

**ASSESSMENT OF PERFORMANCE MANAGEMENT SYSTEM AND  
EMPLOYEES' SATISFACTION**



**MA Thesis**

**By**

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**Wolkite, Ethiopia**

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## **ABBREVIATIONS AND ACRONYMS**

HRM	Human resources management
PMS	Performance management system
CBE	Commercial Bank of Ethiopia
WAAD	West Addis Abeba
HRD	Human Resource Development
TD	Training and Development

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## ABSTRACT

*A study entitled Assessment of performance management system and employees' satisfaction Ethiopia was conducted with the aim of identifying determinants affecting the employees satisfaction in some selected west Addis Abeba . A three stage random sampling technique was used to select representative employees; and a total of 349 employees were surveyed to collect primary data from sample respondent using a semi-structured questionnaire. Secondary data were also collected through reviewing of different documents from commercial bank of Ethiopia. Both descriptive and econometric methods of data analysis (binomial logit model) were used. The result of econometric analysis revealed that age, sex, access to training, and good working environment were found to significantly affect the employee satisfaction in the organization. The finding, therefore, focused to build the capacity and knowledge of employees with training, good working environment that satisfying of employees towards it is works in the commercial bank of ethiopia.*

**Key words:** - Employee satisfaction, Binomial logit model

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **Background of the Study**

Major concepts related to the research topic like performance, organizational performance, and performance management system in relation to employees' satisfaction is illustrated.

According to Shies (2015) Performance is a completion of tasks with application of knowledge, skills and abilities. It is measured by preset known standards of accuracy, completeness, cost and speed. In addition, performance management system is continually achieving the preferred results in a manner that is effective and efficient as possible. What we have to be conscious about is being busy does not mean producing results. Therefore, to sustain strong performance, all of the parts of the system must be closely integrated and aligned toward actively achieving the desired results (Mohammed, 2016). Organizational performance involves analyzing a company's performance in relation to its objectives and goals. In other words, organizational performance comprises real results or outputs compared with intended outputs. Moreover, organizational performance is usually defined as the extent to which an organization member contributes to achieving the goals of the organization. Employees are a primary source of competitive advantage in service oriented organizations because their contributions are essential for organizational effectiveness, which dictate the need to place a system which supports to properly manage their performance towards the accomplishment of organizational goals is a matter not to be compromised at all.

According to Peters (2006) Performance management system base itself on an established measurement system consisting of tools, indicators and procedures that have been chosen and are best suited to concrete situations and specific characteristics of concrete organization. Furthermore, performance management system, at the focus of modern management and organization research theory and practice, mainly is oriented at employees as pillars in creating new value in the form of goods and/or services in the organization. Modern organizations apply different mechanisms to drive the institution on the road of success and care for their employee. Among the ways, the general term known as soft

dimension is an attractive to perform as it has sub-divided areas of application. To begin with, managerial style is one of the soft dimensions that related to employees. Managers need to establish indicators related to employees' performance and satisfaction. Staff and skills are the two dimensions pointing to the creation of a set of indicators and measures of employee performance suited to the specific situation in concrete organization. The dimension of shared values is another domain of the organization in which the interrelatedness of employee performance and satisfaction is mostly vivid.

According to Meyer (2002) The integrative performance management models emphasize the need to broaden the scope of measures and indicators by which the organization can continually measure and manage the basic factors of its sustainable success and employees satisfaction measuring employee performance is of special relevance as it leads to employee satisfaction, which again, enables higher performances. This is true for organizations in different fields, both manufacturing and services, big and small, with private or public ownership. It is the continuous effort of establishing more transparent and vivid link between employee achievements and overall business results. It contributes to better understanding of the common goals and shared values in the domain of organizational culture, as well as to all other aspects and organizational dimensions, resulting in employee satisfaction. These lead to employee satisfaction improvement, rise in employee work motivation, creativity and development of the knowledge and competency levels as a key competitive advantage. Feedback to the employees about their perceived results is a necessary step towards successful management of employee performances. It also leads to higher levels of employee satisfaction (Greve, 2003).performance management system is defined in many ways in literature. One of the notable definitions is that performance management system is a process where executives, managers and supervisors work together to combine employee performances with organizational goals (Ivancevich, 2001). Performance management is also defined as the process that puts together aims, performances and development in a unique system, where the main goal is to assure that employee performances support strategic goals of the organization (Dessler, 2005),&(Jakšić, 2011) All definitions lead to the conclusion that employee performances are correlated to the organizational performances, because realization appraisal is the control mechanism which

doesn't only give feedback to individuals. In the Oxford dictionary the definition of performances is found as; activity of realization or something realized, and the conduct of a demand, obligation or purpose, etc. Realization is also doing, completion or fulfilling. Realization of everything that is considered or given(Jaksic, 2012).The outcomes of employee performance management are, among others, keeping the best employees, and identification of the worse workers, pushing them to the line of good employees and those remained on the stagnant position will be left to the corrective measures. It is also emphasized that one of the significant outcomes and impacts of employee performance management is increasing the level of employee satisfaction in organizations. Performance management is a systematic and integrated process for improving organizational performance by developing the performance of individuals and teams working in them. It is a means of getting better result for the organizations, teams and individuals by understanding and managing performance within agreed framework of planned goals, standards, and competence requirement (Armstrong, 2009) As a human resource development practice, employee performance management in organizations is viewed as the total system of gathering relevant information, providing specific feedback to individuals and work groups, and applying such information for the improvement of organizational effectiveness (Villanova, 1998). According to(Meseret, 2007), Employee performance management not only includes assessing how employees are performing in their jobs, but also aligning individual goals to overall organizational goals, and keeping employees satisfied so that the organization can retain them. It ensures that everyone is performing their best so resources can be focused on growing the business (Taleo. 2011). Performance management system is one of the recent developments in the field of strategic performance management and the tool by aligning strategic objectives with a day to day operation and more importantly to measure the performance of employee who are involved in the operation by identifying the most important objectives on which an organization should focus its attention and resources.

According to peter (2003) Performance management system (PMS) is the realization of the importance of human capital because of this performance of an organization depends on the performance of its employee regardless of the organizational size, mission and vision of the bank. The ultimate goal of performance management system is to achieve sustainable

efficiency of organizational performance. The aim is also to create an environment where the employees are thriving for success. As mentioned above at a certain time, researchers found out that performance management system contributed to employees' satisfaction. Now days at Commercial Bank of Ethiopia the contribution of performance management to the satisfaction of employees has not been studied so far to see whether the former variable contributed to the latter one. Therefore, this study is designed to assess the effect of performance management system and its factor on employees' satisfaction

## **2.1 Statement of the Problem**

In recent times, the potential role of HRM in improving an organizations performance has been realized (Breadwell and Holden, 1997). Breadwell and Holden (1997) HRM practices can develop the performance of an organization by contributing to employee satisfaction. Among the HR practices that have been studied, performance management system is arguably one of the more crucial ones in terms of organization performance and appears to be an indispensable part of any HRM system (Shrivastava and Purang, 2011). „The success, survival and competing power of organizations depend on the commitment of their members, and this may, to a large extent, depend on how satisfied the employees are in respect of the organization's appraisal mechanism.“ (Abdulkadir, Isiaka&Adedoyin, 2012).

Commercial bank of Ethiopia is the largest financial institute in Ethiopia. The organization plays important role on the economy of the country, for instance the organization create many job opportunity for many people in the country. It has more than 35000 employees working under this organizational. In order to manage the performance and motivate all these employees, the organization need properly developed and effectively implemented performance management system to effectively managing the performance of employee's in order to sustain the organization performance. Effective performance management system helps the organization to achieve its goals by developing its productive and motivated employees.

The organizational performance is usually defined as the extent to which an organization member contributes to achieving the goals of the organization. Employees are a primary source of competitive advantage in service oriented organizations because their contributions are essential for organizational effectiveness, which dictate the need to place a system which

supports to properly manage their performance towards the accomplishment of organizational goals is a matter not to be compromised at all. As a human resource development practice, performance management system in organizations is viewed as the total system of gathering relevant information, providing specific feedback to individuals and work groups, and applying such information for the improvement of organizational effectiveness (mesret, 2007). Employee performance management not only includes assessing how employees are performing in their jobs, but also aligning individual goals to overall organizational goals, and keeping employees satisfied so that the organization can retain them.

According to Taleo (2011) it ensures that everyone is performing their best so resources can be focused on growing the business. Performance management system is one of the recent developments in the field of strategic performance management and the tool by aligning strategic objectives with a day to day operation and more importantly to measure the performance of employee who are involved in the operation by identifying the most important objectives on which an organization should focus its attention and resources. Banking system plays a very important role in the economic life of the nation. The health of the economy is closely related to the soundness of operation system and it is plays a vital role in the progress of financial and economic development of the bank Performance management system (PMS) was the realization of the importance of human capital because performance of an organization depends on the performance of its employee regardless of the organizational size, mission and vision of the bank. It implies that the researcher is to assess and fill the gaps in the area of understanding and effective communication of performance management system to the employees and clear understanding of performance standards, indicators and targets. Evaluating employee performance is a difficult task. Once the supervisor understands the nature of the job and the sources of information, the information needs to be collected in a systematic way, provided as feedback, and integrated into the organization's Performance management process for use in resolving grievances, in job placement, and training decisions and assignments.

According to Murlis (2002), also observed that often PMS(s) are crudely developed and hastily implemented with the result that they fail to deliver the results people expect from them this finding tells the practitioners that actual execution of performance management system is

difficult and needs effective execution of each step of the performance management process. (Johnson, 2000), pressed that the importance of performance management system is on continuously improving organizational performance, and this is achieved by improved individual employee performance.

Therefore, improving employee performance by using performance management system is away to improve organizational performance. Now a day there is no well-known about performance management system and its factors on employee satisfaction in CBE. Because of this, the study is examine employee satisfaction on performance management system in commercial bank of Ethiopia. This research is providing helpful ideas that could enable CBE to attain employee satisfaction and its factors. Therefore; the study is conduct to identify the determinants and the effect of performance management system on employee satisfaction at commercial bank of Ethiopia specifically on some selected branches.

## **Research Questions**

The study tried to answer the following basic research questions

1. Does CBE WAAD implemented performance management system ?
2. What is the level of employee satisfaction at CBE WAAD?
3. What are the factor affecting performance management system related with employees' satisfaction at CBE WAAD?
4. What is the effect of performance Management system practices on employees' satisfaction in CBE WAAD?

## **Objectives of the Study**

### **1.4.1. General objective**

The general objective of this study was to assess the Performance Management System and Employees' Satisfaction in Commercial Bank of Ethiopia West Addis Ababa District.

### **1.4.2. Specific objectives**

The research was focused on the following specific objectives:

1. To describe the implementation of performance management system at Commercial Bank of Ethiopia West Addis Ababa District

2. To describe the level of employees satisfaction at Commercial Bank of Ethiopia West Addis Ababa District
3. To assess the factors affecting performance management systems and employees' satisfaction at Commercial Bank of Ethiopia West Addis Ababa District
4. To assess effects of performance management system practices employees' on satisfaction at commercial bank of Ethiopia West Addis Ababa District?

### **Significance of the Study**

The outcomes of this research work were expecting to serve various purposes. Moreover, the result of the study was serve as an input for the organizations to re-examine how much they were effectiveness from the previous of performance management system that employed by the organizations towards improving the satisfaction of the workforce to take corrective action for the future and serves as a secondary source of data for those who want to conduct further investigation in this area.

### **Scope of the Study**

The Study is concerned with assessment of performance management system in selected branches under West Addis Ababa district. On the other hand, the study is delimited to the main process/cycle of PMS from employee's point of view throughout the steps from pre-requisite to performance planning to employee performance appraisals as well as performance management system problem. This Study delineates its scope only to Performance management system and employees satisfaction. It is preferable to study the effectiveness of performance management system by taking larger sample size from diverse geographical area to bring the role of cultural differentiation in the effectiveness of employee satisfaction and commitment. But as the practice of PMS and because of cost and time constraint, the scope of this study was limited to assessing performance management system on employees' satisfaction in the CBE

### **Organization of the Study**

The paper consists of five chapters. The first chapter deals with the introduction part that consists of background of the study, statements of the problem, objectives of the study, significance of the study, scope of the study and limitation of the study. Chapter two contains a review of the related literature. The research design and methodology is presented in chapter three. In chapter four, the results and findings of the study was discussed. Finally, the last chapter was deal with

the summary of findings, conclusions and recommendations that were forwarded based on the result obtained.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1. Concept and definitions**

According to murlis (2001) Performance management system is an important human resource management process which used to manage performance of employees in an organization so as to enhance the productivity and/or profitability of the organization. Various definitions of performance management are provided by different authors. Defined performance management as a process or set of processes for establishing shared understanding about what is to be achieved, and of managing and developing people in a way which increases the probability that it will be achieved in the short and longer term. It is also defined as a holistic approach and process towards the effective management of individuals and groups to ensure that their shared goals, as well as the organizational strategic objectives are achieved (al., 2008).

According to Bratton and Gold (2007), defined performance management as continues exercises that ensure that a person's overall capabilities and potential are appraised. So that appropriate goals can be set for work and development and via assessment, data on work behavior and performance can be collected and reviewed. Performance management like a process of performance planning (goal setting), performance monitoring and coaching, measuring (evaluating) individual performance linked to organizational goals, giving feedback, rewarding based on achievements against set performance and required competences, and working out a plan for development (Maiya&sukhesh, 2011).

As defined by (Armstrong, 2009), performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements.

(Smither, 2009), also defined performance management as: A continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization. The bank (commercial bank of Ethiopia) defined

performance management system as: a strategic management tool that enhances successful performance by aligning individual efforts towards the organization business objectives. It is a means by which a supervisor and an employee can reach a mutual understanding of expectations, and a process through which an assessment can be made as to whether the expectations have been met, exceeded, or remain unmet (CBE, 2009).

For the purpose of this study, the researcher defined performance management as a strategic tool by which a supervisor and employees can reach a mutual understanding of result and behavioral expectations, through which an assessment can be made as to whether the expectations have been met or not. This process has five typical steps such as: Performance planning & agreement, ongoing feedback, taking employee's input, performance evaluation & review. Unusually, people use performance management and performance appraisal interchangeably as if it has the same meaning. However, they have significant differences. Performance appraisal can be defined as the formal assessment and rating of individuals by their managers at or after a review meeting, whereas performance management is a continuous and much wider, more comprehensive and more natural process of management that clarifies mutual expectations, emphasizes the support role of managers who are expected to act as coaches rather than judges and focuses on the future (Armstrong, 2009)

## **2.2 Employee satisfaction**

Throughout the history of organizational and behavioral research, the subject of employee satisfaction has always attracted widespread empirical examination, leading to a number of interesting definitions. Price (2001) defines employee satisfaction as the effective orientation that an employee has towards his or her work. It may also be recognized as the individual's perception and evaluation of the overall work environment (Sempene, Rieger & Roodt, 2002). Lu, While and Barriball (2005) define employee satisfaction as a global feeling about one's work or a related cluster of attitudes about various facets of the work environment. Employee satisfaction may also be perceived as a 'positive emotional state resulting from the appraisal of one's job or job experiences' (Islam & Siengthai, 2009:4). A common aspect that connects these definitions is that employee satisfaction is concerned with what people in an organization feel about their overall work

A study conducted by Ellickson and Logsdon (2001) gives emphasis to environmental factors and personal characteristics as the two most influential variables that determine the level of employee satisfaction. Lambert, Edwards and Cabic (2003) also found low employee satisfaction levels amongst employees whose expectations fell short. Ganguly (2010) maintains that the person environment fit paradigm has been widely recognized as the most appropriate explanation for employee satisfaction. Additionally, other researchers uphold that employee satisfaction is influenced by the interaction of a family of factors such as recognition, communication, co-workers, fringe benefits, working conditions, the nature of the work itself, the nature of the organization itself, organizational systems, policies and procedures, compensation, personal development, promotion, appreciation, security, and supervision (Ilies, Wilson & Wagner, 2009; Irving & Montes, 2009; Koonmee, Singhapakdi, Virakul & Lee, 2010). For most management scientists, meeting the needs of employees remains the prime employee satisfaction-enhancement strategy (Giannikis & Mihail, 2011). However, contemporary research advances have challenged this view, which attests to the multi-factorial character of employee satisfaction. In order to improve employee satisfaction, it is important to measure and establish the existing levels first (Wright, Gardner, Moynihan & Allen, 2005). However, due to its multi-faceted nature, the measurement of employee satisfaction varies from one organization to the other. Some organizations use anonymous employee satisfaction surveys which are administered periodically to measure the levels of employee satisfaction (Deshpande, Arekar, Sharma & Somaiya, 2012). In other organizations, meetings are held between management and small groups of employees where the latter are asked questions pertaining to their satisfaction (Ybema, Smulders & Bongers, 2010). However, in other organizations, exit interviews are the primary employee satisfaction measurement tools (Schulz, 2001). The importance of these methods lies in that they elicit satisfaction sentiments from employees themselves (Schneider, Hanges, Smith & Salvaggio, 2003). Employee satisfaction has thus been widely recognized as a predictor of productivity and performance in organizations (Dawal, Taha & Ismail, 2009; Silvestro, 2002).

Performance management has variety of aims by various organizations. Armstrong world industries use PMS for empowering, motivating and rewarding employees to do their best. Similarly, West Bromwich Building Society uses PMS for maximizing the potential of

individuals and teams to benefit themselves and the organization, focusing on achievement of their objectives. Whereas Eli Lilly & Co uses PMS to align everyone's individual goal to the goal of the organization and focusing employees tasks on the right things and doing them right. On the other hand ICI Paints uses it for proactively managing and resourcing performance against agreed accountabilities and objectives (Armstrong, 2006). However, their ultimate goal of implementing performance management is the same, maximizing the performance of the organization.

### **2.3 Performance Review**

The most common practice has traditionally been to have one annual review, which was the practice of 44 percent of the respondents to the 2008 IRS survey (Wolff, 2008). But twice- yearly reviews are becoming more common (39% of the IRS respondents). These reviews lead directly into the conclusion of a performance agreement (at the same meeting or later). It can be argued that formal reviews are unnecessary and that it is better to conduct informal reviews as part of normal good management practice to be carried out as and when required. Such informal reviews are valuable as part of the continuing process of performance management. But there is everything to be said for an annual or half-yearly review that sums up the conclusions reached at earlier reviews and provides a firm foundation for a new performance agreement and a framework for reviewing performance informally, whenever appropriate. (Armstrong,2009). According to (Wexley, 1986), during this meeting, managers should discuss with employees their ratings, narratives and rationale for the evaluation given.

### **2.4 Objectives of Performance Management system**

The overall objective of performance management is 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).

According to (Armstrong, 2009)the overall aim of performance management is to establish a high performance culture in which individuals and teams take responsibility for the continuous

improvement of business processes and for their own skills and contributions within a framework provided by effective leadership. Specifically, performance management is about aligning individual objectives to organizational objectives and ensuring that individuals uphold corporate core values. It provides for expectations to be defined and agreed in terms of role, responsibilities and accountabilities (expected to do), skills (expected to have) and behaviors (expected to be).

Performance management takes the form of a continuous self-renewing cycle. Similarly, (Noe & Wright, 2015) argued that, although performance management system does include the once or twice a year formal appraisal or evaluation meeting, effective performance management is a process not an event. Here below is a conceptual framework of performance management process which is adapted from (Pulakos, 2004). Effective performance management systems have a well-articulated process for accomplishing evaluation activities, with defined roles and timelines for both managers and employees. According to the performance management process has five phases such as performance planning, ongoing feedback, employees input, performance evaluation and performance review. On the other hand, (Armstrong, 2009) put it in three phases as performance & development agreement, managing performance throughout the year and performance review & assessment. Objective

Performance Planning According to ,(Armstrong, 2009),the performance planning part of the performance management sequence involves agreement between the manager and the individual on what the latter needs to do to achieve objectives, raise standards, improve performance and develop the required competencies Here in performance planning, the key idea of performance management according to (Furnham, 2004), is that the principal dimensions of a person's work can be defined precisely in performance terms, allowing measurement over agreed periods of time that also takes account of particular constraints within the situation of performance (Bratton & Gold, 2007). According to (Pulakos, 2004), at the beginning of the performance management cycle, it is important to review with employees their performance expectations, including both the behaviors employees are expected to exhibit and the results they are expected to achieve during the upcoming rating cycle". Similarly, companies that seek competitive advantage through employees must be able to manage the behavior and results of all employees. The

concept of performance has been expressed by (Brumbrach, 1988 17 )as follows: Performance means both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviors are also outcomes in their own right – the product of mental and physical effort applied to tasks and can be judged apart from results. (Armstron, 2006)

## **2.5 The performance management system reward on employee satisfaction**

Effective reward systems are often hard to establish when creating performance appraisals. The question of how specific the reward and when the reward should be given, and how to reward group efforts can be a tricky subject to master. Our advice on this is to keep it simple. It is important to have an established reward system. However, rewards can be as simple as more autonomy on the job, praise for progress, additional professional development funding, and vacation time. The important aspect to remember when establishing reward systems is to be consistent. If two employees are being evaluated in the same way, their reward opportunities should reflect their evaluation outcomes. According to Francesconi, and Zoega (2002), identified conditions under which the salary compression associated with imperfectly competitive labor markets will increase the incentive for organizations to finance general or transferable training. In this context, salary compression implies that post-training productivity is increasing in training intensity at a faster rate than salary. Hence, the gap between efficiency and salary is increasing in training intensity and, by definition, organization's benefit over some range. But the amount of training provided in equilibrium will be sub-optimal from society's viewpoint. Various results have been found in different research works regarding the effect of training on salary.

Performance based payments stimulate and motivate workers to be more creative in generating more efforts. Due to performance, based payments capable workers earn more than ordinary workers (Lazear, 1999). In case studies of different organizations, it was found that production increased, when system changed from monthly salary to daily wages. This means that increased wages have direct effect on employee performance (Lazear, 2000). In case of fruit pickers, the progress of workers increased significantly when pay system was shifted from incentive pay (Bandiera, 2005).

The managerial performance bonuses have the capability to enhance employee output of the organization with the quality service to the community. As far as posts of higher management are concerned, managers often emphasize on recruiting and retaining capable workers by moving from piece rate to salary. The core purpose of this activity is retaining efficient manpower by providing more incentives (Bandiera et al., 2007).

The value of employee training as a compensation and benefits packages has increases the performance human resource outcomes normally increases the performance, satisfaction and productivity also stay there and attracting. The perception of employee about the organization benefits policy. The pay is tied to enhance employee performance good quality and quantity of work done (Glueck, 2009). Organization pay directly influences to employee voluntary turnover employee compare to their pay available in other organization (Henman, 2008).

Employees who are the most efficient are like to be they are motivate to perform (medina, 2002). This relationship mean that rewards and employee performance is expecting theory which means that employee are most to be motivated performance is more performance to receive the rewards and bonus. The rewards may be cash, recognition both to be acceptable that to achieve the forget they are performance is and the key motive to increase the employee performance to expected well (suesi, 2002). Give the monthly rewards also increase the performance (Osterloh and Frey, 2012). Employees are extremely motivated to monthly rewards. The Goal is to satisfy the social exchange process they contribute the efforts (Kanfell, 1990). Organizational rewards result motivated employee. Some other views that recognition in pleasanter the organization favorable works environment motivated the employee Freedman (Rizwan and Ali, 2010). Employee are the important part of any organization increasing the performance they can be motivated through financial and non-financial benefits they can designing that you can says that composition is reward which is receiving by the employee to show their performance. Employee concentrated pay or wages and similar to non-monetary exchange for the employee performance (Holt, 1993).

Good organization is maintained to design and enable the organizations to attract the highly skilled and qualified employee retain and motivation towards objective and goals achieve and most employee getting is pay (Decenzo and Robbins, 1999). If the employee free that they have

not getting good salary they cooking for better employee dissatisfaction with the compensation towards goal attainment towards goals done to be lower. Dissatisfied employee increasing the turnover, absents and poor metal health (Welthel and Davis, 1996). The main objective of compensation is that employee attracted to work and motivated good job of employee (Davis, 1996).

According to Human Capital Theory, on-the-Job Training has positive effect on salary increment because training has the potential to enhance labor output (Becker, 1962).

Organization's compensation system has foremost impact on transmission of training. When organization analyze the importance of training and reward their newly trained employees, then the workforce will be motivated towards passing on those skills. According to Expectancy Theory, Employee motivation increases when meaningful rewards are given to those employees who effectively transfer training (Vroom, 1964). Training is categorized into different types: for example, on-the-job training which is known as specific training as well and off the job training, which is also, termed as informal training. On-the-job training works as a catalyst in the increment of salary (Hill, 2001). Off-the-Job Training does not have worthwhile effect on salary (Veum, 1995). The increase in income from on-the-job training is approximately 12% to 15 % whereas it is 2 % to 8% increase in case of off the job training (Mincer, 1996).

In case of informal training, the increment in salary is about 2 % (Bowers and Swaim, 1994). In manufacturing sector, there is 0.9% enhancement in earnings due to on-the-job training (Xiao, 2001). Salary tends to increase as a result of on the job training when the employee remains with the present employer. There is an association between mentoring and coaching of employees with the enhancement of salary and earnings (Tergeist, 2003). Whereas the workforce who do not take training have minimal chances to avail increment in salary. Salary has been viewed as an important determinant factor for employee increased performance and has been shown to influence an employee's decision to leave or to stay in the organization (Kline & Hsieh, 2007). Performance based payments have an effective relationship with performance improvements. Every worker wants to earn more so they put extra effort to produce more units.

## **2.6 The factor of education on performance management system**

Besides, it has been suggested that for organizations to compete successfully in a global economy, it is important to hire sufficiently educated and skilled employees and provide them

with lifelong learning (Sadler-Smith et al, 2000). However, these are some of the problems faced by employers and organizations and seen as a hindrance to the effective management, training and development of human resources in a global economy (Budhwar et al, 2002).

In the specific situation of HRD professionals, the literature has indicated that there is a shortage of HRD professionals who are skilled and experienced systems thinkers (Bing et al, 2003), and who have the ability to manage the huge and specialized function of HRD across organizations (Eidgahy, 1995; Buyens et al, 2001; Garavan, et al, 2002). For instance, it was reported by Budhwar et al (2002) that the absence of HRD professionals in Oman is a major obstacle to the nation's HRD efforts. Kerr & McDougall (1999), said that problems also arise due to a lack of experience and understanding of HR T&D on the part of managers. Certainly, in some writers was claimed that HRD professionals do have an important role, as they possess expertise in learning and in developing others to become experts (Chermack et al, 2003).

Derrick et al (2000) observed that the structure of organizations and the training environment are emphasized on the effects of internal political and cultural factors on training and development. Sherman et al (1996), argues that many new employees can be equipped with most of the knowledge, skills and attitudes needed to start work, but others may require extensive training to ensure their effectiveness. The changing technology requires that employees possess the knowledge, skills and abilities needed to cope with new processes and production techniques.

The early phases of life involve more growth than decline, with the reverse happening in the late phases of life, and perhaps also in the final phases of work life (Per Erik Solem, 2008). But there is no clear-cut point at which decline exceeds growth, and some growth and opportunities for either improving or preserving abilities continue even up to the age of 90 (Schaie, 1996). While some studies prove that the performance decreases with age some other studies prove that though work ability seems to be decreasing with age, job performance is found to be more stable (Salthouse & Maurer, 1996). This is due to the fact that - most professions have no simple or concise way of measuring individual productivity or job performance (Gelderblom, 2006) and this makes it difficult to establish the exact effects of age on job performance.

## **2.7 The factor and its effect of evaluation of performance on employee satisfaction**

Evaluating Behaviors According to (Pulakos, 2004), organizations usually identify between five and 10 key competencies that are linked to their strategic objectives and critical success factors. An important practical question is how many competencies need to be separately evaluated? A reasonable number of competencies should be selected to capture the most important aspects of performance. Related competencies can be combined into larger competency factors. According to (Gilliland & Langdon, 1998), the primary advantages of defining competencies in terms of behavioral performance standards are (1) to help employees understand what is expected of them and (2) to provide uniform standards those managers can apply in evaluating employees, thereby increasing consistency, transparency and fairness. (Borman, 1991), advocates the use of performance standards. Because, without performance it is difficult to celebrate evaluation from different manager If a scale is used, for example, that measures whether an employee “meets expectations” without articulating exactly what those expectations are, some managers will inevitably expect more than others. The result is that employees holding the same job 22 at the same level may be held to different standards, which is unfair. Similarly, a scale that asks managers to rate employees from “ineffective” to “highly effective” suffers the same problem. Thus, the inclusion of performance standards to guide ratings is considered best practice in developing an effective PMS.

According to (Borman, 1991), a critical issue faced by organizations is how to measure and evaluate results. Some results can be evaluated by tracking various objective indicators of performance, such as dollar volume of sales, profitability and amount of product produced. While objective indicators of performance can be useful, there are two potential problems with them. The first is that such measures can be affected by differences in opportunities that are available to different employees. For example, one employee may have more modern equipment than another and thus be able to produce a higher volume of product, irrespective of how hard either individual works. A similar example is that one employee may have sales territory in Wyoming and another in New York City. Certainly, based on the volume and proximity of potential customers, the individual in New York will have more opportunities to make sales than the one in Wyoming. Another issue with objective measures of performance is ensuring the

accuracy of the metrics collected and putting systems in place to track those of interest for performance evaluation.

## **2.9 Performance management and employees satisfaction**

The body of research on the relationship between employee satisfaction and performance management continues to grow. Organizational productivity and efficiency are attained by satisfying employees and being sensitive to both their physiological and socio-emotional needs in a holistic manner (Schneider et al., 2003). A study conducted by Cole and Cole (2005) reports that there is a positive correlation between the job attitudes of individuals and their performance. A meta-analysis conducted by Judge, Thoresen, Bono, and Patton (2001) also found a positive relationship between individual employee satisfaction and factors such as motivation, job involvement, organizational citizenship and job performance. In another meta-analysis conducted by Harter, Schmidt and Hayes (2002), it was found that there is a positive relationship between employee satisfaction and productivity, profit, turnover and customer satisfaction in nearly 8000 business units in 36 organizations across the five continents of the world.

Studies conducted by Schneider et al. (2003) and Zohir (2007) confirm that there is a positive correlation between overall employee satisfaction with the organization's financial and market performance. Corporate Leadership Council (2003) also conducted an employee satisfaction survey of over 40% of the companies that are listed in the top 100 of Fortune 500 companies. The study concluded that employee satisfaction, behavior and turnover predicted the following year's profitability, and that these are even more strongly correlated with customer satisfaction. A survey conducted by Price Waterhouse Coopers (2002) which involved several multinational companies sustains that employee satisfaction as well as decreased turnover are major contributors of long-term shareholder returns. Conversely, employee dissatisfaction resulting from poor workplace environments can also lead to a decrease in productivity leading to poor organizational performance (Chandrasekar, 2011).

It is important for management in organizations to create a work environment that facilitates higher employee satisfaction levels. This is because employee satisfaction has a stimulus effect

on the loyalty and confidence of employees, improves the quality of outputs and also increases productivity (Surujlal& Singh, 2003; Yee et al., 2008). Satisfied employees tend to perceive that the organization will be more satisfying in the long run, they care about the quality of their work and are more committed to the organization, leading to a demonstration of organizational citizenship behaviors (Fraser, 2001; Sempene et al., 2002; Yoon &Suh, 2003). Goslin (2005) is also of the opinion that satisfied employees have higher retention rates and are more productive. When employees are dissatisfied, their physical and mental health is negatively affected (Faragher, Cass & Cooper, 2005). Consequently, organizational performance will also deteriorate as more production time will be lost because dissatisfied employees are likely to take more leave (Judge, Piccolo, Podsakoff, Shaw & Rich, 2010; Shields, 2006); therefore, if steps are taken to improve employee satisfaction, overall success of the organization is enhanced and the results can be reflected through happier employees, enhanced workforce productivity, reduced workdays and higher profits. This also typifies the importance of people in organizations, since people are the promoters of excellent organizational performance.

In the context of the service industry, substantial research evidence reveals that there is a positive association between employee satisfaction and customer satisfaction (Bernhardt, Donthu& Kennett, 2000; Wangenheim, Evanschitzky&Wunderlich, 2007). Providing employees with an outstanding internal working environment is likely to lead to satisfied employees who are both loyal to the organization and are capable of providing customers with an exceptional service experience (Chi &Gursoy, 2009). Customers will naturally recognize and value the excellent service offered to them, leading to an exhibition of loyalty behaviors, such as repeat purchases and increased referrals (Koys, 2003). These behaviors suggest; therefore that satisfied employees will create satisfied and loyal customers, which will result in better organizational performance. It is important then for service organizations to direct sufficient resources towards employee satisfaction programs.

## **2.10 Empirical review**

The study made by (Megha&Paresh, 2013), showed that more than half of the employees felt that their company's performance management system was not effective. This perception is half way to bring the desired performance since identifying the hindrance is partially important to

reach at solutions, which ultimately increases the whole purpose of designing and setting up an effective system.

Stephen (2017) conducted factors perceived to influence employees' performance: a case of the independent electoral and boundaries commission, Nairobi, Kenya. The research design adopted was descriptive research design. The population of the study comprised of all the 175 employees in the commission head office. The researcher was used primary data that collected through self-administered questionnaires. The data were analyzed using the Statistical Package for Social Sciences (SPSS) software and presented using tables and figures. The study contended that the employees of the commission perceived their performance to be influenced by rewards, job design and training and development opportunity and also argued that Management style were found to have hindered performance of employees. Finally, the employees were satisfied with wages and salaries paid, retirement benefit scheme, job security, performance appraisals were satisfactory hence encouraging the employees to work in the commission and improve their performance.

Daniel (2015) Determinants of donor fund utilization: the case of public sector capacity building program fund in implementing sectors of oromia national regional state. The study was adopted a descriptive research design. Descriptive survey was examines a situation as it is and yield quantitative information that can be summarized through statistical analyses. The sample of respondents was determined using stratified sampling which relies on mere chance to determine who would be selected in the sample and called for random selection in the inclusion of the cases into the sample. Stratification was done based on employees' technical skills in both Departments of the five implementing sectors. A total of 64 employees out of a sample frame of 127 were selected from Procurement, Finance and Property Administration and Internal Audit Department of the implementing Sectors. This represents 50% of the total sample. Both primary and secondary methods of data collection were used for this study. Primary data was collected from questionnaires distributed. The data was summarized by use of descriptive statistics of the mean and standard deviation. Descriptive statistics aimed to summarize the data set while inferential statistics including correlation and regression analysis were used the data collected to make conclusions on the whole population under study. The study also revealed that the three key factors: financial management, technical and managerial factors have significant effect on

employee performance .The researchers argued that implementing sectors have to work towards improvements that will make the three determinants favorable to utilization of fund.

Ronah (2015) Organizational factors affecting employee performance at the college of computing and information sciences, Makerere University, kampala – Uganda. A descriptive survey research design was adopted using both quantitative and qualitative methods. The study was targeted 109 respondents but 82 returned the survey questions. Simple random sampling technique was used to select Academic Staff and Support Staff while purposive sampling was used to select the College Management Staff, and stratified sampling was used to select the Administrative Staff. Data analysis was involved frequencies, percentages and inferential statistics such as correlations and the coefficient of determination. He argued that the finding revealed a positive relationship between organizational culture and employee performance; a significant positive relationship between organizational commitment and employee performance; and no significant relationship between organizational commitment and employee performance. It was therefore concluded that organizational culture and organizational communication positively affected the performance of employees at college of computing and information sciences in one way or the other. Finally, argued that study recommends that the College management should build and improve on teamwork and develop the current leadership to maintain the culture; create opportunities for employees to interact with the managers of the college in order to improve on the communication; and encourage employee innovation, increase on their salaries, institute organizational loyalty programmers and reward long-serving employees.

According to the research conducted by (Gotore, 2011) entitled performance management system implementation in Polytechnic of Namibia, the descriptive survey adopted both primary and secondary data source above half of the respondents felt that management did not listen to employee concerns on PMS. The same view was shared by management respondents in which few people accept the statement that management listened, paid attention and responded satisfactorily in a manner that showed genuine concern during the PMS implementation. This finding reveals the reluctance of the management in taking employees input. The company lacks a two way communication.

A survey by (Wyatt, 2004), showed that only three out of ten workers agree that their company's performance management system helps improve performance. Less than 40% of employees said their systems established clear performance goals, generated honest feedback or used technology to streamline the process.

### **2.11 Conceptual Framework of Performance Management Process**

Performance management takes the form of a continuous self-renewing cycle. Similarly, (Noe & Wright, 2015) argued that, although performance management system does include the once or twice a year formal appraisal or evaluation meeting, effective performance management is a process not an event. Here below is a conceptual framework of performance management process which is adapted from (Pulakos, 2004). Effective performance management systems have a well-articulated process for accomplishing evaluation activities, with defined roles and timelines for both managers and employees. According to the performance management process has five phases such as performance planning, ongoing feedback, employees input, performance evaluation and performance review. On the other hand, (Armstrong, 2009) put it in three phases as performance & development agreement, managing performance throughout the year and performance review & assessment.

Performance Planning According to ,(Armstrong, 2009), the performance planning part of the performance management sequence involves agreement between the manager and the individual on what the latter needs to do to achieve objectives, raise standards, improve performance and develop the required competencies Here in performance planning, the key idea of performance management according to (Furnham, 2004), is that the principal dimensions of a person's work can be defined precisely in performance terms, allowing measurement over agreed periods of time that also takes account of particular constraints within the situation of performance (Bratton & Gold, 2007). According to (Pulakos, 2004), at the beginning of the performance management cycle, it is important to review with employees their performance expectations, including both the behaviors employees are expected to exhibit and the results they are expected to achieve during the upcoming rating cycle". Similarly, companies that seek competitive advantage through employees must be able to manage the behavior and results of all employees. The concept of performance has been expressed by (Brumbrach, 1988 17 )as follows: Performance

means both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviors are also outcomes in their own right – the product of mental and physical effort applied to tasks and can be judged apart from results. (Armstron, 2006)

### **Behavioral Expectations**

The behavioral approach can be very effective. It can link the company's strategy to the specific behavior necessary for implementing that strategy. It provides specific guidance and feedback for employees about the performance expected of them. Similarly, (Pulakos, 2004) advocates that, effective performance management systems provide behavioral standards. This author stressed that, during the performance planning process, managers should review and discuss these behavioral standards with employees. Moreover, it is important for managers to make sure employees understand how the behavioral standards relate to their specific jobs. This author also advocates that behaviors are important because they reflect how an employee goes about getting the job done how the individual supports the team, communicate, mentor others and so forth. There may be employees who may achieve exceptional results but are extremely difficult to work with, unhelpful or exhibit maladaptive behaviors at work. Because such behaviors can be extremely disruptive, behavior is important to consider in most work situations. On the other hand, an employee can be extremely helpful, considerate and interpersonally effective, yet never achieve any important results.

### **Results Expectations**

The result approach focuses on managing the objective, measurable results of a job or work group. This approach assumes that subjectivity can be eliminated from the measurement process and that results are the closest indicator of one's contribution to organizational effectiveness (Patten, 1982) & (Neo, 2015). According to (Pulakos, 2004) the results or goals to be achieved by employees should be tied to the organization's strategy and goals. The employee's development needs should also be taken into account in the goal setting process. Development goals can be targeted either to improve current job performance or preparing for career advancement. There is a strong body of research which supports the theory that the setting of goals leads to the overall performance improvement of the employees concerned. (Locke, 1968), provided evidence that virtually any type of action that is able to be measured and controlled

can be improved as long as the goal is accepted by the individual and the goal relates to the performance criteria being used. Moreover, realistic, hard, specific goals produce better performance than easy goals or no goals at all. (Stredwic, 2005) Similarly, (Pulakos, 2004) advocates that, a very difficult (but attainable) goals lead to more effective performance outcomes than moderately difficult goals.

## **Objectives**

Objectives or goals describe something that has to be accomplished. Objectives setting that result in an agreement on what the role holder has to achieve is an important part of the performance management processes of defining and managing expectations and forms the point of reference for performance reviews.

### **Types of Objectives**

**Ongoing role or work objectives** – all roles have built-in objectives that may be expressed as key result areas in a role profile.

**Targets** – these define the quantifiable results to be attained as measured in such terms as output, throughput, income, sales, levels of service delivery and cost reduction.

**Tasks/projects** – objectives can be set for the completion of tasks or projects by a specified date or to achieve an interim result.

### **Criteria for objectives**

Many organizations use the following SMART mnemonic to summarize the criteria for objectives:

**S = Specific/stretching** – clear, unambiguous, straightforward, understandable and challenging.

**M = Measurable** – quantity, quality, time, money. **A = Achievable** – challenging but within the reach of a competent and committed person.

**R = Relevant** – relevant to the objectives of the organization so that the goal of the individual is aligned to corporate goals.

**T = Time framed** – to be completed within an agreed timescale. Guidelines for Establishing Effective Performance Goals; the following are list of guidelines that are important for establishing effective goals as it is indicated by (Locke & Latham, 1990) Goals must clearly define the end results to be accomplished

To the extent possible, goals should have a direct and obvious link to organizational success factors or goals. Goals should be difficult, but achievable, to motivate performance. Goals should be set in no more than three areas—attempting to achieve too many different goals at once will impede success.

### **Personal Development Planning**

A personal development plan provides a learning action plan for which individuals are responsible with the support of their managers and the organization. It may include formal training but, more importantly, it will incorporate a wider set of learning and development activities such as self-managed learning, coaching, mentoring, project work, job enlargement and job enrichment. If multisource assessment (360-degree feedback) is practiced (sic) in the organization this will be used to discuss development needs.

The development plan records the actions agreed to improve performance and to develop knowledge, skills and capabilities. It is likely to focus on development in the current job to improve the ability to perform it well and also, importantly, to enable individuals to take on wider responsibilities, extending their capacity to undertake a broader role. This plan therefore contributes to the achievement of a policy of continuous development that is predicated on the belief that everyone is capable of learning more and doing better in their jobs. The plan will also contribute to enhancing the potential of individuals to carry out higher level jobs (Armstrong, 2009)

### **Ongoing Feedback**

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. However, according to (Pulakos, 2004), this does not happen to the extent that it should in organizations because many managers are not skilled in providing feedback. She also argued that, 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, (Cederblom, 1982), advocated that there 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. According to (Wexley, 1986), for feedback to have the most value, it needs to be given in close proximity to the event. It does not help employees to receive feedback nine months after something has happened. Ongoing feedback can be informal and should occur as part of the daily work routine. The following are list of help full guidelines for providing effective feedback as indicated by (Wexley, 1986).

### **Employees' Input**

Employee input has been used effectively in many organizations. It sometimes takes the form of asking employees to provide self-ratings on performance standards, which are then compared with the manager's ratings and discussed. However, this type of process and discussion can lead to increased defensiveness, disagreements and bad feelings between employees and managers, if managers ultimately rate employees less effectively than they have rated themselves. According to (Pulakos, 2004), an alternative way of collecting employee input is to ask employees to prepare statements of their key results or most meritorious accomplishments at the end of the rating period. Employee input has a number of positive results. First, it involves employees in the process, enhancing ownership and acceptance. Second, it reminds managers about the results employees have delivered and how they were achieved. Third, employee-generated accomplishments can be included in the formal appraisal, decreasing managers writing requirements. Fourth, employee input increases communication and understanding. Managers and employees usually review and discuss the accomplishments before they become part of the appraisal, resulting in fewer disconnects between the manager's and the employee's views of the employee's contributions. Finally, employee accomplishments can be retained and used as input for pay or promotion decisions.

According to (Hough & Dunnette, 1983), employee accomplishments are effective predictors of how successfully employees will perform at higher job levels, and they thus provide useful input for promotion decisions.

### **Performance Evaluation**

Evaluating Behaviors According to (Pulakos, 2004), organizations usually identify between five and 10 key competencies that are linked to their strategic objectives and critical success factors. An important practical question is how many competencies need to be separately evaluated? A reasonable number of competencies should be selected to capture the most important aspects of performance. Related competencies can be combined into larger competency factors. According to (Gilliland & Langdon, 1998), the primary advantages of defining competencies in terms of behavioral performance standards are (1) to help employees understand what is expected of them and (2) to provide uniform standards those managers can apply in evaluating employees, thereby increasing consistency, transparency and fairness. (Borman, 1991), advocates the use of performance standards. Because, without performance it is difficult to calibrate evaluations from different managers If a scale is used, for example, that measures whether an employee “meets expectations” without articulating exactly what those expectations are, some managers will inevitably expect more than others. The result is that employees holding the same job 22 at the same level may be held to different standards, which is unfair. Similarly, a scale that asks managers to rate employees from “ineffective” to “highly effective” suffers the same problem. Thus, the inclusion of performance standards to guide ratings is considered best practice in developing an effective PMS.

### **Evaluating Results**

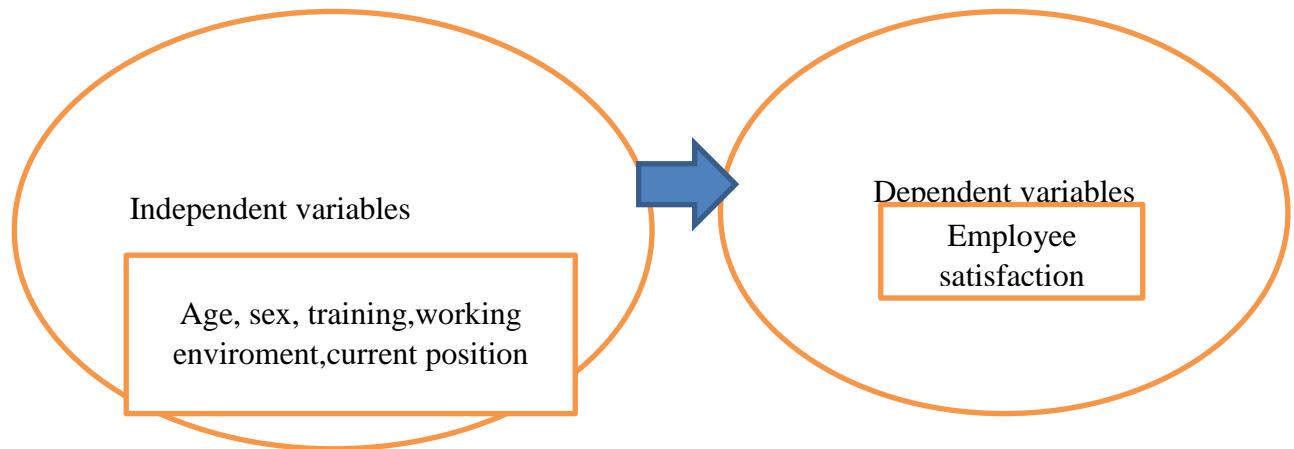
According to (Borman, 1991), a critical issue faced by organizations is how to measure and evaluate results. Some results can be evaluated by tracking various objective indicators of performance, such as dollar volume of sales, profitability and amount of product produced. While objective indicators of performance can be useful, there are two potential problems with them. The first is that such measures can be affected by differences in opportunities that are available to different employees. For example, one employee may have more modern equipment than another and thus be able to produce a higher volume of product, irrespective of how hard

either individual works. A similar example is that one employee may have sales territory in Wyoming and another in New York City. Certainly, based on the volume and proximity of potential customers, the individual in New York will have more opportunities to make sales than the one in Wyoming. Another issue with objective measures of performance is ensuring the accuracy of the metrics collected and putting systems in place to track those of interest for performance evaluation.

### **Performance Review**

The most common practice has traditionally been to have one annual review, which was the practice of 44 percent of the respondents to the 2008 IRS survey (Wolff, 2008). But twice- yearly reviews are becoming more common (39% of the IRS respondents). These reviews lead directly into the conclusion of a performance agreement (at the same meeting or later). It can be argued that formal reviews are unnecessary and that it is better to conduct informal reviews as part of normal good management practice to be carried out as and when required. Such informal reviews are valuable as part of the continuing process of performance management. But there is everything to be said for an annual or half-yearly review that sums up the conclusions reached at earlier reviews and provides a firm foundation for a new performance agreement and a framework for reviewing performance informally, whenever appropriate. (Armstrong,2009). According to (Wexley, 1986), during this meeting, managers should discuss with employees their ratings, narratives and rationale for the evaluation given.

**Figure 1 Conceptual framework**



**Source:** Conceptual framework for the study to examine factors affecting Employee's satisfaction: Adopted with modification from Turnock (1995)

## **CHAPTER THREE**

### **METHODOLOGY**

#### **Introduction**

This chapter presents details of the research design and methodology. This includes the research design, sample size and sampling technique, data source and collection method, procedure of data collection, questionnaire and reliability test. At the end the method to be used for data analysis is presented.

#### **3.1. Research design**

The study is designed to show Assessment on Performance Management System and employees' Satisfaction. To achieve the study's objectives, descriptive survey was used as a method of data analysis and interpretation. The design was use both quantitative and qualitative analysis. Quantitative aspects consist of numerical aspects of the research, while qualitative aspects of the study proposal aimed at exploring human experiences particularly with regard to bank position.

#### **3.2. Population of the Study**

The general population of these companies includes all employees (clerical and non-clerical) of Commercial Bank of Ethiopia West Addis Ababa district. Under the district, there are 115 branches and the district office itself has 4 departments. There are 2,738 employees working and their performance is being measured under these offices and branches.

#### **3.3. Sampling technique and sample size determination**

To render equal opportunity in the simple random sampling techniques, probability and nonprobability sampling methods was adopted in selecting the study organizations. Probability sampling ensures that each element of the population of interest has an equal chance of selection as they are drawn from the sampling frame (Haer&Becher, 2012) Probability sampling techniques include random, cluster, Comment [I52]: If you want to take sample from branches under the district, population of the study and this one is the same so you can avoid this heading otherwise determine the sampling frame. 28 stratified sampling etc. In order to ensure that all the

population of interest (employees) have an equal chance of being selected for the study, random sampling was employed to get varied views from the respondents. Non-probability sampling techniques also involve purposive, convenience, quota, sequential sampling etc. Purposive sampling was adopted in selecting commercial bank District for the study to expand the model of the selected district based on the existing evaluation rank of the district as of the evaluation of CBE now existed. On the other hand, this mode was also being applied on the districts where there rumors of employees' dissatisfaction. However, in all cases systematic research shall be employed. Again, this sampling method was used in selecting management staff of the bank companies because of their supervisory and managerial role to give accurate responses for the study and also to save time as well. A representative sample of the population was taken by using Simple random sampling technique. The sample of employees was randomly collected from each department in WAAD office and each branch with grade level.

The sample size of the target population is determined by using Yamane (1967) formula. The sample size was representative

$$n = \frac{N}{1+Ne^2} \text{Where}$$

n= the desired sample size

N=population size

e=margin of error for this study 5%

$$n = \frac{2738}{1 + 2738(0.05)^2} = 349$$

### 3.4. Source of Data

Data was collected is collected both from primary and secondary sources in two phases. Primary data was collected through involving performance of employees in commercial bank district and a questionnaire is prepared for the organization employees' in general which Comment Supporting document to justify this. IN addition to this, secondary and tertiary source of data are going to be collected. Secondary data is applied in the form of desk review of different published as well as unpublished company documents, books, review articles, published reports was also conducted to find the facts about the performance management system and employees satisfaction in commercial bank WAAD districts.

### **3.5. Data collection instrument**

Survey questionnaire was adopted as the study tool for data collection. Two different sets of structured questionnaires were utilized for the study which was involving an open and close ended questionnaire. The use of open and close-ended questionnaires ensures that quantitative data can be captured (Vitaleet, 2008). Both open and close-ended questions were applied in capturing data responses from the employees with regard to their perception about an assessment of performance management system and employees' job satisfaction.

#### **3.5.1. Primary Data collection methods**

##### ***3.5.1.1. Questionnaire***

The questionnaires prepared for employee, officers, leaders workers and individuals in different hierarchies. The questionnaire contains three sections; the first section is about general information of the study, the second section is regarding the respondents profile and the third main section includes specific questions which are relevant for the study. In addition to this, based on the type of respondents the questionnaires are prepared in two different types. This includes questionnaires prepared for women and men who are in managerial positions to observe sex based application of PMS and employees' satisfaction although it is not major focus of the study it will be necessary point out the variation. It has both open and close ended questions which are presented simultaneously on the questionnaire to obtain objective answers using close ended questions and acquiring the respondent's view through open ended questions.

#### **3.5.2. Secondary Data**

The study was use different written data which would be collected from various sources. Both qualitative and quantitative data was gathered in the form of secondary data source. Secondary data going to be gathered for the purposes of this study includes policy or procedure related to promotion, and reports. In addition, sources such as books, articles, published reports will be utilized for the study. A review of varies publication was also be conducted to find the facts about issues related to the topic.

### **3.6. Data analysis**

Statistical Package for Social Sciences (SPSS) was used to analyse closed ended questions. First, data collected from the questionnaires were edited, coded and keyed into the Statistical Package for Social Sciences (SPSS). Descriptive statistics in the form of frequencies, percentages such as histogram as well as bar chart was used in the data analysis. In addition, correlation and regression was used to determine the type of relationship between the variables. Content analysis approach will be adopted for the in-depth interview on the selected management staff. (Hsieh & Shannon, 2005) posit that qualitative content analysis is a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns. According to (Babbie, 2001), it is the study or interpretation of recorded human communications, and it is used to carrying out social investigation (Titscher, 2000). Simply, content analysis is the method for analyzing the content of qualitative material for the purpose of achieving reliability and validity of result to support argument.

### **3.7. Ethical Consideration**

This Study's Respondents 'willingness' to fill the questionnaires will be respected and verbal consent will be taken while distributing the questionnaire papers. Name of the individuals was not be mentioned in the report, and yet any information or data that can be found confidential as well as affecting the goodwill and reputation of the organization under study will not be included in the report of the study.

### **3.8. Reliability and validity**

Pilot study will be conducted to test the reliability and validity of the instruments. For this, about 12 people from the study population used. Cranach's' alpha was used to test reliability based on data obtained from pilot study. In addition to this, questions was prepared and distributed to some experienced people to get their comments and based on ideas collected through pilot study and comments gathered from various scholars and managers, questions was modified before distributed to the study participants.

## CHAPTER FOUR

### 4. RESULT AND DISCUSSION

#### 4.1. Descriptive Analysis

This section discussed the important findings and results obtained from descriptive analysis of the study and this section presents the general characteristics of respondent. The data received from the respondents were entered and both the descriptive and econometric analysis was done in to STATA version 13 software. There are three sections presented in the questionnaire. The first is a general section which addresses the respondents' demographic characteristics. The following two sections address specific research objectives and they include the extent to which the performance management system predictor affects employee satisfaction.

##### 4.1.1. General characteristics of sample respondents

This study has covered about a total of 349 sample respondents from employee of commercial bank of Ethiopia. The basic information regarding demographic and socio economic characteristics of the sample respondents was described as follows.

##### *4.1.1.1. Descriptive analysis of continuous variables*

As presented in graph below, from the total sample respondent, the minimum and maximum ages of the employee in the offices were 24 and 65 years respectively; and the average age of the employees is around 57 years. With regards to, the work experience discovering how many years the various respondents had worked in the organization. The minimum and maximum working experiences of the employee were 1 and 30 years respectively. The averages working experience was around 15.

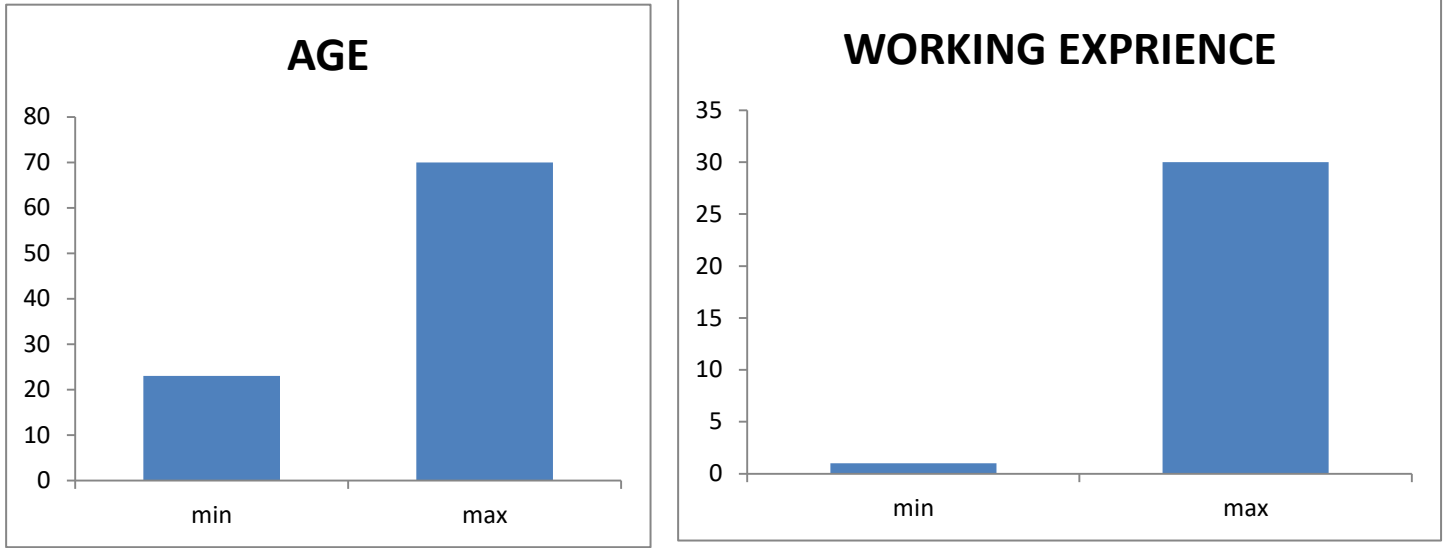


Figure 2 Age and Experience of the employee

#### 4.1.2 GENDER OF RESPONDENT

The researcher sought to find out the gender of the target respondents involved in the study. The results of the findings are presented in the figure 3 below, established that 51.58% of the respondents were male as compared to 48.42% who were females. Thus, the findings indicate that majority of the respondents were male by 3%.

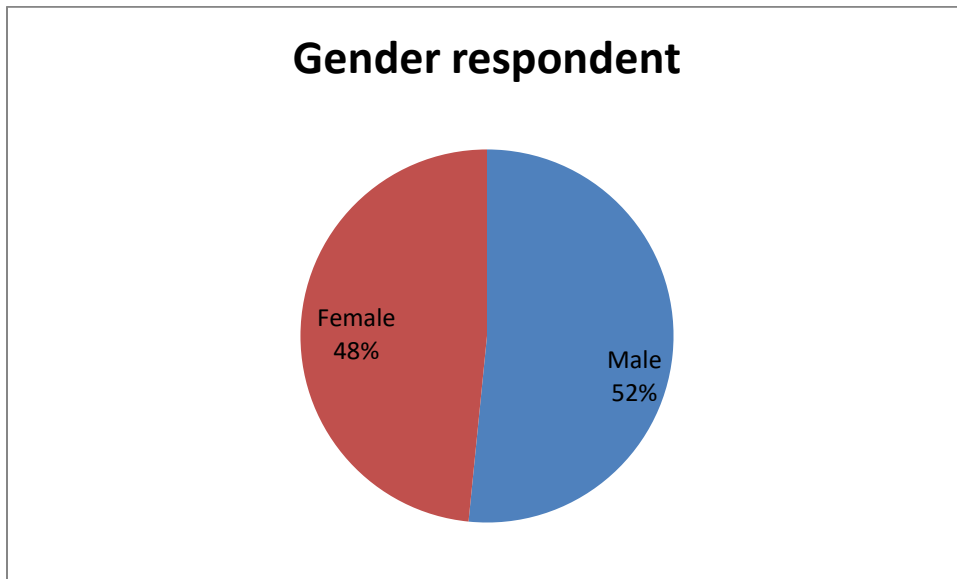


Figure 3 sample respondent of Gender (Own survey result, 2020)

### 4.1.3. Educational Level of sample respondent

Figure 3 below showed that from the total sample respondents 32.09%, 51.58% and 16.33% are masters holder, first degree holders and diploma holders respectively. As indicated in Figure 3, majority of the sample respondents were and very first degree and small proportion employees of the organization are diploma holders.

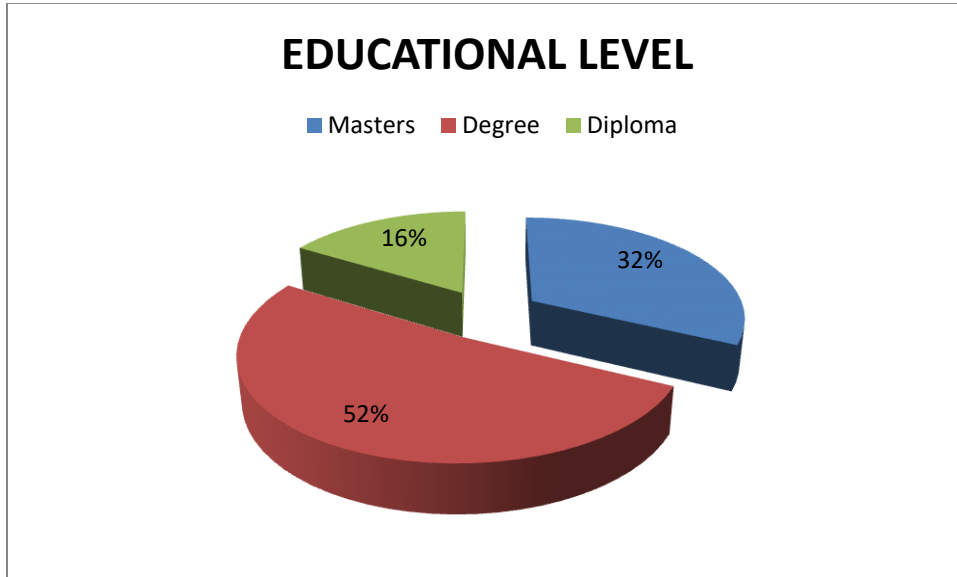


Figure 4 educational level of sample respondent

### 4.1.4 Marital status of respondent

The marital status of the total sample respondent showed on figure 4 below revealed that the employees who are married have high coverage (51%) from to total sample respondent. Figure 4 below showed that in from the total sample respondents 51%, 5%, and 44% are married, divorced and single respectively

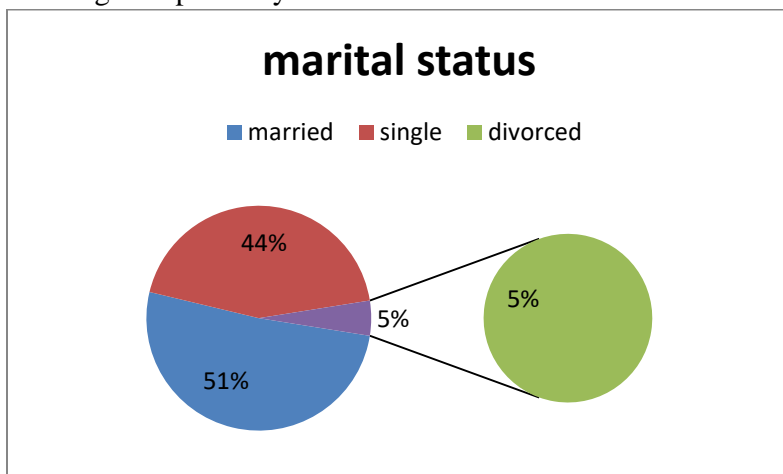


Figure 5 marital status of the respondent

#### 4.1.5 Current position

According to Figure 5, the managerial and Non-managerial position of the respondents account 43% and 57% respectively from the below figure conclude that the majority of respondents were non-managerial position.

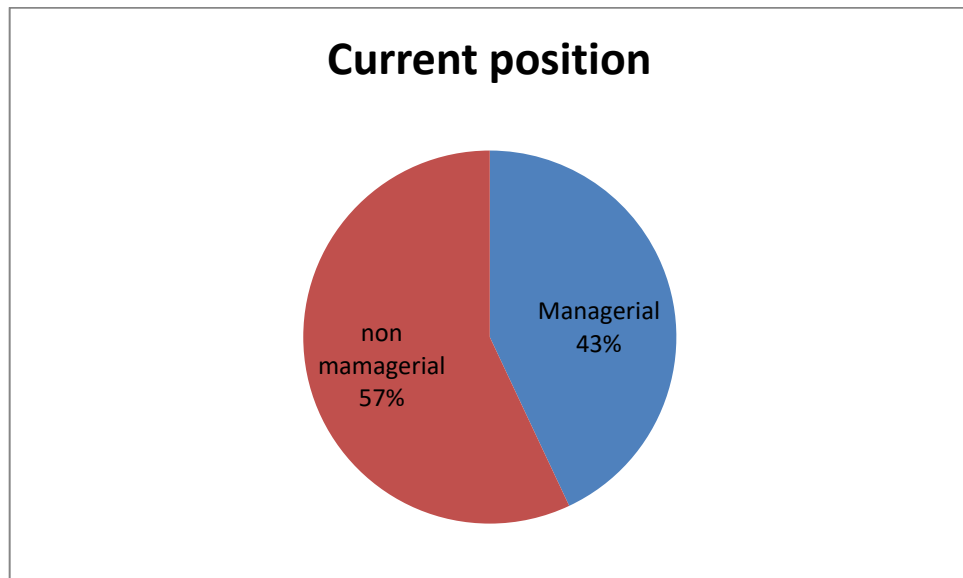


Figure 6 current position sample respondent

#### 4.1.6 Access to training

The figure 7 showed that from the total sample respondent only 57% of the sample respondents were trained and (43%) were not trained. This can clearly indicated that, almost all of the respondents have an access to training.

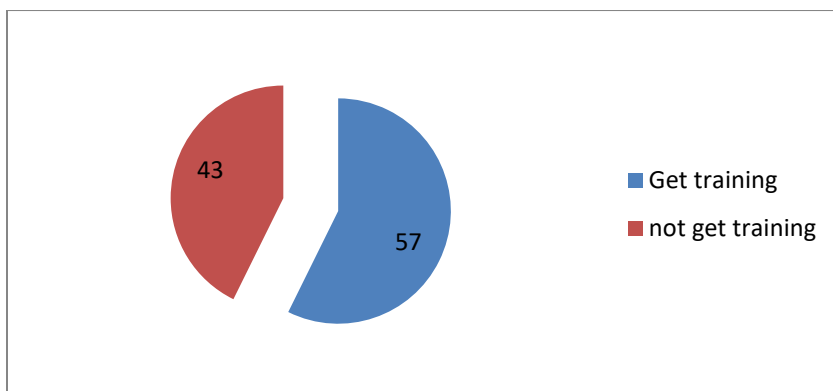


Figure 7 access to training of sample respondent

#### 4.1.7. Working Environment

In figure 8 below, the result from the survey revealed that among the total respondents, 72% of employees replied that the working environment in the organization was not favourable; and the remaining 28% responded that the working environments was favourable. Therefore, the descriptive analysis result of this study confirmed that, the working environment in the commercial bank of ethiopia was not favourable for the majority of the respondents.

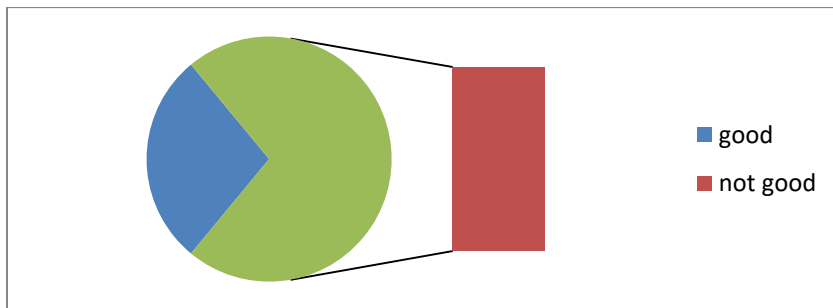


Figure 8 working enviroment of sample respondent

## 4.2 Result of Econometrics Analysis

In addition to descriptive analysis econometric model was used to examine the factors that determine the satisfaction of employee within the commercial bank of Ethiopia specifically west Addis. In this model the dependent variable is categorized as satisfied, not satisfied. In following table is presented the description of multiple leaner regression model result

Multiple leaner regression model      Number of obs =    349

Prob > F      = 0.0000  
R-squared      = 0.2989  
Adj R-squared = 0.2761  
Root MSE      = .39488

Satisfaction	Coefficient	St. Er.	t	P> z
<b>Independent variable</b>				
Age	.0133727	.0031846	4.20	0.000
Sex	-.1398643	.0588909	-2.37	0.018
Martial	-.1478944	.0386327	-3.83	0.123
Education	.0553967	.0365511	1.52	0.131
Training	.1074988	.0612723	1.75	0.080
Experience	.0139341	.0093253	1.49	0.136
Teamwork	.1350355	.0439447	3.07	0.002
Work environment	-.1097424	.0431702	-2.54	0.011
Rewards	-.2073527	.0550145	-3.77	0.000
Management style	.0543335	.0625104	0.87	0.385
Current position	.4942322	.0708934	6.97	0.000
_cons	.4999993	.1991703	2.51	0.013

### 4.2.1 Interpretations for significant variables

Age of the employee: This variable was found to be significantly affecting the satisfaction of the employees at 1% significance levels. Other factors being constant, as the age among the sample respondents increased by one year, the probability of employees to be satisfied by performance management system is increased by 1.3% than that of not satisfied. The result is consistent with the finding of Malgorzata (2018); he stated that there is a positive relationship between the age of the employee and their satisfaction.

**Sex of the employee:** This variable was found to be significantly affecting the satisfaction of the employee at 5% significance levels. Other factors being constant, that the probability of female satisfied by performance management system is decreased by 13.9%.

**Training access:** Training given to the employee is also another variable found to be significantly affecting the satisfaction of employees at 10% level. The result indicated that employees accessing the related training have highly satisfied than those employees who did not. Accordingly, keeping other factors constant, as employees got training their probability of satisfied is increased by 10.7%. The result confirmed that the training given for the employees in related discipline is the basic for the employee's satisfaction. This might be due to the fact that, the training is an input for the employees to improve their understanding and skill according to Adefope (2017).

**Team work of the employee:** Team work of the employees has is another variable that significantly affects their satisfaction at 5% significance levels. The result of the econometric analysis confirmed that. Other factors being constant, as the employee participating in the team work, the probability of employees satisfied is increased by 13.5%.

**Working environment:** This variable was found to be significantly affecting the satisfaction of the employees at 5% significance levels. Other factors being constant, as the employee working environments is not good the satisfaction level decreased by 10.9%.

**Current position:** current position of the employee is another variable that significantly affects their satisfaction at 1% significant levels. Other factors remain constant as the position of the employee from managerial to non-managerial the probability of satisfaction is increased by 49.9%

## CHAPTER FIVE

### 5. CONCLUSIONS AND RECOMMENDATIONS

#### 5.1. CONCLUSIONS

The study concludes that significantly employees job satisfaction is affected by various reasons. Employee age, sex, on job training, work environment and other related to this factors are the mojour ones affecting job performance satisfaction.

**Age of the employee** found to be significantly affecting the satisfaction of the employees at 1% significance levels, **Sex of the employee** was found to be significantly affecting the satisfaction of the employee at 5% significance levels, Training access given to the employee is also another variable found to be significantly affecting the satisfaction of employees at 10% level shows employees accessing the related training have highly satisfied than those employees who did not.

**Team work of the employee** is another variable that significantly affects their satisfaction at 5% significance levels. The result of the econometric analysis confirmed that. Other factors being constant, as the employee participating in the team work, the probability of employees satisfied is increased by 13.5%.

**Working environment** was found to be significantly affecting the satisfaction of the employees at 5% significance levels and finally current position of the employee is another variable that significantly affects their satisfaction at 1% significant levels.

Therefore, from the above concluded result analysis we understand that improving employee performance by using performance management system is away to improve organizational performance. Infact in current complex world there is no simple amd clear well-known about performance management system and its factors on employee satisfaction in actual which is the same true for CBE. This study examined employee satisfaction on performance management system in commercial bank of Ethiopia west Addis Ababa district. This research will providing helpful ideas that could enable CBE to attain employee satisfaction and its factors. Therefore; the study is conduct to identify the determinants and the effect of performance management system onemployee satisfaction at commercial bank of Ethiopia specifically on some selected branches.

## 5.2. Recommendations

From the above analysis result and Conclusions I recommend the following recommendations for further institutional improvement and to carry out a good job performance satisfaction at all levels of the district CBE staffs.

- **Concerning to age of the employee** the institutions management has to insure those young age opportunities to be a manager and facilitate them to learn from experienced staffs as well to testify their contribution for the organization through capacitating them with additional job responsibilities.
- **Sex of the employee** was found to be significantly affecting the satisfaction of the employee at some large contribution. Therefore attentions to be given for gender equality and encouragements for female as easy as they are honest in the finance industry to give attention.
- As on job **training access** given to the employee is found and concluded very crucial factors on employee job satisfaction, the institutions must regularly adjust and consult professional and other significant trainings for its employees on scheduled bases.
- Arrangements such as talent management and staff social involvements during marriage, death funerals, get together and some times weekend get together has to be improved to facilitate and build up team work of the employee among the staffs for mutual employee and institution benefited from the results.
- **Workers Safety and better working environment has to be improved as it** found to be significantly affecting the satisfaction of the employees which considered very influential for the employees and institutions well.
- Others issues like Management Information Systems and all improved modern banking operation systems has to be facilitated based on assessments from internal and abroad for the help of employees satisfaction and institution benefit.

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SURVEY QUESTIONNAIRE  
*Wolkite University*  
*College of Business and Economics*  
*Department of Management*  
*(Post Graduate Program)*

**Introductory Statement**

This questionnaire is designed with the objective of collecting information about the Assessment of performance management system in case of some selected west Addis for the partial fulfillment of the Master of Science Degree in Business Administration (MBA) in the Department of Management under the College of Business and Economics, Wolkite University.

**General Directions:**

- You are kindly requested to give genuine responses.
- You don't need to write your identification (Name).
- Feel free to respond.
- Encircle the corresponding number of your choices from the given alternatives.
- The study is completely academic and all responses are confidential.
- Fill the numbers you agree with to those questions which are not multiple choices.

**Section I: Demographic Characteristics of Respondent**

1. Age of the respondent \_\_\_\_\_ years.
2. Sex 1. Male  2. Female
3. Marital Status 1. Single  2 Married  3. Divorced  4. Widowed
4. Religion 1. Orthodox Christian  3. Catholic Christian   
2. Islam/Muslim  4. Protestant  5. Others \_\_\_\_\_ (specify

**5. Educational level of the respondent**

1. Diploma holder  2. First degree  3. Above first degree holder

**6. Work experience in the bank/CBE:**

1. below five years  2. 6-10 years  3. 6-10 years  4. 11-15 years  5. 16 and above years

7. Your branch location:  city branch  outline branch

**Section II: Factors of Effective Performance management System (PMS) and its effect on Employee satisfaction.**

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  please

✓ tick on the best reflects your answer

1) Strongly Disagree 2) Disagree 3) Neutral 4) Agree 5) Strongly Agree

	1	2	3	4	5
<b>8.</b> I receive regular and timely performance evaluation beside the annual performance review.					
<b>9.</b> The performance evaluation I receive helps me to improving my job performance and to attain my goals					
<b>10.</b> The evaluation result I get helps me to gain insight about my weakness and strength					
<b>11.</b> Performance management system is linked with salary increase, promotion and payment of bonus in CBE					

12. I receive annual bonus based on my performance and it's really satisfied me					
13. I rewarded proportional to my individual performance					
14. Hard work is not necessarily recognized or rewarded					
15. I am satisfied with the current rewarding linked to the performance management system in enhancing my incentive					
16. I am motivated by and satisfied with the participation provided in the whole performance appraisal process in the Bank					

**Section III: Level of Employees' Satisfaction regarding to the PMS**

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.

Please tick (√) in the box that best reflects your answer where:

Statement about the level of Satisfaction	1	2	3	4	5
17. I am satisfied with the current rewarding linked to the performance management system on my work place					
19. I am satisfied with the current performance management system on my work place					
20. I am satisfied with the current ongoing feedbacks applied in CBE and it helps me to improve my performance.					
21. I am motivated by the ways of communication between the employees and the management with respect to the appraisal process as well as any other concerns.					
22. I am satisfied with the PAS because it is fair					

## **Appendix**

```
. reg satisfaction age sex martial edu training exp teamwork workent reward mgstyle curentpo
```

Source	SS	df	MS	
Model	22.4073381	11	2.03703074	Number of obs = 349 F( 11, 337) = 13.06 Prob > F = 0.0000
Residual	52.549682	337	.155933774	R-squared = 0.2989 Adj R-squared = 0.2761
Total	74.9570201	348	.215393736	Root MSE = .39488

satisfaction	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
age	.0133727	.0031846	4.20	0.000	.0071085 .0196369
sex	-.1398643	.0588909	-2.37	0.018	-.2557045 -.0240242
martial	-.1478944	.0386327	-3.83	0.000	-.2238861 -.0719027
edu	.0553967	.0365511	1.52	0.131	-.0165004 .1272938
training	.1074988	.0612723	1.75	0.080	-.0130254 .2280231
exp	.0139341	.0093253	1.49	0.136	-.0044091 .0322773
teamwork	.1350355	.0439447	3.07	0.002	.048595 .221476
workent	-.1097424	.0431702	-2.54	0.011	-.1946593 -.0248254
reward	-.2073527	.0550145	-3.77	0.000	-.3155677 -.0991376
mgstyle	.0543335	.0625104	0.87	0.385	-.0686262 .1772951
curentpo	.4942322	.0708934	6.97	0.000	.3547829 .6336815
_cons	.4999993	.1991703	2.51	0.013	.1082256 .8917729