 and above

1.6 Which branch do you work?

Jimmamaina Bishishe Ginjoguduru Jiren
 Jimma district office Shenengibe Awetu Sedecha
 FerenjArada Hirmata Mentina Jimma AbaJifar

INSTRUCTIONS

In your opinion, the Performance Management System of your organization meet your perception? Use these responses from 1 to 5 to answer where: 1. **strongly Disagree**; 2. **Disagree**; 3. **Neutral**; 4. **Agree**; 5. **strongly agree**

SECTION 2: Factors affecting employees' perception of PMS

1 Strongly Disagree (SDA)	2 Disagree (D)	3 Neutral (N)	4 Agree (A)	5 Strongly Agree (SA)
Using the scale above (1 – 5) please tick (√) the levels of agreement in each of the items below with regards to the HRM practices of your organization				

Statement		Level of Perception				
		SD(1)	D(2)	N(3)	A(4)	SA(5)
Performance appraisal						
1	Your periodic performance is based on objectively recorded data					
2	Performance appraisal makes me work harder than expected					
3	Performance appraisal makes me better understand what should be doing					
4	Performance appraisal have a positive influence in individuals performance					
Performance Rating Aspect						
5.	In my opinion, the performance evaluation form used to evaluate my performance is capable of distinguishing effective performers from ineffective performers.					
6.	I have ways to appeal a performance rating that I think is biased or inaccurate					

7.	My rater evaluates my performance based on my accomplishment and achievement					
8.	The performance management system is completely measurable and fair comparing it with previous one					
Periodic Review Aspect						
9.	Senior Management demonstrates that they Take performance reviews seriously.					
10.	Performance is measured against the factors Previously agreed upon.					
11.	Effective personal recognition is provided During review meetings.					
12.	Feedback is given as soon as possible after The review activity is performed					
Rewards and Recognition aspect						
13.	Pay decisions are linked to performance Achievements					
14.	Positive and negative financial and nonfinancial consequences of performance (e.g. salary adjustments, recognition) are utilized Effectively.					
15.	PMS establishes a clear connection between Performance and rewards.					
16.	The performance management system can help in decision whether to recognize good performance of employee.					
17.	The rewards motivate me to be timely in completing my duties.					

SECTION 3: Employees Perception to ward PMS

Statement		Level of Perception				
1,	The performance management system can aid in identifying the areas where an employee needs training					
2.	Clearly defined purpose and process of Performance Management System (PMS) is communicated effectively to all employees.					
3.	The performance management system is viewed by employees as a valuable tool for managing how work gets done and how effective each individual is performing.					
4	The performance management system can help distinguish the strength of employee					
5	The performance management system can help confirm the weakness of employee					