



THE EFFECT OF PERFORMANCE MANAGEMENT SYSTEM ON EMPLOYEE
PERFORMANCE: THE CASE OF CHEHA WOREDA PUBLIC SECTORS, SOUTH
NATIONS NATIONALITIES AND PEOPLES REGIONAL STATE

MBA IN BUSINESS ADMINISTRATION

LEUL MESFIN KELEMEWORK

JUNE/2013

WOLKITE, ETHIOPIA

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**THE EFFECT OF PERFORMANCE MANAGEMENT SYSTEM ON
EMPLOYEE PERFORMANCE: THE CASE OF CHEHA WOREDA PUBLIC SECTORS,
SOUTH NATIONS NATIONALITIES AND PEOPLES REGIONAL STATE.**

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DECLARATION

I hereby declare that the work entitled: *“The Effect of Performance Management System on Employee Performance: The Case of Cheha Woreda Public Sectors, South Nations Nationalities and Peoples Regional State”* is the outcome of my own effort and study and that all source of materials used for the study have been duly acknowledged. I have produced it independently except of the guidance and suggestion of my Research Advisor. This study has not been submitted for any degree in this university or any other university. It is offered for the partial fulfillment of Degree of Masters in Business Administration.

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Tables of Contents

DECLARATION.....	i
ACKNOWLEDGEMENTS	v
LIST OF TABLES	ix
LIST OF FIGURES.....	x
LIST OF ABBREVIATIONS/ACRONYMS.....	xi
ABSTRACT	xii
CHAPTER ONE.....	1
INTRODUCTION.....	1
1.1. Background of the Study	1
1.2. Statement of the Problem	4
1.3. Objectives of the Study.....	6
1.3.1. General Objective	6
1.3.2. Specific Objectives	6
1.4. Research Hypothesis.....	7
1.5. Significance of the Study.....	7
1.6. Scope of the Study.....	7
1.7. Limitation of the Study.....	8
1.8. Definition of Key Terms.....	8
1.9. Organization of the Study.....	9
CHAPTER TWO.....	10
REVIEW OF RELATED LITERATURES	10
2.1. Theoretical Review.....	10
2.1.1. Performance.....	10
2.1.2. Performance Management System	10
2.1.3. The Objectives of Performance Management	11
2.1.4. Performance Management Cycle.....	12
2.1.5. Performance Planning.....	13
2.1.6. Performance Appraisal	13
2.1.7. Performance Feedback	14
2.1.8. Rewarding Performance	15

2.1.9.	Theories on Performance Management	16
2.1.10.	Possible Outcomes from Effective Performance Management	18
2.2.	Employee Performance.....	18
2.2.1.	Employee Performance Indicators.....	20
2.3.	Empirical Review	23
2.4.	Conceptual Framework.....	27
2.4.1.	The Effect of Planning on Employees Performance.....	28
2.4.2.	The Effect of Performance Appraisal on Employees Performance	28
2.4.3.	The Effect of Reward System on Employees Performance.....	29
2.4.4.	The Effect of Feedback on Employees Performance.....	29
CHAPTER THREE.....		30
RESEARCH METHODOLOGY		30
3.1.	Description of the Study Area	30
3.2.	Research Approach and Research Design	30
3.3.	Study Population	30
3.4.	Sampling Design	32
3.4.1.	Sample Size Determination	32
3.4.2.	Sampling Techniques and Procedures	32
3.5.	Data Source and Types	33
3.6.	Data Collection Tool	33
3.7.	Validity of Research Instrument.....	33
3.8.	Reliability Measurement.....	34
3.9.	Methods of Data Collection.....	34
3.10.	Method of Data Analysis.....	34
3.11.	Data Quality Control	35
3.12.	Ethical Considerations.....	35
CHAPTER FOUR		37
DATA PRESENTATION, ANALYSIS AND DISCUSSIONS		37
4.1.	Data Presentation.....	37
4.2.	Response Rate	37
4.3.	Results and Discussions of Employees Demographic Profile	38

4.3.1. Gender	38
4.3.2. Age	38
4.3.3. Work Experience	39
4.3.4. Education Level.....	40
4.4. Performance Planning Analysis.....	40
4.5. Performance Appraisal Analysis	41
4.5. Analysis of Reward System.....	43
4.6. Analysis of Performance Feedback	44
4.7. Analysis of Employee Performance	46
4.8. Correlation Analysis	46
4.9. Regression Analysis	48
4.9.1. Tests of Assumptions.....	49
4.10. Discussions on the Result	52
CHAPTER FIVE	54
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	54
5.1. Summary.....	54
5.2. Conclusions	55
5.3. Recommendations	56
6. REFERENCES	58
APPENDIX	61

LIST OF TABLES

Table 3.1: Sampling Frame work of the study	31
Table 3.2: Reliability Summary	25
Table 4.1: Gender	38
Table 4.2: Age	38
Table 4.3: Work Experience	39
Table 4.4: Education Level	40
Table 4.5: Performance Planning	41
Table 4.6: Performance Appraisal	42
Table 4.7: Reward System	44
Table 4.8: Performance Feedback	45
Table 4.9: Analysis of Employee Performance	46
Table 4.10: Correlation Analysis	47
Table 4.11: Model Summary	48
Table 4.12: Test of Multicollinearity	51
Table 4.12: ANOVA	51
Table 4.13: Summary of Coefficient on Employee Performance	52

LIST OF FIGURES

	Pages
Fig. 2.1 - Performance Management Cycle	13
Fig. 2.2 - Performance Management System and Employee Performance	28
Fig. 4.1 - Normal P-P Plot	49
Fig.4.2 - Scattered Plot	50

LIST OF ABBREVIATIONS/ACRONYMS

NGO	Non-Governmental Organization
PA	Performance Appraisal
PF	Performance Feedback
PMS	Performance Management System
R	Reward
SPSS	Statistical Package for Social Sciences
Std. Devi.	Standard Deviation
VIF	Variance Inflation Factor

ABSTRACT

The main objective of the study was to identify the effect of performance management system on employee performance in Cheha Woreda Public sectors. Specifically, this study was intended to address the following research hypothesis; the performance management system has a significant effect on employee's performance through performance planning, performance appraisal, and reward system and performance feedback. The study was done based on primary data sources. A self-administered structured questionnaire was designed to collect the relevant information from the respondents. The population of study comprises all employees of the sectors except the political leaders and supportive department workers. In course of investigation, the structured questionnaire distributed to the randomly selected 140 respondents of which 132 were retrieved. Explanatory research design was employed and correlation coefficient was used to investigate the effect of independent variables on the dependent variable of the study. The result revealed that performance planning and performance appraisal had in significant effect, while reward system, and performance feedback had a significant effect on employee's performance. The study recommends that the organizations should make the employees to participate on the planning stage of the PMS and a frequent feedback is necessary to enable the employees be aware of what exactly is expected from them. The organizations need to employ appropriate and goal oriented appraisal system and the organization should reward the employees for greater performance levels based on the result of appraisal system.

Key Words: *Performance Management, Performance Appraisal, Performance Planning, Employee Performance, Feedback, Performance Management system and Reward system*

CHAPTER ONE

INTRODUCTION

This section discusses the background of the study, statement of the problem, objectives of the study, significance of the study, scope of the study, research hypothesis, and definitions of key words and organization of the paper.

1.1. Background of the Study

According to Gupta & Upadhyayn, 2012, in this competitive and changing environment, organizations compete through their employees. To survive with dynamic environments, they need to focus on continuous improvement, doing more with less, and productivity. These developments have brought performance management to center stage. Performance management system is considered to be one of the strongest tools for developing human asset as it lays the foundation for training, promotion, career planning and competency mapping.

Armstrong and Baron defines PMS as a strategic and integrated approach in delivering sustained success to organizations by improving performance of people by developing the capabilities of teams and individuals. These experts consider PMS as a strategic tool since it is concerned with achievement of long-term organizational goals and effective functioning of organizations in its external environment.

Performance Management System (PMS) is defined as, strategic and integrated approach of conveying continued success to institutions by developing the people in a way that improves group and personal performance (Armstrong & Baron, 1998). Being the most important aspect performance management system is failing to deliver the expected result. (Gupta, Upadhyay, 2012, Armstrong, 2001). An increasing number of profit and non-profit organization are turning towards PMS for their organizations in order to achieve better results and better psychosomatic outputs (Gupta & Upadhyay, 2012). Beer and Ruh (1976) first coined the phrase performance management in 1976. Despite being, avant-garde approach there has been many difficulties in the proper implementation of the approach (Gupta, Upadhyay, 2012, De-Waal, 2007). PMS is impossible to be effective if focus is not given to performance driven behavior rigorously and managers acting as role models. Performance has a linkage with the individual potential and how best it is realized by the individual. With regard to manage, his/her potential becomes the input to

the productive process and performance is the output. *Employee's potential* is determined when a set of tasks are assigned to him. It is also related to performance standards set.(De-Waal & Covert, 2007).

The broad objectives of a PMS are: to Provide a formal process of planning and reviewing, establish standards of performance required for the following year, encourage two-way communication between staff and their immediate supervisors regarding expectations, measurements and feedback on performance, review performance based on clearly defined performance standards set during performance planning, track progress in performance by identifying training and development needs and Pay for performance based on the assessment of individuals' results and accomplishments. Task-related activities refer to employee's or supervisors involvement to achieve the allocated task or meet expectations in the given task environment. Performance is what the employee's actually achieve. Performance in a role refers to the extent to which the employee's achieve the purpose for which the role is created. "Choice, not chance", they say" determines destiny". The actual performance of an employee's is a function of several forces, internal as well as external to the organization-some of choice, some of chance. Most organizations do not take these forces into account-either systematically or intuitively-while building expectations from an employee's. (MeklitSefani, 2017)

Performance management helps organizations achieve their strategic goals. Performance management is a tool to ensure that managers manage effectively; that they ensure the people or teams they could manage; know and understand what is expected of them, have the skills and ability to deliver on these expectations, are supported by the organization to develop the capacity to meet these expectations are given feedback on their performance and have the opportunity to discuss and contribute to individual and team aims and objectives. (Mahapatro, 2010).

Employee performance in the organization is determined through performance management practice. The key elements of employee's performance are the level and quality of efficiency, innovativeness, decisions making ability and improvement in the level of performance. In recent years the use of performance management practice has increased in many organizations. Performance Management Systems are implemented in organizations worldwide (Palethorpe, 2011). The major setback of evaluating the work performance of organizations around the world

has been to determine the performance criteria in relation to the objective set by their organizations (Parker et al, 2013). Performance management systems cause strategic evolution and ensure goal congruence (Chan, 2004). Performance Management is associated with creating a shared vision of the aims and purpose of the organization, helping each individual employee to understand and recognize their part in contributing to the organizational goals which help to manage and enhance employee and organizational performance (Williams, 2002). Performance management cycle begins and ends with formulating clear objectives for the organization.(McDavid& Hawthorn, 2005).

Different findings showed that performance management system had an effect on employees. According to Chioma O. (2015), there was a significant relationship between performance appraisal and employee productivity and that effective appraisal system could boost the morale of workers especially when they are rated adequately. Ying, (2012), found that the performance management system has a positive but no significant relationship with employee performance. There was a significant effect and relationship between employee's performance with reward system, performance planning and performance feedback. The indicators of performance management in this study had an effect on employee's performance, i.e., Performance planning, appraisal, feedback and reward system had a significant effect on employee's performance (Meklit, 2017).

As could be depicted from its title, the current study is planned to assess the effect of performance management systems on employee performance in public organizations and in connection to this, Cheha Woreda Public Sectors, operating in Ethiopia, is selected as the target organization for the intended study.

As the study organizations are Public Sectors, they had a uniform performance management system. As one of the components of PMS, the organization conducts Performance appraisals twice a year. PA is a hugely important element of career development and progression. As Mahapatro (2010, P; 106), explained in his book, performance appraisal is a formal, structured system that compares employee performance to established standards. 'Successful appraisal methods have clearly defined and explicitly communicated standards or expectations of employee performance on the job'.

There are lots of problems associated with the PMS which includes untrained managers, lack of effective metrics, inconsistent rating of employees, unreliable reward systems, partiality on employee's appraisal system. It is on this premises that the study seeks to know the effect of performance management system on employee's performance, Meklit (2017).

Therefore, this study aspires to add a significant amount of information and knowledge on the effect of the performance management system on employee performance working for the organization.

1.2. Statement of the Problem

Performance management system is a veritable tool for employee productivity. The essence of performance appraisal is to checkmate the contribution made by every employee and to know how well they are going on with their task. Evaluation of organizational performance help to identify the skilled and competent employees of an organization to increase their salary and other benefits that can make them satisfied on their job (Lawler & McDermott, 2013).

As one of the components of PMS, the performance appraisal is conducted twice a year and it is linked to salary increment and training. Performance Management is used to ensure that employee' activities and outcomes are congruent with the organization's objectives and entails specifying those activities and outcomes that will result in the firm successfully implementing the strategy (Ruth, 2012). A well-defined and executed performance management increases employees' satisfaction and performance (Kampkotter, 2014). But when the implementation of performance management lacks clarity and effectiveness, the whole system tends to demotivate employees (Risher, 2003).

As per the request of Zonal Sectors (Gurage Zone), efficiency audit will be conducted twice a year to access the overall performance of the organization. The report indicates the PMS were not practical and even if there is a clear written document on how to reward the employees having good performance, the organizations hasn't implemented properly. In addition, the researcher has managed to interview non-management staff members from the public sectors about the effect of performance planning, appraisal, reward system and feedback on their performance and they said "the appraisal system in the organization is just for the sake of filling and they are not participated in the performance planning stage. Even if the performance

appraisal is linked to some kind of rewards, it is not practical. During salary increment both the high and poor performers are considered equal. And they believe that this de-motivate the high performers they also add, the organization needs PMS that involves employees and which has a proper communication and feedback system, and reward staff who are high performers”.

Despite the fact that many organizations use performance management practice as a means to evaluate and monitor performance of their employees against the objectives of the organization, some organizations including private organizations are still struggling to implement effective performance management systems that can help them to yield good performance results and the reason could be that the available performance management systems lack the focus on how to achieve the set objectives. Both employees and managers in many organizations have reported on the ineffectiveness of performance management systems (Pulakos, 2004).

Different researches used different variables in their studies. Odhiambo (2015), considered independent variables including performance appraisals, reward systems and performance feedback, and the implications on employee productivity as the dependent variable. Beatrice Wairimu (2014) studied the influence of performance management on employee productivity in the civil service: a case of the immigration department in Kenya. His study addresses the effect of performance management on employee productivity through performance appraisal, training and development and rewarding system. Ahmed, Mohammed, et.al (2017), studied the impact of performance management system on employee performance through developing and planning performance, managing and reviewing performance and rewarding performance. Meklit (2017), studied the effect of performance management on employees performance; the case of justice for all-prison fellowship Ethiopia (JFA-PFE). Her study addresses what is the effect of performance management system through performance planning, performance appraisal, and reward system and performance feedback.

This study added planning performance as an independent variable which is not used by Odhiambo (2015). Also this study added performance planning and feedback as compared with Wairimu (2014). Again this study adds feedback not studied by Ahmed, Mohammed, et.al (2017). The study used similar four independent variables with Meklit (2017). But Meklit

conduct her study in non-governmental organization and suggests further study in other organizations.

The performance management system had an effect on employees. According to Chioma O. (2015), there was a significant relationship between performance appraisal and employee productivity and that effective appraisal system could boost the morale of workers especially when they are rated adequately. Ying, (2012), found that the performance management system has a positive but no significant relationship with employee performance. There was a significant effect and relationship between employee's performance with reward system, performance planning and performance feedback. The indicators of performance management in this study had an effect on employee's performance, i.e., Performance planning, appraisal, feedback and reward system had a significant effect on employee's performance (Meklit, 2017).

As per the knowledge of the researcher there is no a study conducted by the same title and same variables in the geographical area of the study. There are different results on the effect of performance management system on employee's performance. This initiates the researcher to study this subject matter. All the above gaps inspired the need to design the current research to fill in the existing gap by assessing the effects of performance management process on employee performance.

1.3. Objectives of the Study

1.3.1. General Objective

The main objective of the study was to examine the effect of performance management system on employee's performance, in case of Cheha Woreda Public sectors, SNNPRS.

1.3.2. Specific Objectives

1. To investigate the effect of performance planning on employee performance in Cheha Woreda Public organizations
2. To find out the effect of performance appraisals on employee performance in Cheha Woreda Public organizations.
3. To determine the effect of reward systems on employee performance in Cheha Woreda Public organizations.

4. To examine the effect of performance feedback on employee performance in Cheha Woreda Public organizations.

1.4. Research Hypothesis

The researcher chooses to discover the links between Performance Planning, Performance Appraisal, Reward System and Feedback with Employee Performance using the following hypothesis.

H1: Performance Planning has a positive significant effect on Employee Performance.

H1: Performance Appraisal has a positive significant effect on Employee Performance.

H1: Performance Feedback has a positive significant effect on Employee Performance.

H1: Performance Reward has a positive significant effect on Employee Performance.

1.5. Significance of the Study

The findings of the current study was to show the effect of PMS of the study organizations on the performance of its employees, and would help managers in identifying the gap which needs to be bridged and also in their decision making and other concerned body and stakeholders of organizations. Hence, the output of the study is motivates and guides managers of the study organizations in particular and other organizations in general to work on the identified need gaps on a consistent way so as to ensure their survival and sustainable success of their interventions.

Besides to this, the result of the study is enhances the need for further investigations on the subject, and in turn provide the initial information required for conducting more comprehensive and inclusive studies on the issue under consideration and those other related aspects of performance management in governmental organizations.

1.6. Scope of the Study

There are a many different governmental organizations operating in Ethiopia in various intervention areas such as economic development, political development, social development, environmental protection, and democracy and good governance. Among these, Cheha Woreda Public Organizations are one part of Ethiopian Government working in all aspects of Governmental activities and services.

The core emphasis of the current study was identifying the effect of PMSs on the performance of employees working for Cheha Woreda Public Organizations. It specifically wants to determine

the effects of performance planning, performance appraisal, performance reward systems and performance feedback on employee's performance.

The geographical boundary of the research was Cheha Woreda. The study would focus on the management and non- management staff of the sectors.

The study had a nature of explanatory research type and used quantitative research approach. Structured questionnaire used to collect the necessary data and IBM SPSS was used to analyze it. The study was conducted on the randomly selected 132 technical employees excluding supportive department employees and political leaders.

1.7. Limitation of the Study

The Main limitation of this study was the respondents respond to the questions without reading the concept of the items because they are highly bored and lack patience to fill the questionnaire carefully. The study is limited to four variables, performance planning, appraisal, feedback and reward system. The other limitation is COVID-19 pandemic. Some respondents were not volunteer to fill the questionnaire because of fear of the transmission of the virus by the contact in paper.

1.8. Definition of Key Terms

The contextual definitions of technical terms frequently used in the proposal and the whole study are listed as follows:

Performance Management: performance management is a process of setting performance goals (planning) at the organizational, departmental, team, and individual level, conducting performance appraisals, developing systems to provide rewards, feedback, and coaching, and measuring the effectiveness of performance management systems (Roberts, 2003).

Performance Appraisal: is where a superior evaluates and judges the work performance of subordinates (Harter, Schmidt & Hayes, 2012).

Employee Performance: refers to their output at a minimal cost and high quality from the use of their technical skills, raw materials in carrying out work responsibilities. (Odhiambo, 2015).

Feedback: This refers to the information reflecting past performance and results and given by the manager to the employee (Odhiambo, 2015, Solmon & Podgursky, 2010).

Performance Management Practice: Is a way of communicating to employees on what they are expected to do and what the performance and productivity parameters are (Odhiambo, 2015).

Reward system: is the complex set of formal and informal incentives that connect individual motivation, behavior, performance, and ultimately results to the various forms of pay or compensation received in exchange (Mahapatro, 2010).

1.9. Organization of the Study

The study was organized in five sections: Chapter one includes background of the study, statement of the problems, objectives, significance, scope, and limitations of the study, and contextual definition of key terms used in the study are presented. Chapter two deals with the review of the related literature, chapter three explained research methodology, Chapter four presented the result and discussion of the study and chapter five presents the conclusion and recommendation of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURES

This chapter includes theoretical review, empirical review and conceptual framework of the study.

2.1. Theoretical Review

2.1.1. Performance

In a simple way performance can be regarded as a record of an outcome or accomplishment achieved by a person or a team (Armstrong 2009). Performance can also be defined as “the act or process of performing a task or an action that involve a lot of effort” (Oxford Advanced Learner’s Dictionary 2006, p 1080). It is the accomplishment or outputs/outcomes of a task undertaken but also states that performance is about doing the work effectively so as to achieve the desired goals. Performance can also be perceived as a non-job specific behavior such as cooperation, dedication, enthusiasm and persistence that develop the effectiveness of the organization to enhance the working culture and climate of the organization.

2.1.2. Performance Management System

Performance management shows a direct link between employee performance and organizational goals and makes the employees’ contribution to the organization explicit (Aguinis, 2007). It is strategic tool that organization can adopt in attracting and retaining dynamic, creative employees that today cannot be fitted in to mere theoretical model. Performance management is used to mean a system that “aims to react to the, outcome measure using it in order to manage the performance” (Radnor & McGuire, 2004 P-86).

Performance management process and tools are essential for employee motivation for high performance. The most important issue with any performance management system is how seriously it is taken and used by managers and employees (Pulakos 2009).As Mahapatro, (2010, P.107) discussed in detail, "performance management is about establishing a culture in which individuals and groups take responsibility for the continuous improvement of business processes and of their own skills, behavior and contributions. It is about sharing expectations. Managers can clarify what they expect individual and teams to do; likewise, individuals and teams can

communicate their expectations of how they should be managed and what they need to do their jobs. It follows that performance management is about interrelationships and about improving the quality of relationships between managers and individuals, between managers and teams, between members of teams and so on, and is therefore a joint process.

It is also about planning defining expectations expressed as objectives and in business plans and about measurement. The old dictum is ‘If you can’t measure it, you can’t manage it’. It should apply to all employees, not just managers, and to teams as much as individuals. It is a continuous process, not a one-off event. And, it is holistic and should pervade every aspect of running an organization.

Performance planning, coaching, and review are the foundation of any well designed performance management system as outlined by Maina, (2015) & Reynolds, (2009). An effective Performance Management process establishes the groundwork for excellence by linking individual employee objectives with the organization’s mission and strategic plans or outcomes (Maina, 2015, Drewitt, 2013). The employee has a clear concept on how they contribute to the achievement the overall business objective. Supervisors need to conduct regular discussions throughout the performance cycle which include coaching, mentoring, feedback and assessment (Maina, 2015& Lee, 2006)

2.1.3. The Objectives of Performance Management

The overall objective of performance management is to develop and improve the performance of individuals and teams and therefore organizations. It is an instrument that can be used to achieve culture change in the shape of the creation of a high-performance culture. It aims to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organization. Performance management provides the basis for self-development but importantly it is also about ensuring that the support and guidance people need to develop and improve is readily available. (Armstrong, 2009)

The real goals of any performance management system are threefold to correct poor performance, to sustain good performance and to improve performance. All performance management systems should be designed to generate information and data exchange so that the individuals involved can properly dissect performance, discuss it, understand it, and agree on its

character and quality. According to the study carried out by Holloway, 2009 and as stated on the book of (Armstrong, 2009) the objectives of performance management system are to align individual and organizational objectives, improve organizational performance, improve individual performance, provide the basis for personal development, develop a performance culture and inform contribution/performance pay decisions.

The objective or role of an effective performance management according to Armstrong, (2006) is to have high performance culture, align personal objectives with team, department and organizational goal, encourage and reward employee's effort to the organization, clear and concise objective or expectation form employee's that is in line with set standards and how its attainment will effect on the organization generally, provide a consistent employee's attitude that is based on fair, objective and timely feedback on employee's performance.

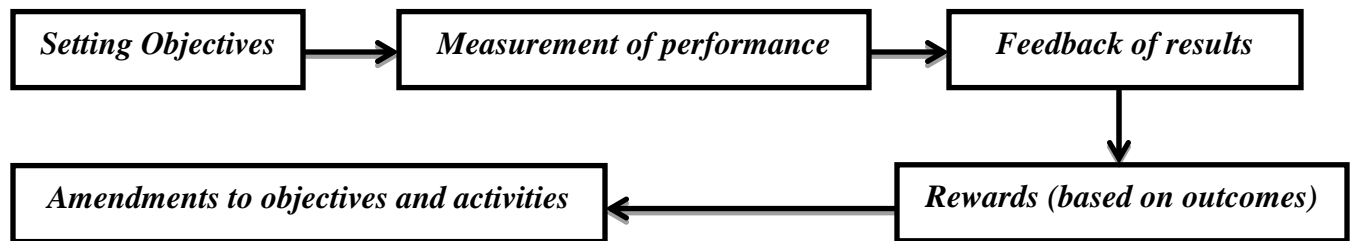
2.1.4. Performance Management Cycle

Performance management as a cycle consisting of these elements can be both a descriptive and prescriptive device. Some writers use performance management as a convenient framework in which to analyze different aspects of strategic HR. Others argue that by distilling out the essential elements of the performance management process the cycle represents a model of how the process should be conducted by organizations wishing to take a rational and strategic approach to managing human resources, (Mabey, et. al., 1999).

Performance management consists of five elements. These are setting performance objectives, measuring outcomes, feedback of results, rewards linked to outcomes and amendments to objectives and activities.

As a framework, the performance Management Cycle refers to types of policies and systems objective setting, measurement, rewards etc. which must be linked if they are to constitute a practicing system of performance management.

Fig. 2.1 Performance Management Cycle



As the figure indicates the performance management cycle has different steps and passing through that in a proper and planned way will definitely contribute towards achieving the strategic objectives of organizations.

2.1.5. Performance Planning

The performance planning part of the performance management sequence involves the agreement between the manager and the individual of how the latter is expected to perform in terms of results and behaviors (Armstrong, 2009. P.624). In the planning stage the first activity to be accomplished is preparing strategic objective of the organization as a whole for the next five years. Then from the big picture of the organization a one year departmental goal will be prepared by cascading from the organizational five years plan. Once setting department goal is accomplished the next task will be to forward it down to the team level and individual level with the participation of team and individual respectively. In preparing individual plan due consideration will give to the job description of an employee with that of the departmental and organizational goal. (Melat Yilma, June/2014, performance management practice and challenges in Ethiopian management institute, 19 p).

2.1.6. Performance Appraisal

Performance appraisal is a formal, structured system that compares employee performance To established standards. Assessment of job performance is shared with employees being appraised through one of several primary methods of performance appraisals. Elements in Performance appraisal methods are tailored to the organization's employees, jobs, and structure. They include objective criteria for measuring employee performance and ratings that summarize how well the employee is doing. Successful appraisal methods have clearly defined and explicitly communicated standards or expectations of employee performance on the job. Mahapatro also

discussed in his book that performance appraisal includes encouraging risk taking, demanding innovation, generating or adopting new tasks, peer evaluation, frequent evaluations, and auditing innovation processes (Mahapatro, 2010). This strategy appraises individual and team performance so that there is a link between individual innovativeness and company profitability. Which tasks should be appraised and who should assess employees' performance are also taken into account.

2.1.7. Performance Feedback

Feedback may be qualitative or quantitative. Qualitative comments are descriptive and in contrast, quantitative feedback is based on numerical figures. Performance improved substantially in a number of settings when workers were given specific goals to achieve and received performance feedback (Mahapatro, 2010).

During the performance planning process, both behavioral and results expectations should have been set. Performance in both of these areas should be discussed and feedback provided on an ongoing basis throughout the rating period. In addition to providing feedback whenever exceptional or ineffective performance is observed, providing periodic feedback about day-to-day accomplishments and contributions is also very valuable. Unfortunately, this does not happen to the extent that it should in organizations because many managers are not skilled in providing feedback. In fact, managers frequently avoid providing feedback because they do not know how to deliver it productively in ways that will minimize employee defensiveness.

For the feedback process to work well, experienced practitioners have advocated that it must be a two-way communication process and a joint responsibility of managers and employees, not just the managers. This requires training both managers and employees about their roles and responsibilities in the performance feedback process.

Managers' responsibilities include providing feedback in a constructive, candid and timely manner. Employees' responsibilities include seeking feedback to ensure they understand how they are performing and reacting well to the feedback they receive. Having effective, ongoing performance conversations between managers and employees is probably the single most important determinant of whether or not a performance management system will achieve its

maximum benefits from a coaching and development perspective (Elaine D. Pulakos, 2004, Performance Management, SHRM Foundation, 7 p).

2.1.8. Rewarding Performance

Reward systems are the instruments that make this happen. An effective reward program may have three components: immediate, short-term and long term. This implies instantaneous recognition of a good performance, short-term rewards for performance could be offered monthly or quarterly and long- term rewards are given for having been loyal over the years (Schoeffler, 2005).

Randell (2014) reports implicitly that when good performance is observed and then rewarded, the chances of it being repeated are increased, while poor performance is discouraged or even punished to decrease the chance of it happening again. The firm had performed well and industry observers felt that its performance management and reward system was responsible for this (Purkayastha & Chaudhari, 2011). In developing an appraisal system for organizations, management needs to think through pay increases and promotions (Moulder, 2011). Employees who get a large bonus will possibly want to get it next year too. On the other hand, employees who receive little bonus and reflects how the company assessed their performance, might consider improving next year (Finkle, 2011). Cash bonus is another way of rewarding employees for exemplary performance that is if they have performed higher or exceed their set targets, this hence makes them eligible (Finkle, 2011) The only way employees will satisfy the employers dream is to share in their dream (Kotelnikov, 2010). If the employees fail to meet the set target a career development plan can be implemented through training and provision of appropriate reward system to enhance their performance (Mone& London, 2010). The reward should reflect the business objectives and the fair contribution of employee individual efforts to achieve high performance. Bannister and Balkin (2010) have reported that those appraised seem to have better acceptance of the appraisal process, and feel more satisfied with it, when the process is directly associated to rewards.

2.1.9. Theories on Performance Management

The essence of performance management is establishing a framework in which performance by human resources can be directed, monitored, motivated and refined; and that the links in the cycle can be audited. Unsurprisingly, given this, the principal theoretical foundation of performance management is social psychology, with its detailed consideration of the ways in which people are motivated to perform (Nini, 2012). Dyer and Reeves (1995) note that: ‘The logic in favor of bundling is straightforward. Since employee performance is a function of both ability and motivation, it makes sense to have practices aimed at enhancing both.’ Thus, there are several ways in which employees can acquire needed skills (such as careful selection and training) and multiple incentives to enhance motivation (different forms of financial and nonfinancial rewards).

2.1.9.1. Goal Setting Theory

According to Mabey, Salaman, Storey, (1999), Goal-setting theory was established by Edwin Locke in a paper published in 1968, in which he argued that goals pursued by employees can play an important role in motivating superior performance. In following these goals people examine the consequences of their behavior. If they surmise that their goals will not be achieved by their current behavior, they will either modify their behavior, or choose more realizable goals. If managers can intervene to establish the organization’s goals (or translations of them for the group or individual) as being worthwhile for employees to accept, they can harness a source of motivation to perform, and direct it to securing strategic outcomes.

Subsequent empirical research into goal-setting has specified more precisely the conditions necessary for organizational goals to be motivating to employees; these are that;

- Goals should be specific, rather than vague or excessively general;
- Goals should be demanding, but also attainable;
- Feedback of performance information should be made; and
- Goals need to be accepted by employees as desirable.

Goal-setting theory has been subject to a great deal of theoretical and empirical scrutiny since it was first advanced. The resulting body of evidence now provides a set of rigorously tested

principles which offer clear guidance to designers of performance management systems. (Mabey, et. al., 1999).

2.1.9.2. Expectancy Theory

As stated on the book of Human Resource Management, A strategic introduction: Expectancy theory hypothesizes that it is the anticipated satisfaction of valued goals which causes an individual to adjust his behavior in a way which is most likely to lead to his attaining them. In fact, while the popularity of expectancy theory is relatively recent, it draws on a tradition which can be traced back to early Utilitarian's. Mill and Bentham described an ethical system in which people determined their actions by conscious calculation of the consequences which they expected the actions to bring about.

The most immediate precursors of expectancy theory were Georgopoulos et. Al. (1957) with their 'path-goal' approach to productive performance at work. The path-goal hypothesis stated that 'if a worker sees high productivity as a path leading to the attainment of one or more of his personal goals, he will tend to be a high producer.

Expectancy theory has been developed from Vroom's early specifications to be expressed very clearly as a combination of three factors:

- ✓ The person's own assessment of whether performing in a certain way will result in a measurable result. This factor is labeled the expectancy.
- ✓ The perceived likelihood that such a result will lead to attaining a given reward. This factor is known as instrumentality.
- ✓ The person's assessment of the likely satisfaction, or valence, associated with the reward.

In practice, if a person sees it as being clear that performing in a certain way will bring about a reward which he or she values, then this individual is more likely to attempt to perform in that way than if the relationship between effort and measured performance, or measured performance and rewards, is slight or uncertain. (Mabey, 1999, 130 p)

2.1.10. Possible Outcomes from Effective Performance Management

Pulakos (2004) in her book “Performance Management” indicates the following possible outcome from effective performance management

- ☞ Clarifying job responsibilities and expectations.
- ☞ Enhancing individual and group productivity.
- ☞ Developing employee capabilities to their fullest extent through effective feedback and coaching.
- ☞ Driving behavior to align with the organization’s core values, goals and strategy.
- ☞ Providing a basis for making operational human capital decisions (e.g., pay).
- ☞ Improving communication between employees and managers.
- ☞ Employees are motivated to improve their performance
- ☞ Managers know their employee’s strengths and weaknesses
- ☞ Employees are more engaged
- ☞ Administrative actions are fair

Common outcomes of an effective performance appraisal process are employees’ learning about themselves, employees’ knowledge about how they are doing, employees’ learning about ‘what management values’ (Beer, 1981). According to Stephan and Dorfman (1989) outcomes of effective performance appraisal are improvement in the accuracy of employee performance and establishing relationship between performance on tasks and a clear potential for reward. Dobbins, Cardy and Platz-Vieno (1990) told five outcomes i.e. use of evaluations as feedback to improve performance, reduced employee turnover, increased motivation, existence of feelings of equity among employees, linkage between performance and rewards.

There are five key factors of an effective performance management system, these are setting proper goals and objectives, tracking employee performance, succession planning, providing granular insights and real time feedback.

2.2. Employee Performance

Employee performance is defined as the outcome or contribution of employees to make them attain goals Herbert, John & Lee 2000) cited by (Nassazi ,2013). Afshan et al. (2012) define performance as the achievement of specific tasks measured against predetermined or identified

standards of accuracy, completeness, cost and speed. Employee performance can be manifested in improvement in production, easiness in using the new technology, highly motivated workers.

Employee performance is the important factor and the building block which increases the performance of overall organization. Employee performance depends on many factors like job satisfaction, knowledge and management but the most important factor of employee performance is training and development. (Fakhar Ul Afaq, Anwar Khan, 2008). Employee performance is normally looked at in terms of outcomes. However, it can also be looked at in terms of behavior Armstrong (2000). Kenney et al. (1992) stated that employee's performance is measured against the performance standards set by the organization. There are a number of measures that can be taken into consideration when measuring performance for example using of productivity, efficiency, effectiveness, quality and profitability measures Ahuja (1992) as briefly explained hereafter.

- ◆ Profitability is the ability to earn profits consistently over a period of time. It is expressed as the ratio of gross profit to sales or return on capital employed (Wood & Stangster 2002).
- ◆ Efficiency is the ability to produce the desired outcomes by using as minimal resources as possible.
- ◆ Effectiveness is the ability of employees to meet the desired objectives or target (Stoner 1996).
- ◆ Productivity is expressed as a ratio of output to that of input (Stoner, Freeman and Gilbert Jr 1995). It is a measure of how the individual, organization and industry converts input resources into goods and services. The measure of how much output is produced per unit of resources employed (Lipsey 1989).
- ◆ Quality is the characteristic of products or services that bear an ability to satisfy the stated or implied needs (Kotler & Armstrong 2002). It is increasingly achieving better products and services at a progressively more competitive price (Stoner 1996).

According to Hawthorne studies and many other research works on productivity of worker highlighted the fact that employees who are satisfied with their job will have higher job performance, and thus supreme job retention, than those who are not happy with their jobs Landy, (1985). Moreover, it is stated that employees are more likely to turnover if they are not

satisfied and hence de-motivated to show good performance. Employee performance is higher in happy and satisfied workers and the management found it easier to motivate high performers to attain firm targets. (Kinicki and Kreitner, 2007). The employee could be only satisfied when they feel themselves competent to perform their jobs, which is achieved through better training programs. Additionally, as noted by Draft (1988), it is the responsibility of the company managers to ensure that the organizations strive to and thus achieve high performance levels. This therefore implies that managers have to set the desired levels of performance for any periods in question. This they can do by for example setting goals and standards against which individual performance can be measured. Companies ensure that their employees are contributing to producing high quality products and/or services through the process of employee performance management. This management process encourages employees to get involved in planning for the company, and therefore participates by having a role in the entire process thus creating motivation for high performance levels. It is important to note that performance management includes activities that ensure that organizational goals are being consistently met in an effective and efficient manner. Performance management can focus on performance of the employees, a department, processes to build a product or service, etc.

Earlier research on productivity of workers has showed that employees who are satisfied with their job will have higher job performance, and thus supreme job retention, than those who are not happy with their jobs Landy (1985). Further still, Kinicki & Kreitner (2007) document that employee performance is higher in happy and satisfied workers and the management find it easy to motivate high performers to attain firm targets.

2.2.1. Employee Performance Indicators

Tracking employee training and measuring training effectiveness is a key objective of any HR department. To ensure that there is adequate return on investment in training of new and current employees, the organization has to establish key performance indicators (KPI). KPI if created and tracked properly serve as a benchmark for measuring the progress of employees towards a set of broader based goals or objectives (Lilly, 2011). However, most organizations are faced with the challenges of developing a good KPI. Lilly (2011) suggests that quality key performance indicators for tracking employee training effectiveness should include:

- (a) Measurable and quantifiable indicators;
- (b) Competency based indicators;
- (c) Linked to proficiency indicators; and
- (d) Mapped to organizational and employee goals indicators.

Hakala (2008) explains that performance measurement uses the following indicators of performance.

1. Quantity: This indicator places emphasis on the number of units produced, processed or sold against the set standard i.e. the number of units to be produced, processed or sold.
2. Quality: The quality of work performed can be measured by several means. The percentage of work output that must be redone or is rejected is one such indicator. In a sales environment, the percentage of inquiries converted to sales is an indicator of salesmanship quality.
3. Timeliness: This indicator measures how fast work is performed or how fast services are provided. For example, in a service industry, the average customer's downtime is a good indicator of timeliness, while in a manufacturing outfit, it might be the number of units produced per hour.
4. Cost-Effectiveness: The cost of work performed should be used as a measure of performance only if the employee has some degree of control over costs.
5. Absenteeism/Tardiness: An employee is obviously not performing when he or she is not at work. Other employees' performance may be adversely impacted by absences, too.
6. Creativity: It can be difficult to quantify creativity as a performance indicator, but in many white-collar jobs, it is vitally important. Supervisors and employees should keep track of creative work examples and attempt to quantify them.
7. Adherence to Policy: This may seem to be the opposite of creativity, but it is merely a boundary on creativity. Deviations from policy indicate an employee whose performance goals are not well aligned with those of the company.
8. Gossip and Other Personal Habits: This indicator may not seem performance-related to the employee, but some personal habits, like gossip, can detract from job performance and Interfere with the performance of others. The specific behaviors should be defined, and goals should be set for reducing their frequency.

9. Personal Appearance/Grooming: Most people know how to dress for work, but in many organizations, there is at least one employee who needs to be told. Examples of inappropriate appearance and grooming should be spelled out, their effects upon the employee's performance and that of others explained, and corrective actions defined.

Hakala (2008) goes further to state that performance indicators must be assessed by some means in order to measure performance itself. He enumerated the following as some of the ways in which performance is assessed from the above indicators.

- a. Manager Appraisal: A manager appraises the employee's performance and delivers the appraisal to the employee. Manager appraisal is by nature top-down and does not encourage the employee's active participation. It is often met with resistance, because the employee has no investment in its development.

- b. Self-Appraisal: The employee appraises his or her own performance, in many cases comparing the self-appraisal to management's review. Often, self-appraisals can highlight discrepancies between what the employee and management think are important performance factors and provide mutual feedback for meaningful adjustment of expectations.

- c. Peer Appraisal: Employees in similar positions appraise an employee's performance. This method is based on the assumption that co-workers are most familiar with an employee's performance. Peer appraisal has long been used successfully in manufacturing environments, where objective criteria such as units produced prevail. Recently, peer appraisal has expanded to white-collar professions, where soft criteria such as "works well with others" can lead to ambiguous appraisals. Peer appraisals are often effective at focusing an employee's attention on undesirable behaviors and motivating change.

- d. Team Appraisal: This is similar to peer appraisal in that members of a team, who may hold different positions, are asked to appraise each other's work and work styles. This approach assumes that the team's objectives and each member's expected contribution have been clearly defined. There are as many indicators of performance as there are companies and jobs. The various assessment methods can be used in combinations. It is important to choose indicators that align with each company's goals and assessment methods that effectively appraise those indicators.

2.3. Empirical Review

Many researchers did a research on the effect of performance management system on employees' performance. Among the researchers, Odhiambo (2015), Gupta and Upadhyay (2012), Chioma (2015), Ayanyinka and Emmanuel (2008), Ying (2012) and Maina (2015) are found.

A study carried out by Odhiambo, (2015), examined the effect of performance management practices on employee productivity with a focus on Schindler Limited Company in Nairobi, Kisumu and Mombasa branches in Kenya. In the study, the researcher considered independent variables including performance appraisals, reward systems and performance feedback, and the implications on employee productivity as the dependent variable. This study used the explanatory research design. The study adopted a quantitative approach on the effects of performance management practices on employee productivity. Descriptive statistics was used as a data analysis tool. Inferential statistics such as correlation and regression analysis was used to establish the relationship between dependent and independent variables. The study concluded that effective performance management practices gives employees opportunity to express their ideas and expectations for meeting the strategic goals of the company. Performance management practices could be an effective source of management information and renewal. The use of reward system has been an essential factor in any company's ability to meet its goals. Effective feedback on performance measurement may translate to improved employee productivity. Feedback enables the employees to be made aware of what exactly is expected from them. The researcher concluded the study by recommending this: the performance management practices should be optimized to improve employee performance. Performance reviews should be focused on the contributions of the individual employees to meet the organizational objectives. For every opportunity possible, the manager should formally recognize good employee efforts for enhanced work performance. Effective performance management practices that edify appraisal reward and feedback should be used to achieve organization goals and enhance employee productivity.

As Gupta and Upadhyay, (2012), conducted a research on the Effect of effectiveness of performance management system on employee satisfaction and commitment. In their findings,

they indicated that there is significant correlation between performance management system and satisfaction and moderate correlation between employee job satisfaction and commitment. The researchers concluded that “effective performance management system is only mantra to build the loyalty index of the employee to keep them happy as happy mind work best.”

Chioma, O. (2015), studied to investigate the effect of appraisal system in Niger Delta University on employee productivity. The methodology employed was a survey study design. The findings revealed that there was a significant relationship between performance appraisal and employee productivity and that effective appraisal system could boost the morale of workers especially when they are rated adequately. The findings also revealed that performance criteria also affect the relationship between performance appraisal and employee productivity.

Ayandele, (2013) studied on the effect performance management system on employee’s job commitment, an empirical study of selected companies in Nigeria. Primary data was gathered using a Likert scale questionnaire format. Data analysis was carried out using simple linear Regression. Findings revealed that performance management system effects on employee’s commitment to the organizational set goals. The study concluded there is a positive relationship between employee’s participation in the designing of an organization’s performance management system and employee’s commitment to the organizational set goals.

The study recommended among others that employees should be carried along in designing the performance management system and the organizations. Performance management system should be clear, objective and easy to understand. There is a view that the inappropriate job performance and behavior such as lack of service delivery, fraud and corruption at the BCMM could be attributed to lack of capacity (Mawonga, 2012; Benya 2011). It suggests that the number of available personnel is insufficient and lack capacity and thus need to be appropriately trained and provided with relevant tools and infrastructure (Mntengwana, 2013; Bengeza, 2013; Gourrah, 2011; Buffalo City Metropolitan Municipality, 2010). Lack of capacity could indeed be the cause of inappropriate job behavior and performance due to ignorance and misunderstanding of organizational policies. Erroneous discharge of duties by workers is understandable in an environment such as the BCMM where some workers are “overworked due to staff shortages” (Gourrah 2011, p. 3).

On the other hand, purposeful inappropriate job behavior and performance is often committed with some level of understanding of the wrongfulness of the act and with the capacity to prevent or avoid it. That is why it is ironical when workers' job behavior and performance is inappropriate although they are capacitated, through formal education, to perform well and be productive in their respective occupations. The qualification-occupation link is, however, highly debatable because the issue of matching qualifications with jobs is complex. For instance, occupations like being the country's president involve significant levels of administration and management, but such appointments are generally made on political rather than academic merit as no one goes to school to enroll for a course on becoming a president. The importance of using formal education credentials as the basis for appointment is often diminished by the fact that inappropriate job behavior and performance has been manifested by those appointed both on political and academic grounds. On the basis of disappointed expectations from formal education, some scholars have concluded that "education is useless" (Cottom, 2003, p. 1).

Widespread inappropriate behavior of fraud and corruption by even those with formal education calls into question the effect of education on job behavior and performance. The BCMM workers' inappropriate job behavior and performance is a serious setback for functionalist claims about education as even some of those appointed on academic merit do not reflect appropriate ethics, attitudes and values.

Ying, (2012), examined the relationship between performance management systems with employee performance. The research strategy is based on quantitative research. Data was analyzed using a package STATA for windows. The results show that the performance management system has a positive but no significant relationship with employee performance. Maina, (2015) analyzed the effect of Performance Management system on employee performance in FAO. The research questions were: How do employees interpret their experiences with the Performance Management System? What are the challenges of performance management system? What are the performance review processes? The research design was descriptive. Data was collected using structured questionnaires. The data was analyzed using the Statistical Package for Social Sciences (SPSS) into frequency distribution and percentages.

The major findings of this study are: that employees feel there is a great need for a performance management system in FAO. The system should have inputs from the staff members through staff involvement, it should have fair monitoring structures and reward staff who are high performers. It should also have stronger emphasis on proper communication and reporting.

Employees also felt that there was limited transparency and minimal communication. The revised performance management should close the missing gaps. It should also reward high performers and correct the low performers. The study recommends that 360-degree feedback was deemed to be the best performance management system for FAO. It involves employees receiving feedback from people whose views are considered helpful and relevant. The study concludes that the perception of employees towards performance management practices is very critical in all organizations as this motivates them to achieve the goals set by the organization and the respondents pointed out to the various aspects of performance management practices in line with the planning and employee expectation, observing performance management practices, developing the capacity of performance management practices to perform and evaluate performance management practices which are crucial to managing the output given by the employees. In addition, the study concludes transparency should be encouraged, performance management to be carried out regularly, perform job design in order to match staff qualifications to the right job, boost staff morale by giving them longer contracts, create job growth path for staff and orient new staff on performance management and engrave it to the organization policy.

Meklit, (2017), studied the effect of performance management on employees performance; the case of justice for all-prison fellowship Ethiopia (JFA-PFE). Her study addresses what is the effect of performance management system through performance planning, performance appraisal, and reward system and performance feedback. The study was done based on primary and secondary data sources. A self-administered structured questionnaire was designed to collect the relevant information from the respondents. During the research process, the population of study comprises all employees except the top management body of Prison Fellowship Ethiopia (JFA-PFE). In course of investigation, instrument used were structured questionnaire distributed to 138 respondents of which 132 were retrieved. Descriptive and causal research methods were followed and correlation coefficient was used to investigate the relationship between all variables of the study. The result revealed that there was a significant relationship between employee's

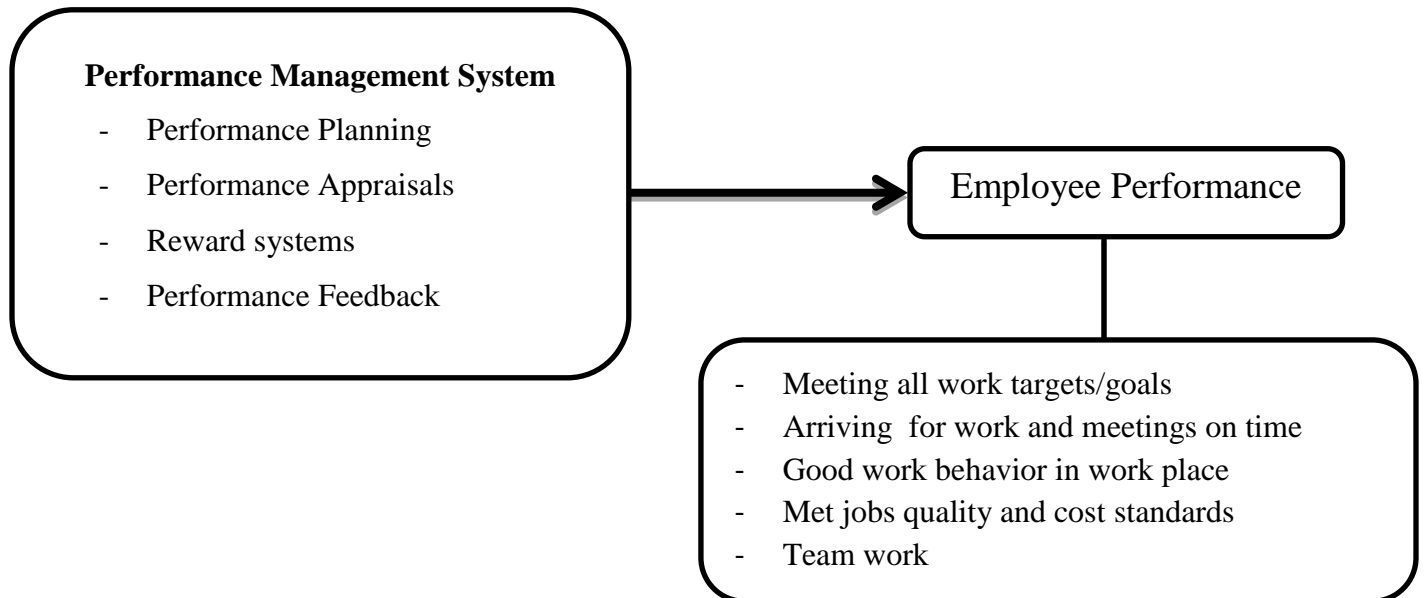
performance with reward system, performance planning and performance feedback. The study recommends that the organization should make the employees to participate on the Planning stage of the PMS and a frequent feedback is necessary to enable the employees be aware of what exactly is expected from them and the organization should reward the employees for greater performance levels.

2.4. Conceptual Framework

Based on the reviewed literatures, Performance appraisal, Feedback and reward system were considered as factors affecting employee performance which form the framework for this project. The selected framework was adapted from the study conducted by Odhiambo, (2015), and this study includes performance planning as an additional factor because it plays a significant role in the performance management system. Most of the findings of the reviewed literatures show that PMS has a great effect on employee performance.

In this study, Employee performance is the dependent variable and the independent variables are performance planning, performance appraisal, reward system and performance feedback. This study intended to examine the effect of PMS on employee performance.

Fig. 2.2 Performance Management System and Employee Performance



Source: Compiled by the researcher

According to different findings of different researches, the variables under this study had different effect on employees performance.

2.4.1. The Effect of Planning on Employees Performance

According to Meklit S. (2017), performance planning had a positive but weak effect on employees performance. Ravishankar S Ulle and Kotresh Patil, et.al (2018), identified a negative insignificant effect on employees performance. Carolyn, Musa and Fredrick (2019), identified in their research that planning had a positive but insignificant effect on employees performance.

2.4.2. The Effect of Performance Appraisal on Employees Performance

Kipsegerwo Evans Kibichii, Dr. Kimutai Geoffrey Kiptum and Prof. Kimani Chege (2016) concluded in their study that appraisal had a significant positive effect on employee's performance. According to Carolyn, Musa and Fredrick (2019), performance appraisal had insignificant positive effect on employee's performance. Meklit S. (2017), in her study identified appraisal had a moderate positive effect on employee's performance. Beatrice Wairimu (2014), his found out that appraisal had a significant positive effect on employee's performance.

2.4.3. The Effect of Reward System on Employees Performance

According to Ravishankar S Ulle and Kotresh Patil, et.al (2018), reward had positive insignificant effect on employee performance. Carolyn, Musa and Fredrick (2019), identified that reward had a significant positive effect on employees performance. According to Meklit S. (2017), reward has a significant positive effect on employee's performance. Kipsegerwo Evans Kibichii, Dr. Kimutai Geoffrey Kiptum and Prof. Kimani Chege concluded in their study that reward system had a positive significant effect on employees performance.

2.4.4. The Effect of Feedback on Employees Performance

According to Beatrice Wairimu (2014), and Meklit S. (2017) identified in their studies that feedback has a positive significant effect on employees performance. Carolyn, Musa and Fredrick (2019), identified that feedback had a significant positive effect on employees performance.

CHAPTER THREE

RESEARCH METHODOLOGY

In this section of the study, description of the study area, research design, the study population, sampling design, methods of data collection, method of data analysis, data quality control and ethical consideration of the study are presented.

3.1. Description of the Study Area

Cheha Woreda was geographically found in Gurage Zone, 187 km and 33km away from Addis Abeba and Wolkite respectively. Emdibir is the capital city of the Woreda. The Woreda consist a total of 38 Kebeles 3 kebeles administered by municipality and 36 kebeles are rural kebeles administered by kebele administration. There are 28 public sectors operating in the Woreda by holding a total of 200 employees.

3.2. Research Approach and Research Design

3.2.1. Research Approach

A research approach is a plan and procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation. Quantitative research approach is an approach for testing objective theories by examining the relationship among variables. It usually involves collecting and converting data into numerical form so that statistical calculations can be made and conclusions drawn. This study used a quantitative research approach and the collected data were analyzed using quantitative measure.

3.2.2. Research Design

Research design is the conceptual structure with in which research is conducted; it constitutes the blue print of what the researcher will do from writing questions, hypothesis and its operational implications to the final analysis of data (Tabachnick & Fidell, 2007). The study employed explanatory research design because it focuses on determining cause-and-effect relationships, i.e., identifying the effect of performance management system on employees performance.

3.3. Study Population

The study population was the technical staff and management bodies of the 28 sectors of the woreda, i.e. 200 public servants excluding supportive department staffs and political leaders since they are not actively participated in performance management system.

Table 3.1: Sampling Frame work of the study

The sampling frame includes the following public sectors;

No.	Selected Sectors	Number of Technical staffs/employees
1.	Administration office of the Woreda	6
2.	Agricultural and natural resource development office	16
3.	Finance and economic development office	13
4.	Revenue authority branch office	9
5.	Animals and fishery development office	8
6.	Cooperative development office	13
7.	Trade and marketing development office	6
8.	Government communication office	5
9.	Workers and Social welfare office	4
10.	Public service and human resource development office	9
11.	Education office	12
12.	Youth and sport office	7
13.	Police office	11
14.	Peace and Security office	9
15.	Milisha office	5
16.	Road and Transportation office	5
17.	Health office	12
18.	Urban development office	6
19.	Environmental conservation office	7
20.	Females and children's office	6
21.	The court, justice office	8
22.	The Woreda Council (Mikir Bet)	9
23.	Water mines and energy development office	8
24.	Municipalities (Megenase municipality, Yefeketerek municipality and Aftir municipality)	6

The target population includes the selected employees from all sectors excluding the municipalities and political leaders because the municipalities are administered under the urban development office and they can be represented by the offices staffs. The political leaders are not governed by the PMS of the sectors, thus they are not included under the study.

3.4. Sampling Design

The sample size determination was done based on scientific way of calculation by using a suitable statistical formula. The study had quantitative nature and the respondents have the same nature (homogeneous) with respect to the subject of the study. The way to draw sample and the determination of the sample size is disclosed in the following two sub-titles.

3.4.1. Sample Size Determination

As cited in Glenn, 2012, there are several approaches to determine the sample size, this includes using a census for small populations, imitating a sample size of similar studies using published tables and applying formula to calculate a sample size. Among all these alternatives, this study prefers the formula derived by Yamane, (1967), rule of thumb, based on the information from the data, for the population of 200 at 5% margin of error and 95% confidence level the sample size is 132.

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

Where n=sample size, N=population size, e =level of precision given that 95% confidence level and P = ±5% are assumed.

$$N=200 \text{ and } e=0.05, \text{ then } 200/ [1+200(0.05)^2] = 200/1.5 = \underline{132}$$

3.4.2. Sampling Techniques and Procedures

The sampling technique is random sampling and accordingly the target group excludes the political leaders, municipalities and the public service and human resource development office members. Therefore, the primary data required for the study is to be gathered from among the 132 management and non-management staff members of the sectors through a structured questionnaire.

3.5. Data Source and Types

The data source used in this study was both primary and secondary data source. Structured questionnaire was distributed to employees of the Public sectors of the Woreda. The questionnaire was adapted from the study conducted by Odhiambo, (2015) and amendments have been made to some of the questions and performance planning was added as an additional factor that has an effect on employee performance. On the other hand, previous studies, literatures, journals and publication are used as secondary data reference. In addition, organizational plans and reports issued by the organization, organizational documents of the organization on human resource management and development aspects, and relevant study reports, website documents on the basics and practices of PMSs were utilized for capturing the secondary data needed for the study.

3.6. Data Collection Tool

The current performance management system and its effect on employee's performance was investigated using structured questionnaire based on 5 point Likert Scale rating from 1 (strongly disagree) to 5 (strongly agree). The questionnaire was designed to gather quantitative data pertaining to performance planning, performance appraisal, performance reward system, and performance feedback and employee performance. The questionnaire is annexed. Data collected using questionnaire was checked for its consistency and completeness before analysis was made.

3.7. Validity of Research Instrument

Mugenda and Mugenda, (1999) define validity as the degree of consistency with which it measures a variable. Saunders (2000) also contends that research is valid only if it actually studies what it set out to study and only if the findings are verifiable. In this study validity was increased through multiple sources of evidence as well as key informants reviewing the research instrument to avoid misunderstandings. Validity was also ensured through thorough examination of existing literature to identify conceptual dimensions and appraisal of the instrument by a panel of research experts including my supervisor. Questionnaires were pretested with 30 staff members. This helped in determining its effectiveness in conducting the proposed study, allowing for modifications to suit the objectives of the study. The study used tested instruments by Meklit (2017).

3.8. Reliability Measurement

The reliability of this study was estimated using internal consistency by applying Cronbach's Alpha method.

Table 3.2. Reliability Summary

Variables	Cronbach's Alpha
Employee Performance	0.801
Performance Planning	0.794
Performance Appraisal	0.731
Performance Feedback	0.800
Reward	0.768

(Source; own survey, Jan, 2013)

The total number of complete feedback received was 132 sample populations. As the above table indicate, all variables Cronbach's alpha test result shows to be larger than 0.7 which is known to be satisfactory.

3.9. Methods of Data Collection

The data source used in this study was both primary and secondary data source. Structured questionnaire was distributed to employees of the public sectors of the Woreda. The questionnaire will be adapted from the study conducted by Meklit, (2017) and amendments have been made to some of the questions. On the other hand, previous studies, literatures, journals and publication are used as secondary data reference.

3.10. Method of Data Analysis

This study used IBM SPSS software to conduct a bivariate correlation and standard multiple regression procedures to answer the basic research questions. The study employ inferential data analysis method to analyze the collected data. Preliminary analyses were conducted to indicate if there were any violations of the assumptions of multi-co linearity, normality, tolerance and extreme outlier. To indicate if multicollinearity was violated, a co linearity diagnostic tests using

SPSS was used to determine the tolerance, Variance Inflation Factor (VIF) and condition indexes. The tolerance values should not be less than 0.20, VIF values under 10 and condition indexes under 30 to determine that there were no violations of multicollinearity.

To test the assumption of normality, a Normal P-Plot of Regression Standardized Residuals was conducted for each of variables. A test of assumptions of linearity, homoscedasticity and independence was conducted by SPSS software. A standard multiple regressions analysis was conducted to determine the extent of which the variables can predict employee performance. Regression analysis was the appropriate technique because of its ability to determine the “effects of more than one independent variable on one dependent variable using principles of correlation and regression” (Kerlinger& Lee, 2000).

3.11. Data Quality Control

Validity defined as the extent to which data collection method or methods accurately measure what they intended to measure. To ensure the validity of the study: Data has been collected from the reliable sources, i.e. respondents have an experience in filling research questionnaire. Furthermore the study has been examined by the advisor and other colleagues to determine its clarity. The reliability of the research instrument (structured questionnaire) was also measured by the cronbache’s alpha and examined by the advisor and co-advisor of the researcher.

Test/Retest is more conservative method to estimate reliability. One should get the same score on test one when test two is done. On the other hand, Internal Consistency estimates reliability by grouping questions in a questionnaire that measure the same concept. It is computing correlation values among the questions by using Cronbach’s Alpha. The reliability of this case study was estimates by using internal consistency by applying Cranach’s Alpha method.

3.12. Ethical Considerations

Research, as a scientific process and activity, has got its own basic ethical conducts that shouldn’t be compromised at all levels. For instance, any source that is quoted and used as essential part of the study should be cited. That means, acknowledging the authors of books and articles is necessary. Moreover, the data were gathered from the appropriate and relevant sources. Therefore, with respect to the current study, the researcher has respected and complied

with existing ethical principles to make the research credible and acceptable by the academic communities and users of the result. The confidentiality of participants' were maintained in their names, addresses, signature and their roles in company were not appeared and filled in the questionnaire. In addition, respondents were fully volunteers to participate in the study and their rights/privacy was respected. The researcher has presented the findings of the study without any distortion of the reality.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSIONS

This section presents and discusses descriptive results of the survey data. As already noted, in the course of presenting and discussing the descriptive statistics, it was found the effect of performance management system on employee's performance a case of Cheha Woreda Public sectors.

4.1. Data Presentation

Preliminary analyses were conducted to indicate if there were any violations of the assumptions of multicollinearity, normality, and reliability test was conducted. To indicate if multi-linearity was violated, the tolerance, VIF and condition indexes were evaluated from Co-linearity Diagnostics table in SPSS. The tolerance values for each of the variables scales ranged from .540 to .615 which are not less than .20; thus, further verifying that the assumption is not violated. This was verified by the VIF values which ranged from 1.627 to 1.850 which are under 10 suggesting that the assumption of no multicollinearity is tenable (Tabachnick & Fidell,2007). The condition index indicated values ranging from 1.000 to 22.701. All variables values are below 30 so none of which suggest serious multicollinearity problems. Based on the results of the tests, the assumption of no multicollinearity is tenable.

To test the assumption of normality, a Normal P-Plot of Regression Standardized Residuals was conducted for each of the fix variables. For all five variables, Normal P-Plots of Regression Standardized Residuals were examined. The points lied in reasonably straight lines, therefore, the assumption of normality was found tenable.

4.2. Response Rate

A total of 140 questionnaires were administered for the total employees of 24 Public Sectors of Cheha Woreda and 132 were collected and analyzed. Some of the questionnaires were left with the respondents to fill but were never returned in another case the respondents were unavailable during collection of the questionnaires. As result, response rate was 94.23% and it is acceptable.

4.3. Results and Discussions of Employees Demographic Profile

This section contains two basic parts such as the general characteristics of respondents and analysis and interpretation of data collected through questionnaires. All are discussed in line with the basic questions posed under the research hypothesis in chapter one. For collecting the data, 140 questionnaires were distributed for the employees of the selected Cheha Woreda Public Sectors and 132 questionnaires were properly filled and returned. The discussion of the data analysis begins with by the profiles of the respondents. In order to generally describe the characteristics of the respondent; gender, age, educational back ground and job experience were part of demographic questions.

4.3.1. Gender

Table 4.1 Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid male	77	58.3	58.3	58.3
Valid female	55	41.7	41.7	100.0
Total	132	100.0	100.0	

(Source; own survey, Jan. 2021)

As Table 4.1 reveals majority of the respondent were males which is 77 (58.3%) and female total respondents were 55 (41.7%).

4.3.2. Age

Table 4.2 Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-30	82	62.1	62.1	62.1
Valid 31-45	40	30.3	30.3	92.4
Valid 46-60	10	7.6	7.6	100.0
Total	132	100.0	100.0	

Source: Own survey, Jan,2021

Table 4.2 revealed that out of 132 total respondents 82 (62.1%) were aged between 20 and 30 years, 40 (30.3 %) respondents were aged between 31 and 45 years, 10 (7.6%) of total respondents were aged between 46 and 60 years. The highest proportion of the sample of the study was founded within the age group of 20-30 years and secondly followed by age groups between 31-45 years.

4.3.3. Work Experience

Table 4.3 Work Experience

	Frequency	Percent	Valid Percent	Cumulative Percent
<1	8	6.1	6.1	6.1
2-5	63	47.7	47.7	53.8
6-10	36	27.3	27.3	81.1
Valid 11-15	9	6.8	6.8	87.9
16-20	8	6.1	6.1	93.9
>21	8	6.1	6.1	100.0
Total	132	100.0	100.0	

Source: Own survey, Jan, 2021

Respondents' job experiences revealed that 63 (47.7%) of the total respondents have job experience between 2 to 5 years, 27.3% between six to ten years, 9 (6.8%) of total respondents having an experience between eleven to fifteen years, the 8 respondents have an experience of less than one year, 8 respondents have 16 to 20 and the remaining 8 has an experience of greater than 21 (see table 4.3 above).

4.3.4. Education Level

Table 4.4 Education Level

	Frequency	Percent	Valid Percent	Cumulative Percent
10-12	5	3.8	3.8	3.8
10+3	19	14.4	14.4	18.2
Valid Degree	99	75.0	75.0	93.2
Masters	9	6.8	6.8	100.0
Total	132	100.0	100.0	

(Source; own survey, Jan. 2021)

As indicated in the table 4.4 above, educational background was also enquired where most of the respondents of educational background of both sex lie on first degree which is 75% of total respondent. Out of the total respondents 19 (14.4%) were diploma graduates. the remaining 5 (3.8%) and 9 (6.8%) lies between grade 10-12 and master's degree respectively.

4.4. Performance Planning Analysis

This study has aimed to identify the effects of performance management system on employee's performance for Cheha Woreda Public Sectors.

These variables were subjected to a Likert's scale of 1 to 5 so as to determine the performance management system were regarded by its effects to employee's to this organization. Where 1= strongly disagree and 5 = strongly agree, points awarded.

Table 4.5 Performance Planning

No.		N	Minimum	Maximum	Mean	Std. Deviation
5.	The consultation process in the development of the performance management system is highly appropriate	132	1	5	4.22	.868
6.	The performance planning process in my organization is participatory	132	1	5	3.78	1.043
7.	Participating in the planning process motivates me highly to perform towards achieving the goal set by the organization	132	1	5	4.25	.894
8.	Discussions takes place between manager and individual on what the latter needs to do to achieve the agreed goals, raise standards, improve performance, etc.,	132	1	5	3.81	1.120
	Valid N (list wise)	132				

Source: own survey, Jan,2021

A Likert scale of 1-5 where 5 means strongly agree, 4 implies agree, 3 implies uncertain, disagree at 2 and 1 implies strongly disagree. For interpretation purposes a mean response of <1.5 implies strongly disagree, while a mean response of 1.5-2.4 implies disagree. A mean response of 2.5-3.5 implies neither agree nor disagree (uncertain), a mean response of 3.5-4.5 means agree and finally a mean response of >4.5 infers strong agreement. The mean responses and the standard deviations there on are tabulated in descending order in table 4.5 above.

4.5. Performance Appraisal Analysis

Performance appraisals provide the opportunity for managers and employees to assess the degree to which performance goals have been achieved, engagement appraisals provide the additional opportunity to assess the extent to which employees have demonstrated behavioral engagement, and both parties have been conforming to the Employee Development Agreement (Schaufeli and Salanova, 2008). It is necessary to monitor the EDA periodically and potentially readjust goals and resources.

Table 4.6 Performance Appraisal

No.		N	Mean	Std. Deviation
9.	I often perform better than what can be expected without appraisal.	132	3.96	1.066
10.	Performance appraisal is used as a decision making tool for the increasing my performance	132	3.89	1.103
11.	Performance appraisal makes me work harder than expected	132	3.80	1.037
12.	Performance appraisal makes me better understand what should be doing	132	3.74	1.170
13.	If don't agree with performance appraisal score, there is appeal process	132	3.67	1.170
14.	Performance appraisal influences positively individual performance	132	3.55	1.327
15.	Performance appraisal makes me work below expectation due to how it is conducted	132	3.48	1.257
16.	Performance appraisal is valuable to my performance in my organization	132	3.26	1.351
17.	Performance appraisal makes me work at my normal pace	132	2.93	1.326
18.	Performance appraisal makes me work below expectation due to how it is conducted	132	2.59	1.336
	Valid N (list wise)	132		

Source: own survey, Jan,2021

These variables were subjected to a Likert's scale of 1 to 5 so as to determine the reward system was regarded by its effects on employee performance to this organization. Where 1= strongly disagree and 5 = strongly agree, points awarded.

A mean response of 2.5-3.5 implies neither agree nor disagree (uncertain), a mean response of 3.5-4.5 means agree and finally a mean response of >4.5 infers strong agreement. The mean responses and the standard deviations thereon are tabulated in descending order in table no 4.6 below.

The mean score of the respondents response was approximately 3.5. This score indicates that the appraisal system had an effect on their performance.

4.5. Analysis of Reward System

These variables were subjected to a Likert's scale of 1 to 5 so as to determine the reward system was regarded by its effects on employee performance to this organization. Where 1= strongly disagree and 5 = strongly agree, points awarded.

The mean responses and the standard deviations thereon are tabulated in descending order in table no 4.7 below. The mean score of the responses was approximately 3.4, meaning the respondents are uncertain on the effect of reward system on their performance.

From the analysis, the respondents (employee's) agree that the reward system influence to the performance of employee's by increasing success at work, by recognizing of reward on job promotion, encouraging employees to be creative, by motivating employees to give their best, by encouraging employees to complete their duties timely and by giving bonuses. While, the remaining variables described through uncertainty of reward system to develop employee's performance. This showed us that the reward system of the sectors are not related with employees performance or there is no systematic and performance oriented reward system in the study sectors.

Table 4.7 Reward System

No.		N	Mean	Std. Deviation
19.	When rewarded I seek for ways of improving the performance of the organization.	132	3.94	1.061
20.	Appreciation by managers increases my success at work.	132	3.92	1.024
21.	Reward opportunities encourage staff to be creative	132	3.81	1.064
22.	The rewards motivate me to be timely in completing my duties	132	3.65	3.742
23.	My organization influences my productivity by linking the reward on job promotion	132	3.43	1.291
24.	The rewards provided by my organization sometimes serve to improve on my productivity	132	3.43	1.231
25.	Bonuses increase my performance	132	3.30	1.455
26.	The rewards provided by my organization motivate us to give our best	132	3.23	1.351
27.	The performance management system in my organization reward good performance and discourage poor performance	132	2.98	1.290
28.	My level of wage is fair and satisfactory to the degree of my performance	132	2.89	1.385
29.	The rewards are varied and satisfactory	132	2.70	1.229
	Valid N (list wise)	132		

Source: own survey, Jan, 2021

4.6. Analysis of Performance Feedback

Positive feedback is also likely to promote engagement and performance. Schaufeli and Salanova (2007) suggest that positive feedback promotes engagement by affecting the socio-emotional climate in organizations. And table no. 4.8 ensure such issues, 78 (59.1%) and 26 (19.7%) of employees agreed and strongly agreed respectively to accept and tolerate others feedback to develop themselves.

However, feedback has an inconsistent relationship with performance, sometimes producing debilitating effect (Baron, 1988; Kluger & DeNisi, 1996; London, 1995). This can occur when

feedback occurs in the form of destructive criticism (Baron, 1988) or focuses on meta-task processes and damages the recipient's self-esteem (Kluger & DeNisi, 1996). While, from total employee's perception, more than 66% is satisfied by the organization feedback and an input to do more.

The fourth objective of this study was to determine the effect of performance feedback on employee's performance in Cheha Woreda Public Sectors. The results are recorded in Table 4.8 and results show that there is a significant contribution on overall. The mean score of the responses were around 3.4 which imply that the respondents are uncertain about the effect of the feedback system on their performance. In turn this tells us that the feedback system of the sectors are not working properly and the management of the sectors does not give due consideration to give a timely and proper feedback to their followers/employees.

Table 4.8 Performance Feedback

No.		N	Mean	Std. Deviation
30.	My manager gives me fair feedback	132	3.61	1.164
31.	My manager discusses regularly my job performance with me	132	3.24	1.236
32.	I enjoy discussing about my performance with people outside it	132	3.57	1.180
33.	My organization seems more engaged in providing positive feedback for good performers than criticizing the poor ones.	132	3.10	1.222
34.	The feedback I receive agrees with what I have actually achieved	132	3.46	1.149
35.	My manager communicates with me frequently about my performance.	132	3.36	1.262
36.	The feedback I receive on how I do my job is highly relevant.	132	3.62	1.149
37.	I am satisfied with the way my organization provides me with feedback.	132	3.48	1.226
38.	I always get adequate feedback on my performance.	132	3.27	1.205
39.	Current performance feedback in my organization is fair and unbiased.	132	3.42	1.272
	Valid N (list wise)	132		

Source: own survey, Jan,2021

4.7. Analysis of Employee Performance

Table 4.9 Employee Performance Analysis

No.		N	Mean	Std. Deviation
40.	I met all my work targets/goals timely.	132	3.61	1.002
41.	I arrive for work and meetings on time.	132	2.45	1.095
42.	I had a good work behavior in work place.	132	2.92	1.188
43.	I always met jobs quality and cost standards.	132	2.22	1.115
44.	I strongly believe in team work and committed to act accordingly job.	132	2.98	1.211
	Valid N (listwise)	132		

Source: own survey, Jan,2021

As we can see from the above table, the mean score of the respondents tells us they disagreed on meeting their work targets/goals meaning that the employees does not achieve the goals allotted to them. The employees didn't arrive for work on time as indicated by their disagreement on their response. The mean score of the respondents regarding arrival on work and meeting on time is 2.45, this tells us that employees waste work time and does not participate properly on meetings. Regarding good work behavior, the mean score is 2.92 meaning that the respondents are disagreed that they had a good work behavior. The mean score of doing their jobs according to quality and cost standards of their organization is 2.22 which means the employees are not efficient o quality and cost. The mean score of doing jobs by team is 2.98 which indicates there is a problem in building and leading a team in the organizations. The grand mean of the employees performance is 2.836 and it is above average, i.e. 2.5. According to the Regions Directives number 02/2009E.C. and appraisal manual of building change forces, there are four scale given to employees performance; 1 for poor performance, 2 for satisfactory, 3 for good performance and 4 for very good performance. Thus the study reveals that the employees performance is approximately at a good performance level.

4.8. Correlation Analysis

The correlation between all variables of the study was analyzed using Statistical Package for Social Science (SPSS). The below correlation matrix shows correlation between variables in the

questionnaire with a Pearson Correlation coefficient to show the strength of relationship among the variables considered in the questionnaire.

Table 4.10 Correlation Analysis

		PP	PA	RS	PF	EP
PP	Pearson Correlation	1	.573**	.378**	.528**	.529**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	132	132	132	132	132
PA	Pearson Correlation	.573**	1	.577**	.632**	.616**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	132	132	132	132	132
RS	Pearson Correlation	.378**	.577**	1	.519**	.537**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	132	132	132	132	132
PF	Pearson Correlation	.528**	.632**	.519**	1	.757**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	132	132	132	132	132
EP	Pearson Correlation	.529**	.616**	.537**	.757**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	132	132	132	132	132
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: own survey, Jan,2021

The above the correlation matrix indicates that employee's performance was positively and moderately correlated with Performance Planning, performance feedback, and reward payment and performance appraisal. The highest coefficient of correlation in this research lie between Performance feedback and employee performance is 0.757. There is a significant positive relationship between Performance feedback and employee performance ($r = 0.757$, $n = 132$, $p \leq 0.01$).

The second highest coefficient of correlation is performance feedback and performance appraisal is 0.632. Hence, there is a significant positive relationship between performance feedback and performance appraisal ($r = 0.632$, $n = 132$, $p \leq 0.01$). There is a strong positive correlation

between Performance Planning and employment performance ($r = 0.616$, $n = 132$, $p \leq 0.01$). On the other hand, reward system and employee's performance are positively and strongly correlated ($r = 0.537$, $n = 132$, $p \leq 0.01$). The above correlation matrix shows that all variables are positively and significantly correlate with the dependent variable employee performance which implies that the increase of the independent variables will also enhance effects of employee's performance.

4.9. Regression Analysis

Multiple regression analysis was conducted to examine effect of employment performance management system. In this survey, four hypotheses were developed to study the indirect effect of performance management system on employee's performance through performance appraisal, Performance Planning, reward/bonus and performance feedback.

Different scholars have stated various variables as dimension of employee's performance, among those variables, for the purpose of this study; only four variables were selected as dimension of employment performance. The effect of these four independent variables; Performance Appraisal (PA), Performance Planning (PP), Reward/Bonus (R) and Performance Feedback (PF) were examined on the first dependent variable i.e. employee performance using multiple regression.

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.791 ^a	.625	.614	.55069	.625	52.986	4	127	.000

a. Predictors: (Constant), PF, RS, PP, PA

Source: own survey, Jan, 2021

The above regression model presents how much of the variance in the measure of employee's performance is explained by the underlying variables. The predictor variables i.e. Performance Planning, performance feedback, reward and performance appraisal have accounted 61.4 % of

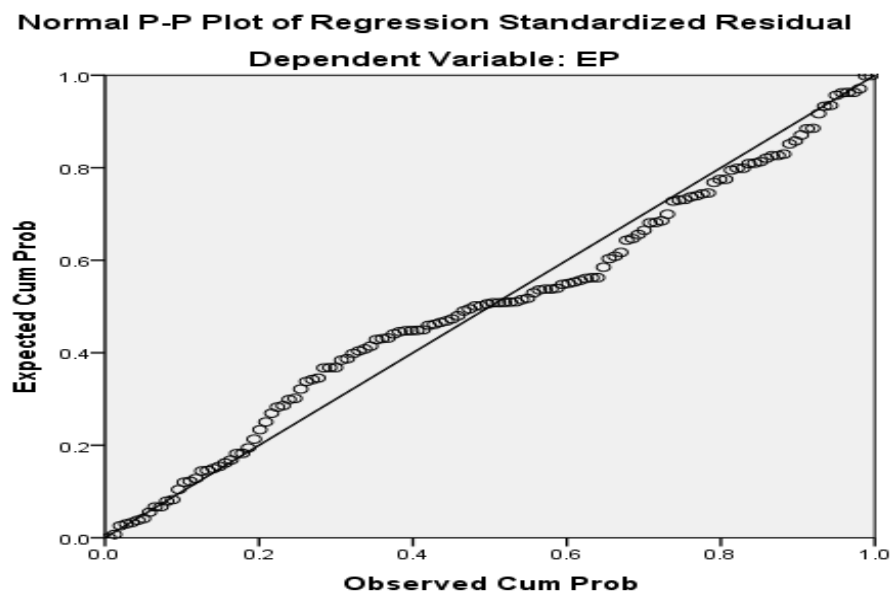
adjusted R square which indicates 62% of the variance is explained by the predictors whereas the remaining 38% are other variables that not included under this model estimation.

4.9.1. Tests of Assumptions

The assumptions to be tested in this study are the assumptions of normality, the assumptions of multicollinearity, homoscedasticity and independence.

Tests of Normality

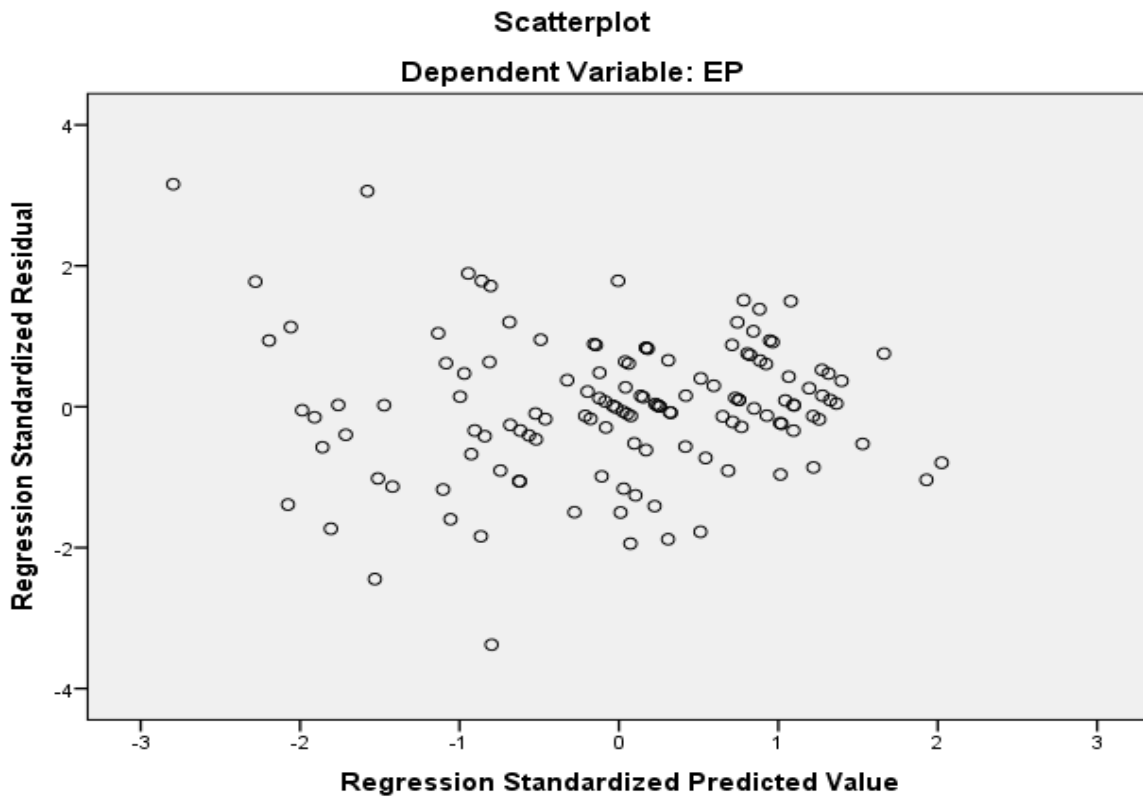
Fig. 4.1. Normal P-P Plot



As we can see from Fig.4.1, the data is normally distributed and the assumption of normality is met.

Tests of Homoscedatsticity

Fig. 4.2. Scattered Plot



The scattered Plot shows us that the data is homoscedatsic and the assumption of homoscedasticity is respected.

Tests of Linearity

Linearity test is conducted by using SPSS and the deviation from linearity of the independent variables (planning, appraisal, feedback and reward) is 0.243, 0.953, 0.262 and 0.17 respectively. All values are greater than 0.05, it can be concluded that there is a linear relationship between the independent and dependent variable of the study. Thus the assumption of linearity is met.

Test of Multicollinearity

Table 4.12: Test of Multicollinearity

Model		Coefficients ^a						
		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.040	.298		.133	.894		
	PP	.140	.082	.117	1.707	.090	.626	1.599
	PA	.165	.106	.125	1.557	.122	.457	2.190
	RS	.146	.073	.138	2.006	.047	.628	1.592
	PF	.512	.070	.545	7.293	.000	.529	1.891

a. Dependent Variable: EP

Source: own survey, Jan, 2021

The strength of each independent variable influence on the dependent variable can be investigated via standardized Beta coefficient. Thus, the regression coefficient explain the average amount of change in dependent variable that caused by a unit of change in the independent variable. Performance feedback and reward system are the most significant factors that affect employee performance since their standardized coefficient beta value is 0.545 and 0.138 respectively.

From table 4.12, we assured that the assumption of multicollinearity is respected because the tolerance values are not less than 0.20 and the VIF values are above 1 and less than 10.

Table 4.12: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	64.274	4	16.069	52.986	.000 ^b
	Residual	38.514	127	.303		
	Total	102.789	131			

a. Dependent Variable: EP

b. Predictors: (Constant), PF, RS, PP, PA

Source: own survey, Jan, 2021

The above ANOVA table shows the acceptability of the model. The p-value is less < 0.05 i.e. 0.000 which indicates the variation is explained by the model is not due to chance.

Table 4.13. Summary of Coefficient on Employee’s Performance

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.040	.298		.133	.894	-.550	.630
	PP	.140	.082	.117	1.707	.090	-.022	.302
	PA	.165	.106	.125	1.557	.122	-.045	.375
	RS	.146	.073	.138	2.006	.047	.002	.291
	PF	.512	.070	.545	7.293	.000	.373	.650
a. Dependent Variable: EP								

The above coefficient table shows the constant, beta value and p-value of the variables to examine the significance of set hypothesis. The significance level of each variable is P value.090, .122, .047, .000 and their standardized coefficients are 0.117,0.125, 0.138& 0.545. The p-value of performance planning is above 0.05 which implies that it has no significant effect on employee performance.

There is a positive relationship between performance feedback and employee’s performance. And its p- value is no different than zero. Henceforth, we conclude that performance feedback has significant effect on employee’s performance. Performance appraisal also has no significant effect on employee performance. Reward system has a positive significant effect on employee performance.

4.10. Discussions on the Result

There are positive relationships between performance feedback and employee performance during the investigations. Especially, Performance Planning and participating in the planning process has no significant effect on employees performance. And our result on coefficient table indicated that performance planning didn’t have significant effect on employee’s performance in Cheha Woreda Public sectors. The p-value of performance planning is above 0.05 which implies that it has positive relationship with employee performance. While, if a supervisory allows

employee in planning performance, the employee may feel a loss of motivation in the workplace. This has an effect on the employee performance (Cook & Crossman, 2004).

An effective personal performance feedback is a crucial cornerstone in this process, as it provides the data needed for most of the required administrative decisions. The study finds that performance feedback has a significant effect on the performance of Cheha Woreda Public sectors employees. Performance improved substantially in a number of settings when workers were given specific goals to achieve and received performance feedback. (Mahapatro, 2010). This system plays a key role in motivating people to utilize their abilities in pursuing the organization's goals (Musgrove & Creighton, 2008).

According to this investigation, there is positive relationship between performance appraisal and employee performance. But the P value tells us that the effect of performance appraisal on has no significant effect on Cheha Woreda public sectors employees' performance. According to Mahapatro (2015), appraisal results provides vital information about a worker strength and weaknesses, training needs and reward plans such as advancement, promotion, pay increase, demotion and work or performance improvement plans.

Reward system has significant and positive relationship with employee's performance. This outcome is supported by Kleiman, (2000), reward (pay-for-performance) system links one's pay increase to one's performance, could be used to direct, sustain and motivates desirable behavior of employee's such as knowledge sharing, creativity and quality increment for the employees.

In this study, performance feedback and reward system has positive significant effect on employee's performance. While, Performance planning and performance appraisal has positive insignificant effect on employees performance but had relationship.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Referring to the analysis and interpretation done in the previous chapter, summary, conclusions and recommendations for the study are presented as follows.

5.1. Summary

This study represented by explanatory research as the correlation as well as the effect of performance management system on employee performance using correlation and multivariate regression. The data source used in this study was both primary and secondary data source.

Structured questionnaire was distributed to employees of Cheha Woreda Public Sectors. The sampling technique is random sampling and accordingly the target group excludes the political leaders and supportive department workers. Therefore, the primary data required for the study was gathered from the 132 management and non-management staff members of the public sectors through a questionnaire. And investigated using structured questionnaire prepared based on 5 point Likert Scale rating from 1 (strongly disagree) to 5 (strongly agree).

Regarding the demographic figures, Majority of the respondent were males which is 77 (58.3%) and female total respondents were 55 (41.7%). And educational background was also enquired where most of the respondents of educational background of both sex lay on first degree which is 75% of total respondent. Respondents' job experiences revealed that 63 (47.7%) of the total respondents have job experience of two up to five years.

The respondents (employees) agree that the reward system influence to the performance of employee by recognizing of reward on job promotion, fairness of wage and variations of reward type. While, the remaining variables described through uncertainty of reward system to develop employee's performance. Positive feedback is also likely to promote engagement and performance. Schaufeli and Salanova (2007) suggest that positive feedback promotes engagement by affecting the socio-emotional climate in organizations.

The correlation matrix indicates that employee performance was positively and highly correlated with Performance Planning, performance feedback, and reward system and performance appraisal. The highest coefficient of correlation in this research lies between Performance reward

and performance appraisal is 0.632. In addition, the predictor variables i.e. Performance Planning, performance feedback, reward and performance appraisal have accounted 61.4 % of adjusted R square which indicates 64% of the variance is explained by the predictors whereas the remaining 36% are other variables that are not included under our model estimation.

There is a positive relationship between performance feedback and employee performance. And its p- value is no different than zero. Henceforth, we conclude that performance feedback has significant relation with employee's performance. Performance Planning and the Appraisal System have non-significant and positive relationship with employee performance. And also, reward system has a significant and positive relationship.

5.2. Conclusions

The following are the major conclusions of the study.

As it is mentioned in the empirical part of this project, Odhiambo (2015, Gupta & Upadhyay (2012), found in their research that Performance Appraisal, Feedback and reward system have a significant and positive influence on employee productivity. And also Ayandele (2012), concluded in his research that there is a positive relationship between employee's participation in the designing of an organization's performance management system and employee's commitment to the organizational set goals. Others like Ying (2012), in the research concluded that Performance Management System has a positive but in significant relationship with Employee Performance. The finding of some of this mentioned authors partly relate with goal setting and expectancy theory.

In this study, in general, it is proved that Performance Feedback and Reward System have significant and positive relationship with Employee Performance which is in line with Ayandele (2012), Odhiambo (2015, Gupta & Upadhyay (2012) findings. Performance planning and performance appraisal has no significant effect on employee performance.

In general, majority of employees have expressed that receiving Feedback on their performance from their supervisors and getting a Reward according to their performance motivates them and which helped them towards correcting ineffective behaviors and which is believed to increases their performance. On the other hand, performance planning and the appraisal system doesn't make them work differently.

5.3. Recommendations

In line with the conclusion, the study recommends the following:

For the Cheha Woreda Public Sectors

The study recommends that the organization should make the employees to participate on the starting point of the PMS which is the Planning stage. This gives the employees a clear image of what the later holds and on how to drive to achieving organizational goal. As it is mentioned in the theoretical part of this project, Goal Setting theory stated that goals need to be accepted by employees as desirable. The application of the organizations planning system needs to be scientific.

The appraisal system helps the organizations to identify the achieved goals and good performers among their employees. The Necessary focus need to be given to the sectors appraisal system and the organizations must make their appraisal system more applicable, goal oriented and scientific.

The organization should reward the employees for greater performance levels. For every opportunity possible, the manager should formally recognize good employee efforts for enhanced work performance. The reward system should be varied to encourage the staff to be creative to meet the organization goals. This will increase the chances of the performance to be repeated and increased, while pointing out that poor performance will be discouraged.

The study recommends that effective and fair feedback should be used by an organization to meet the organization target. There should be an effective performance feedback that would translate into improved employee productivity. Feedback enables the employees be aware of what exactly is expected from them. Therefore, managers of the organization should frequently give feedback to the subordinates.

Suggestions for Further Studies

The researcher suggests the following for further areas of research;

To gain an ample understanding on this subject, future research should be narrowed down to the effect of each indicator (performance planning, performance appraisal, feedback and reward system) on employee productivity in public sectors or other organizations.

Besides, the study was limited to four variables; performance planning, appraisal, feedback and reward system, thus, a further study should also be carried out to assess the effect of other elements of performance management processes on employee productivity.

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APPENDIX

Letter of Introduction

Dear Sir/Madam,

I am a Post Graduate student in Wolkite University College of Business and Economics, Department of Management. This is a questionnaire designed to collect data on the “The effect of performance management system on employee performance” which will be used as an input for a thesis in partial fulfillment of Master of Arts in Business Administration. Your genuine response is solely used for academic purpose. Therefore, your kind cooperation is appreciated in advance. Should you have any questions about this survey, please feel free to contact me at +251-910 8224 69 or via my email address: Leul24mesfin@gmail.com.

Sincerely,

LeulMesfin

MBA Student, College of Business and Economics

Questionnaire

Section I: General Information

1. What is your Gender? A. Male B. Female
2. What is your age bracket? A. 20-30 B. 31-45 C. 46-60 D. Above 61
3. Number of years worked for your sector? A. Less than 1 year B. 2-5 years C. 6-10 years
D. 11-15 years E. 16-20 years F. Above 21 years
4. Educational level? A. Primary School Secondary school B. College level University level

Section II: Performance Planning

☞ Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5 Where 1 =strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree 5 =strongly agree.

Statement	1	2	3	4	5
5. The consultation process in the development of the performance management system is highly appropriate					
6. The performance planning process in my organization is participatory					
7. Participating in the planning process motivates me highly to perform towards achieving the goal set by the organization					
8. Discussions takes place between manager and individual on what the latter needs to do to achieve the agreed goals, raise standards, improve performance, etc.,					

Section III: Performance Appraisal

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5 Where 1 =Strongly disagree, 2 = Disagree, 3 = Neutral, 4 =Agree 5 =Strongly agree,

Statement	1	2	3	4	5
9. Performance appraisal makes me work harder than expected					
10. Performance appraisal makes me work at my normal pace					
11. Performance appraisal makes me work below expectation due to how it is conducted					
12. Performance appraisal makes me work below expectation due to how it is conducted					
13. If don't agree with performance appraisal score, there is appeal process					
14. Performance appraisal makes me better understand what should be doing					
15. Performance appraisal is used as a decision making tool for the increasing my performance					
16. Performance appraisal influences positively individual performance					
17. I often perform better than what can be expected without appraisal.					
18. Performance appraisal is valuable to my performance in my organization					
19. Am satisfied with the current performance appraisal system in the organization					

Section IV: Reward Systems

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5 Where 1 =strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree 5 =Strongly agree,

Statement	1	2	3	4	5
20. The performance management system in my organization reward good performance and discourage poor performance					
21. The rewards provided by my organization motivate us to give our best					
22. The rewards provided by my organization sometimes serve to improve on my productivity					
23. My organization influences my productivity by linking the reward on job promotion					
24. The rewards motivate me to be timely in completing my duties					
25. The rewards are varied and satisfactory					
26. My level of wage is fair and satisfactory to the degree of my performance					
27. Reward opportunities encourage staff to be creative					
28. Bonuses increase my performance					
29. Appreciation by managers increases my success at work.					
30. When rewarded I seek for ways of improving the performance of the organization.					

Section V: Performance Feedback

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5 Where 1 =strongly disagree, 2 = Disagree, 3 = Neutral, 4 =Agree 5 =Strongly agree,

Statement	1	2	3	4	5
31. My manager gives me fair feed					
32. My manager discusses regularly my job performance with me					
33. I enjoy discussing about my performance with people outside it					
34. My organization seems more engaged in providing positive feedback for good performers than criticizing the poor ones.					
35. The feedback I receive agrees with what I have actually achieved					
36. My manager communicates with me frequently about my performance.					
37. The feedback I receive on how I do my job is highly relevant.					
38. I am satisfied with the way my organization provides me with feedback.					
39. I always get adequate feedback on my performance.					
40. Current performance feedback in my organization is fair and unbiased.					

Section VI: Employee Performance

Please indicate the extent to which you agree with the following statements by using a scale of 1 to 5 Where 1 =strongly disagree, 2 = Disagree, 3 = Neutral, 4 =Agree 5 =Strongly agree,

Statement	1	2	3	4	5
41. I met all my work targets/goals timely.					
42. I arrive for work and meetings on time.					
43. I had a good work behavior in work place.					
44. I always met jobs quality and cost standards.					
45. I strongly believe in team work and committed to act accordingly job.					