


**SCHOOL OF GRADUATE STUDIES**

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# EFFECTS OF PERFORMANCE MANAGEMENT SYSTEM ON EMPLOYEE MOTIVATION: THE CASE OF WOLKITE UNIVERSITY

**BY**

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**APRIL, 2025**

**WOLKITE, ETHIOPIA**

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**A THESIS SUBMITTED TO SCHOOL OF GRADUATE STUDIES, WOLKITE UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS IN BUSINESS ADMINISTRATION (MBA)**

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# DECLARATION

I, Habtamu Wegbesha, hereby declare that this MBA thesis entitled “The effect of performance management system on employee motivation: the case of Wolkite university’’ is my original work and has not been presented for a degree in any other university, and all sources of material used for this thesis have been properly acknowledged. This thesis has been carried out by me under the guidance and supervision of Abas Mohammed (Ph.D.)

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Habtamu Wegbesha Signature _____ Date 21/05/2025

## ADVISORS APPROVAL SHEET

This is to certify that the thesis entitled “The effect of performance management system on employee motivation: the case of Wolkite university.” submitted for partial fulfillment of the requirements for the degree of Master in business Administration, which has been carried out by Habtamu Wegbesha Id. No BEGW 014/15 under my supervision. Therefore, I recommend that he has fulfilled the requirements and hence hereby can submit the thesis to the School of graduate study.

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## EXAMINERS APPROVAL SHEET

We, the undersigned, members of the Board of Examiners of the final open defenses by Habtamu Wegbesha have read and evaluated his thesis entitled "The effect of performance management system on employee motivation: the case of Wolkite university", and examined the candidate. This is, therefore, to certify that the thesis has been accepted in partial fulfillment of the requirements for the degree Master in Business Administration.

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Final Approval and acceptance of the thesis is contingent upon the submission of the final copy of the thesis to the School of Graduate Studies (SGS) through the School Graduate Committee (DGC/SGC) of the candidate's department.

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# ACRONYMS

HRM: Human resource Management

HRD: Human resource department

PMS: Performance management system

PM: Performance management

EP: Employee Performance

EPE: Employee Performance Evaluation

R: Reward

St.d: Standard Deviation

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# ABSTRACT

*Every task has its own objective. So, the main objective of this study is to assess the existing effect of Performance Management* system *on Employee Motivation in Wolkite University. The study* used descriptive and e*xplanatory research design; the result showing cause and effects Performance Management (independent Variable) on the Employee Motivation (dependent Variable) in Wolkite University. The study utilized systematic sampling method for academic and administrative workers. The population of the study consisted of 1,918 employees of Wolkite University. The sample size was 330 employees which included 170 academic staffs and 160 administrative staffs. The data was collected from two sources; Primary data gathered through a questionnaire, interview Teachers and administrative staff. Secondary data was collected through written documents from HRD. Data was analyzed using statistical package for social sciences. The research's analysis revealed that performance planning, feedback performance, and performance evaluation all have a positive and significant effect on employee motivation, but the rewarding systems did not have a significant impact on employee motivation. The study recommends that the organization should adopt more scientific or similar evaluation methods to assess employee motivation and performance effectively. Additionally, managers could benefit from training programs aimed at improving their performance management skills to further enhance employee motivation.*



**Key Words:- Performance Management, Performance planning, performance Evaluation, performance Feedback, Reward system and Employee motivation.**

# CHAPTER ONE

# 1. INTRODUCTION

## 1.1. Background of the study

Employees are central to the success of any organization, as they are the key resource in ensuring that strategic activities are executed with a high degree of diligence and timing. To this end, performance management systems are tools and mechanisms that enable organizations to evaluate the performance of employees and which have the potential to impact employee job satisfaction in either a positive or a negative way, depending on the manner in which the system is implemented (Demartini, 2014).

Human resources are one of the most important elements for any organization. Without these elements or poor quality, the company found it difficult to run and operate properly. Every organization's success mostly relies on it employees. Therefore, the organization must motivate, train, and develop employees so that they can retain quality employees. Employees have a significant impact on how customers view the business.So, companies should move their attention toward the employee motivation (Sabir & Ahmad, 2022).

According to Armstrong (2009), the foundation of performance management is the idea of management by contract or agreement as opposed to management by order. It places a strong emphasis on creating and implementing self- managed learning programmers and integrating business and individual goals. In actuality, it can have a significant impact on the provision of a cohesive and integrated range of HRM procedures that complement one another and enhance overall organizational effectiveness.

As human resources and people management professionals become more concerned about the quality of output due to insufficient compensation, employee performance has gained increased importance. Beyond being a social issue, attitude plays a pivotal role in identifying challenges that arise in industrial settings, often stemming from managers' neglectful handling of their staff, particularly in offering fair compensation aimed at maximizing productivity. Few companies recognize that their employees are their most valuable assets—those who can drive success or lead to failure if not properly managed. No organization can progress or thrive unless its workers are satisfied with their roles, motivated to complete tasks, and supported in achieving their goals.

A well-designed compensation plan can foster a positive attitude toward work, leading to higher productivity (Helmold & Samara, 2019).

The word "mover", which means encouragement, is where the concept of motivation originates (Kuswati, 2020). According to (Siraj & Hágen, 2023), earlier studies defined motivation as a collection of internal processes that affect an employee's arousal, direction, and determination of attitudes towards accomplishing a goal. However, studies like (Kuswati, 2020) note that an organization cannot succeed if its workers are dissatisfied at work and lack the motivation to carry out their responsibilities effectively.

According to (Cotton et al., 1988), motivation is the process of providing people with incentives to make desired actions. According to (Chane, n.d.) Motivation can also be defined as the process of igniting and maintaining goal-directed behavior.

Extrinsic and intrinsic motivations are the two categories that are widely acknowledged to exist. A person who engages in a behavior because it brings them pleasure is said to be motivated by intrinsic factors (Helmold & Samara, 2019)

Movers originate from a motivation that is inherent in the work. Examples include rising to the challenge and feeling a sense of accomplishment and positive acknowledgment. Beer and Walton (2014) claim that intrinsic rewards come from completing the task itself and can include a sense of influence or accomplishment.

According to Mosley et al. (2012), extrinsic motivation refers to actions driven by the outcomes they produce, rather than being pursued for their own inherent value. Examples of extrinsic motivators include salary, benefits, and working conditions. Several factors contribute to enhancing employee motivation, such as fair compensation, incentives, special allowances, fringe benefits, effective leadership, encouragement, trust, respect, collaborative decision-making, quality supervision, positive working relationships, appreciation, opportunities for advancement, organizational loyalty, meeting employees' needs, and recognition.

Perceived responses from employees, such as perceived accuracy of performance, perceived fairness, perceived utility, perceived satisfaction, and perceived acceptability, are crucial in determining their motivation for work. Although employee motivation is not significantly

impacted by perceived ineffectiveness in performance, this research examined the effect of the performance management system because a deeper comprehension of its implications is imperative. In light of this viewpoint, the necessity of carrying out this research was established. This study's main goal was to evaluate how performance management currently affects employee motivation at Wolkite University.

## 1.2 **Statement of the problem**

The primary goal of performance management is to foster a high-performance culture where both individuals and teams take responsibility for the ongoing improvement of the business (Aguinis, 2009). In today's world, companies must think and act globally, aligning their strategies with the rapidly evolving environment and intense competition for the most valuable resource: human capital. While competitors can easily replicate other resources, human resources are unique and serve as a source of sustainable competitive advantage. For an organization, employee job satisfaction translates into a motivated and committed workforce that delivers high-quality performance, which, in turn, leads to increased productivity both in terms of the quantity and quality of output (Moeed et al., 2017).

An employee performance system is a valuable tool for enhancing productivity. The primary purpose of performance appraisal is to assess the contribution of each employee and evaluate their progress in completing tasks. Evaluating an employee's performance helps identify skilled and high-performing individuals within an organization, allowing for adjustments such as salary increases and additional benefits that can boost job satisfaction (Lawler & McDermott, 2013).

The main goal of performance management is to create a high- performance culture where people and teams take ownership of on-going business improvement. Aguinis,(2009) it is also well stated that motivated employees are more likely to work well when they are happy with their organization's performance management system. Managers try to find ways to incentivize staff members to work harder because they believe that motivated workers can produce good outcomes for the organization. As a result, the manager must balance the needs of the experts by recognizing unique attributes and providing perspective to identify the most qualified and suggested.

Motivation can be viewed as an intangible force that influences the direction, intensity, and persistence of an employee's voluntary behavior. This research aims to explore the impact of performance management on employee motivation. As mentioned earlier, various factors can affect employee motivation, with the performance management system being a key influence. Motivation serves as a positive factor that encourages employees to invest their efforts toward achieving organizational goals (McShane & Glinow, cited in Ezenwakwelu, 2017).

Nowadays, higher institutions are equally exerting strong influence on the economies of a given country, just as much as the business sector. Hence, this study has a paramount contribution in indicating the effect of the performance management system on the employees' motivation that exists at Wolkite University. This means that employee performance increases as performance management systems are found to be effective. As a result, studying the effect of the existing performance management system of Wolkite University on the motivation of its employees' was the aim of this study. On the other hand, according to Aktaruzzaman (2021), the rewarding system does not significantly influence employee's satisfactions, whereas Danish and Usman (2010) cited in Konjit (2018), found that rewards were positively related to motivation. Therefore, the researcher wants to see what the reality was at the university.

## 1.3 Research Questions

The following research questions were posed in an effort to find trust worthy responses regarding how performance management affects employee motivation at Wolkite University:

- What is the extent of performance management system practices at Wolkite University?
- What is the effect of Performance planning on employee motivation?
- What is the effect of Feedback on employee motivation?
- What is the effect of Performance Reward on employee motivation?

## 1.4 Objectives of the study

### 1.4.1 General Objectives of the Study

The general objective of this research was assessing the effect of performance management system on employee motivation: the case of Wolkite University.

### 1.4.2 Specific objective of the study

- To assess the practice of performance management system at Wolkite University.
- To identify the effect of performance planning on employee motivation in Wolkite University.
- To explore the effect of Feedback on employee motivation.
- To examine the effect of Performance Reward on employee motivation.

## 1.5 Hypothesis

In order to find the answers to the research questions, the study tested the following hypothesises:

H1: Performance planning has significant and positive effect on employee motivation.

H2: Employee motivation and feedback have a positive and significant relationship.

H3: Reward has positive and significant effect on employee motivation

## 1.6. Significance of the Study

The results of this study might be significant for Wolkite University's management team in terms of altering managers' perspectives regarding employee motivation. This study may help all stakeholders (teachers and administrative staff) work towards the achievement of set goals and motivate themselves by planning, applying, and achieving their organization's goal. It may also encourage an organization's leadership to plan effective and efficient employee motivation in performance management systems. It has the potential to raise awareness regarding employee motivation within the performance management system and to prepare leaders for short-term leadership training within their area of limitation (i.e., the relationship between performance management and employee motivation).

## 1.7 **Scope of the Study**

This study is defined by four key dimensions: conceptual scope, time scope, geographical scope, and methodological scope. Conceptually, the research focuses on examining the effect of the performance management system on employee motivation at Wolkite University, exploring both the dependent variable (employee motivation) and the independent variables, including performance planning and expectation, performance feedback, performance evaluation, and performance reward or recognition. These independent variables are expected to influence employee motivation, with their proper implementation leading to higher motivation levels. The time scope of the study is limited to the year 2024, examining the current state of these factors. Geographically, the research is confined to Wolkite University, and it employs both descriptive and explanatory research methods to analyze the relationship between the performance management system and employee motivation within this context.

## 1.8 **Operational definition of key words and Concepts**

**Performance:** Per Herzberg (1959), performance is defined as allowing an employee to carry out my instructions.

**Performance management**: According to (Fisha,2023). Performance management is an organized procedure for enhancing.

**Motivation** is defined as providing rewards to individuals in order to influence them to behave in ways that are desired (Certo: 2016).

**Performance management practice** is a systematic way of communicating and motivating employees on what they are expected to do and what the Enhancing individual and team performance to improve organizational performance According to Lee C. Delghton (1971:642) management is the act, art, or manner of holding, controlling, and directing.

**Employee:** As defined by the Employment and Labour Relations Act (2004), an employee is a person who has signed a contract of employment or another agreement in which they agree to

work directly for the other party as long as that other party is not their client or customer for any business, profession, or undertaking that they are involved in.

The Motivation of Workers One strategy used by managers to improve effective job management among employees in organizations is employee motivation. Sabir & Ahmad,(2022)

**Rewards**: The rewards component involves offering incentives such as bonuses, promotions, or other forms of recognition to acknowledge good performance. It includes creating a rewards and recognition system that aligns with organizational objectives and fosters a positive work culture, encouraging the achievement of performance goals (Njanja, R.N., 2013).

## 1.9**. Organization of the Study**

This study is comprised of five chapters. The problem and its approach are covered in the first chapter as an introduction. has covered the study's background, mission, hypothesis, significance, and delimitation, operational definition of key terms and words, and organizational structure. Chapter two includes a review of related literature. Research methodology is covered in the third chapter. Chapter Four presents the findings and results. The final chapter is chapter five. It talks about the findings, the summary, the conclusion, and the suggestions.

# CHAPTER TWO

# 2. REVIEW OF RELATED LITERATURE

## 2.1 Introduction

This chapter reviews a variety of academic works and research findings that are pertinent to the subject of study. Numerous academic works suggest that the relationship between performance management and employee motivation stems from the employees' initiative in completing the organization's plan within a given year. Thus, employee motivation affects employee management and the effectiveness of plan implementation in its own right.

## 2.2 Theoretical Framework

A theoretical framework is a foundational review of existing theories that acts as a roadmap for developing the arguments in your research. Theories, created by researchers to explain phenomena, establish connections, and make predictions, provide support for your study within the framework. By outlining these theories, you demonstrate that your work is rooted in established ideas. In essence, the theoretical framework justifies and contextualizes your study, making it a crucial element in any research paper, thesis, or dissertation. A well-developed theoretical framework sets the stage for success in the later stages of research and writing (McCombes, 2022).

### 2.2.1 Definition Performance Management

Performance can be defined as the outcome or accomplishment achieved by an individual or a team. It refers not only to the completion of a task but also to the effectiveness with which the task is carried out in order to achieve the desired goals. Additionally, performance can include non-job-specific behaviors, such as cooperation, dedication, enthusiasm, and persistence, which contribute to enhancing the overall effectiveness of the organization and improving its work culture and climate. (Armstrong, 2009)""Performance is an evaluation of the results of a person’s behavior. However, all things are not always equal, as many factors affect performance, such as personality, the difficulty of the task, availability of resources, and working conditions. To attain

high levels of performance as an employee or manager, you must ensure that both you and your employees have the ability, motivation, and resources to meet objectives. (Kuswati, 2020)"

"Good employee performance is necessary for the organization, as an organization's success depends on employees' creativity, innovation, and commitment (Ramlall, 2008). Good job performance and productivity growth are also important for stabilizing the economy by improving living conditions, increasing wages, and expanding the availability of goods for consumption, among other benefits. Griffin et al. (1981) argue that research on individual employee performance is important to society in general (Marfo, 2009). defines performance management as a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of achieving better results by understanding and managing performance within an agreed framework of planned goals, standards, and competency requirements. "In the present day the systematic process of raising individual and team performance levels within an organization is known as performance management. It is a strategy for improving outcomes through performance management and understanding, within a set of predetermined guidelines, standards, and competency requirements (Kuswati, 2023).

'The regular measurement of the results (outcomes) and efficiency of services or programs It is described as 'a customer-tailored procedure that focuses on maximizing benefits and minimizing negative costs for customers of services and programs.' This suggests a continuous measurement of progress towards accurate outcomes, which is a fundamental component of any attempts at managing for results. The proverb 'garbage in, garbage out' holds more validity when performance is not measured or is measured incorrectly, leading to misinformed decision-makers and likely poor outcomes. General information provided by performance measurement can be used by management and staff at all levels to make decisions. A dashboard may be created using a performance measurement system. This dashboard is used for planning, implementing improvements and changes, and managing the organization's daily operations (Andersen & Fagerhaug, 2002). Performance management is a continuous process. However, when a system is first implemented (Aguinis,2009 & Grote 1996).

### 2.2.2 Purpose of Performance Management

Any process that includes establishing work standards, evaluating an employee's actual performance in light of these standards, and giving them feedback with the intention of inspiring them to either continue exceeding these standards or to eliminate performance deficiencies is considered a measurement of performance (Dessler, 2002).

Developing people's ability to meet and surpass expectations and realize their full potential for the good of the organization and themselves is the overarching goal of performance management. The foundation for self-development is provided by performance management, but more significantly, it also aims to make sure that people have easy access to the support and direction they require to grow and develop forever Aligning organizational and individual goals is one of performance management's primary goals. This implies that everything employees do at work contributes to the accomplishment of company objectives. Establishing a high-performance culture where people and teams take ownership of their own abilities and contributions, as well as the ongoing enhancement of business processes, is the overarching goal of performance management. This is done within the boundaries set by capable leadership. Performance management is specifically concerned with ensuring that employees uphold the company's core values and coordinating individual goals with organizational goals. The goal is to help individuals reach their maximum potential and meet and surpass expectations for the good of the organization as well as for themselves. A key aspect of performance management is making sure that individuals have easy access to the advice and assistance they require to grow and advance (Armstrong, 2009).

Managing employee efforts in accordance with quantifiable performance outcomes is the goal of performance management. Therefore, the design of an efficient performance management process depends on defining good performance and figuring out how various components of high performance can be measured. Additionally, continuous feedback, behavior-based metrics, predetermined goals, and the use of trained raters all increase the efficacy of performance management.

Employees must understand how well they have performed in relation to predetermined goals through the performance management process. It's also preferable for the employee and the supervisor to jointly define these objectives and performance standards. We run the risk of

demotivating an employee if we don't provide them with reciprocal feedback regarding their effort and how it affects their performance. However, the topic of development is just as significant as feedback. When we talk about development, we're talking about areas where an employee is weak or deficient just places where they could perform better with effort. (Lawler, 2003)

## 2.3 Characteristics of Performance Management

The main components of performance management, which is a planned process, are communication, agreement, measurement, feedback, and positive reinforcement. It is concerned with comparing expectations stated as objectives with outputs in the form of delivered performance. It emphasizes goals, benchmarks, and performance metrics or indicators in this regard. It is predicated on an understanding of role requirements, goals, and plans for personal growth and performance enhancement. It offers a venue for continuous performance discussions and reviews of accomplishments in relation to goals, specifications, and schedules. Nevertheless, values and inputs are also a concern. The behaviors, knowledge, and abilities needed to achieve the desired outcomes are the inputs.

Defining these requirements and evaluating the degree to which the expected performance levels have been met by appropriate behavior that upholds core values and the efficient application of knowledge and skills are how developmental needs are identified. Performance management is an ongoing, adaptable process in which managers and the people they supervise collaborate as a team within a framework that outlines the most effective ways for them to accomplish the desired outcomes. Rather than management by command, it is founded on the idea of management by contract and agreement. Rather than relying on authority or force, it depends on cooperation and consensus. Performance management is not about reviewing past performance; rather, it is about planning and improving future performance although it is primarily focused on individual performance, teams can also use it. The focus is on development, even though performance management plays a significant role in the reward system by identifying growth opportunities and offering feedback and recognition. Although its developmental aspects are far more significant, it may be linked to performance or contribution-related pay (Armstrong, 2009).

## 2.4 Performance Management Process

In order to provide a more integrated and continuous approach to performance management than was offered by earlier, isolated, and frequently insufficient merit rating or performance appraisal schemes, performance management processes have gained popularity in recent years. The foundation of performance management is the idea of management by contract or agreement as opposed to management by order. It places a strong emphasis on creating and implementing self-managed learning plans and integrating corporate and individual goals. In fact, it can have a significant impact on the provision of a cohesive and integrated range of HRM processes that support one another and enhance overall organizational effectiveness (Armstrong, 2009) In addition to the characteristics that research and seasoned practitioners have found to be necessary for successful performance management systems, there are a number of choices that must be made in order to create a system that is perfectly tailored to the requirements of a particular organization. Choosing the system's intended purpose or purposes is one such decision. Performance management systems, for example, can assist with decisions about compensation, promotions, staff development, and force reductions. If a performance management system tries to accomplish too many goals, it will probably become unfocused and weighted. For all organizations, there isn't a single best-fit system or set of goals. Business requirements, organizational culture, and the system's integration with other human resource management systems should all be taken into account when determining the goals of a particular performance management system (Armstrong, 2009).

Decision-making and employee development are undoubtedly related to performance management, these goals are rarely served equally well by a single system. The appraisal data serves as the foundation for decisions made by decision-makers using a performance management system regarding pay raises, promotions, transfers, assignments, force reductions, and other administrative HR actions. The information from the appraisal is used to direct employees' training, work experiences, mentoring, and other developmental activities when a performance management system is used for their professional growth. While having a performance management system that effectively supports decision-making and development goals is theoretically feasible, it can be challenging to implement in real-world settings. Furthermore, studies have indicated that ratings are influenced by the rating's objective (development versus decision-making). Decision- making ratings are typically liberal, with the majority of employees

receiving ratings near the top of the range. Employee strengths and development needs are often reflected in ratings intended for developmental purposes, which are typically more erratic. We'll use an example to show why it can be challenging to prioritize development and decision-making equally within the same system. In this organization, managers assess their staff members before convening to adjust ratings and decide on rewards. In this organization, managers assess their staff members before convening to adjust ratings and decide on rewards. Subsequently, managers hold review meetings with each staff member to talk about the individual's work, potential raise, and grant of stock options. The meeting is intended to include developmental feedback.

Nonetheless, managers are able to efficiently tie performance to rewards due to the wide range of percentage increases and stock options. Because there is so much on the line, the meeting usually spends more time discussing justifications from both sides than it does discussing how the employee can grow. The atmosphere in the meeting is not favorable for providing and receiving feedback and staff members are reluctant to talk about their areas of needing improvement for fear that it will have a negative effect on their bonuses. The decision-making component of performance is automatically given more weight, even in this organization with a strong performance-based culture (Elaine, 2004).

## 2.5 Principles of Performance Management system

Enhancing performance is the main goal of performance management in order to maximize team and individual effectiveness within the organization. The second aspect of performance management is worker development. It is impossible to improve performance without efficient continuous development procedures. This covers the organization's fundamental competencies as well as the unique competencies of individuals and groups. It would be more accurate to refer to performance management as performance and development management. Thirdly, meeting the demands and expectations of every management employee within an organization is the focus of performance management. Workers are viewed as partners in the company, with their interests recognized, a voice in issues that affect them, and a willingness to share their thoughts. Armstrong (2006)

### 2.5.1 Performance Management System Cycle

Performance monitoring and feedback-giving are integrated activities that go beyond the yearly performance review. It is a continuous process that happens all year long. The Performance Management process is cyclical, with discussions that change from year to year in response to shifting goals. You and your employee discuss general expectations and work together to create performance objectives as the first step in the planning process. Updated are personal development objectives as well. Next, in order to support organizational excellence and employee success, you create a performance plan that focuses the employee's efforts on reaching predetermined outcomes. During check-in meetings held throughout the year, goals and objectives are discussed. This offers a structure to guarantee that staff members attain objectives via guidance and reciprocal criticism. When the performance period comes to an end, you evaluate how well the employee performed in relation to the expected goals, the methods employed, and the behaviors displayed in order to reach those goals. (Maina, 2015 & Lee, 2006)

1. **The performance planning**

The initial phases of the performance management system's planning allow staff members to gain a thorough understanding of the framework. The first cycle involves a meeting between line managers and employees to decide on what needs to be done and how, (Mahmoud et al,2009).

2. **Performance Implementation**

The second stage of an efficient performance management process is execution, which begins with the completion of the planning stage. In phase two, staff members' primary duty is to complete the task and meet the goals. A midterm review is part of performance execution in an efficient performance management system, which makes sure the performance is on track (Dick Grote 2002).

3. **Performance Evaluation**

The third step is performance assessment, in which the manager and the employee assess whether the intended outcomes have been attained and to what degree the desired behaviors have been exhibited. Better information is provided to be used in the review phase when both parties are involved in the assessment process. (London and Smither, 2009)

## 2.6 Performance Feedback

It increases efficiency and facilitates decision-making inside the company. The Feedback points the person toward the goals and missions of the organization. In an ideal scenario, the worker is informed about their performance and areas for improvement. Performance reviews, according to (Schraeder et al, 2009). Can help identify an employee's strengths and shortcomings another important component that helps improve each employee's performance in their areas of weakness is performance feedback. It's critical that upper management regularly give staff members input on their work and support their advancement in their positions in order to maintain the performance of the organization. Accordingly, performance feedback records must be kept on file in case they are needed later (Macey, Schneider, Barbera, and Young, 2009).

Performance reviews are typically conducted in the same way as regular reviews, however it is anticipated that the new procedure (Dalton, 2006). It informs individuals about how their actions affect other people at work. Thus, from the perspective of the rate, a 360- degree appraisal offers a rich, nuanced, and complex chance to view oneself from the perspective of others. (Stark et al, 2008). a process of increased self-awareness may also elicit the idea of behavioral change. People are compelled to engage in a reflective cognitive process that eventually raises their awareness of their own behavior and the effects it has on other people at all levels both inside and outside the organization. A prime illustration of the benefits of 360- degree appraisals is found in ( Raju & Collins 2008).

## 2.7 Performance Reward

.Reward can be defined as a specific monetary return, advancement in a job, or an object/event that an employee receives in exchange (2006). most organizations view rewards as a means of motivating certain behaviors in employees. Specifically, rewards are designed to motivate employees to perform effectively and efficiently toward achieving organizational goals note that regardless of the type of organization; rewards play an important role in building and maintaining motivation among employees, ensuring a high standard of performance and workforce stability." (Malhotra et al. 2007).

## 2.8 Motivation

### 2.8.1 Concept and Definition of Motivation

Numerous theories have been proposed to attempt to explain the complex phenomenon of motivation. One way to translate the Latin word "mover" is "to move" (Nguyen 2017). Thus, according to Korth (quoted in Nguyen 2017), the word means "something going up, keeping us working and helping us to achieve our goals." It may be the consequence of an external force or internal motivations that drive and motivate someone to reach a particular objective. incentives, drives, and needs all play a role in motivation. makes a similar argument, saying that motivation is what propels people to try and accomplish a goal ( Mullins& Luthans 2005).

According to these academics, motivation can therefore be defined as the mechanisms that explain a person's level, course, and perseverance of effort in the direction of achieving a goal (Robbins and Judge, 2014). Moeed Ahmad et.al.(2017). The concept of motivation is used to explain the differences in performance between employees who perform differently but have the same talents, abilities, and opportunities to perform their jobs in a similar organization with the same facilities and employment conditions. High work motivation employees never stop trying to advance, and because they are always looking for better ways to perform their jobs and responsibilities, they will advance more quickly. These workers carry out their duties in a way that demands comparatively greater effort from them, which enables them to give it their all when fulfilling their duties.

Given the significance of motivation, this study looked into how employees' job performance in educational institutions in Sahiwal, Punjab, Pakistan, was affected by motivation and factors related to it. Because human resources and personnel specialists are increasingly concerned about the quality of output produced by employees as a result of inadequate compensation, worker performance has taken on greater significance. In addition to being a social issue, attitude plays a critical role in identifying issues that arise in industrial settings as a result of managers' careless approaches to managing their staff members by providing them with fair compensation in an effort to maximize output. Few businesses hold the view that their people are their most valuable assets, having the power to propel them to success or, if misguided, decline. No organization can advance or succeed unless and until its workers are happy with their jobs, inspired to complete

them and reach their goals, and positively supported. A suitable compensation plan can inspire or persuade employees to adopt a positive outlook on their work, which will boost output.

## 2.9 Levels of Employee Motivation

Employee motivation can be divided into three stages, according Mosley's (2001) research.

I. The path taken by a staff member. It has to do with the actions that people decide to take.
II. The degree of work. It speaks to how committed the person is to changing the behaviour.
III. How persistent are you? It speaks to a person's determination to act appropriately in the face of difficulties.

They discovered that although managers can use many techniques, strategies, and policies to inspire workers in a workplace, the motivational effects of these tactics, strategies, and policies will vary for individuals from different backgrounds.

### 2.10 Empirical Review

The effect of performance management on employee motivation the case of Dan church aid found that 62.5% of the variance in the dependent variable is explained by the independent variables in the model; implying that performance planning & pre-requisite, assessment and review has positive effect on employee's motivation. The result of the correlation has revealed that there is a positive relationship between performance management system and employee's motivation (Konjit ,2018).

The study to investigate the impact of reward and recognition on job satisfaction and motivation of employees from both private and public sector businesses in Pakistan discovered that rewards and recognition were positively associated to motivation (Danish & Usman, 2010; Konjit 2018). They concluded that efficient rewards management improves employee motivation and commitment. These results are comparable to those of (Ghorbani & Ladoni 2013). who did a study of 84 production managers, marketing managers, and senior management from Iranian home appliance companies to determine the impact of compensation system mechanisms on new product creation. The findings of their investigation revealed a positive and statistically significant association between rewards management and new product creation. (Farooq and Aslam, 2011)

Managers are making every effort to enhance the competencies of their staff members, which in turn fosters employee motivation within the company (Hassan & Danial, 2010). A study on enhancing performance management procedures in Pakistani IT companies revealed that the company must constantly remind itself of the critical role that HR plays in assessing and developing employee performance. The study's conclusions indicate that there is a high degree of discomfort and job insecurity as a result of the organization's performance management system. Workplace discontent or a lack of motivation is widening the gap between staff and management, hastening the company's downward performance trajectory. Performance management has a positive impact on a number of HRM areas, especially strategic alignment, employee development, and motivation. Ineffective PMS increases the possibility of legal action, and a poorly designed system can also have negative effects on relationships, increase employee turnover, and cause employee burnout and job dissatisfaction (Murphy & Cleveland, 1989)."

"Staff motivation is influenced by various factors, such as the work environment, financial incentives, and employee engagement, which collectively affect the organization's performance. However, human resources are considered to have a significant impact on the organization's activities. Therefore, it is reasonable to assert that an organization should encourage its employees to achieve its declared goals and objectives. In this study, motivation is clearly defined. Motivation can manifest in many ways, and numerous researchers have attempted to develop a concise theory of motivation, each offering unique ideas. For instance, Herzberg's (1959) Two-Factor Theory of Motivation remains relevant and widely applied today. Additionally, Staw (1976) also contributed significant insights into the understanding of motivation within organizational contexts."

This distinction becomes apparent and helps motivate employees in the workplace. Getting constructive criticism for one's work boosts motivation for subsequent efforts. The motivation for the future comes from understanding one's current situation and acknowledging one's previous accomplishments (Ibid). One aspect of performance management is providing ongoing feedback to employees. However, the results indicate that while managerial staffs are satisfied with this process, non-managerial staff feels that performance feedback is valuable for improving job performance. Despite this, they believe they do not receive regular feedback, and when they do, it is often not provided in written form. When we see employee’s motivation, majority of the non-

managerial staff feel that their performance is measured regularly but isn't fairly measured based on agreed objectives meaning the measuring method is most part is subjective not scientific. (Fiseha, 2023).

"The results of the correlation revealed a positive relationship between the performance management system and employee motivation. The researcher developed the following conceptual framework, recognizing essential factors. The framework demonstrates that four independent variables Performance Planning and Expectation, Feedback, Evaluation, and Reward or Recognition affect the dependent variable, Employee Motivation. However, the researcher found that these four performance management factors are weakly correlated with employee motivation. Therefore, the proper implementation of all these aspects leads to weak motivation levels among employees. Based on the research findings and the points discussed above, it can be concluded that the motivational aspect of the performance management system is very low, particularly among the majority of non-managerial staff at Wolkite University (Fiseha, 2023)."

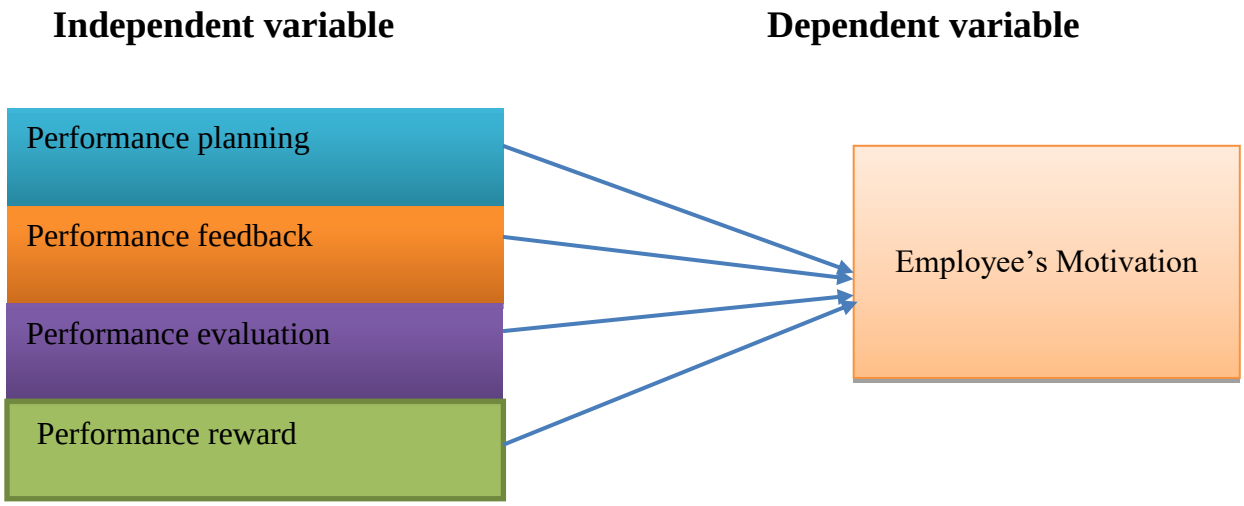



**Figure 1:1 Conceptual framework of the study**

**Source**: Adopted from literatures. Fletcher, C. (2004); Manuel, L. (2009)

# CHAPTER THREE

## 3. RESEARCH DESIGN

### 3.1. Introduction

This chapter explains the study's methodology and how it was carried out. It includes an overview of the research design, study area, data sources and types, sampling, data collection process, data collection methods, data analysis techniques, and model specification.

### 3.2 Description of the study area

The federal government of Ethiopia has established more than 46 higher education institutions in the education sector. It was well known that Wolkite University is one of the state universities recognized by the Ministry of Education according to the revised Higher Education Establishment proclamation no.650/2009. The foundation stone of Wolkite University was laid in 2009 to start the construction of the university based on the development demands of the local community. The institution is located on 260 hectares of land in Gubrye District, which is 174 km far from our capital city of Addis Ababa, and 14 km far from Wolkite the capital of Gurage Zone. Wolkite University, which is classified as a third- generation university and is classified as a University of Applied Sciences first started its work in Wolkite Polytechnic College, and it accepted 353 students in three colleges, Therefore, the university has improved its admission capacity in terms of quantity and quality, and currently (at the end of 2016) there are eight colleges and one school in the institution. By opening 51undergraduate, 27 postgraduate, and 4 specialty programs was able to increase its overall student intake capacity (Wolkite University, 2024). Currently, the university has more than 1918 staffs of which 989 academic staff, and 929 administrative staff of permanent employee.

### 3.3 Research Design

The study was carried out at Wolkite University, a single public university. The study employed a causal-effect approach to evaluate the various effects of the performance management system on employee motivation, as well as their relationship (effect). Both descriptive and explanatory research methods were used.

Additional descriptive research played a crucial role in analyzing mathematical values used to describe the data, such as frequency, mean, standard deviation, and others. The study employed a quantitative approach to examine cause-and-effect relationships. It was essential to explain how the dependent and independent variables specifically, the influence of the performance management system on employee motivation relate to one another.

## 3.4 Research Approach

A mixed approach was used in the research methodology. This approach's primary premise is that combining qualitative and quantitative methods yields a more thorough understanding of a research problem than either method working alone. In order to provide a comprehensive meaning, qualitative and quantitative data were gathered almost simultaneously, examined independently, and combined.

## 3.5 Study Population

The population for this study consisted of all permanent employees at Wolkite University, including 989 academic staff and 929 administrative staff, making a total of 1,918 permanent employees. The respondents were selected from both the academic and administrative staff, as these two groups were considered key to providing comprehensive and detailed information regarding the issue under investigation.

## 3.6 Sample size and Sampling Techniques

In this study Stratified random sampling technique was employed to select the study participants. Proportional allocation was used to determine the required number of sample from nine College &Administrative corporate vice president office staff. According to Human Resource of Wolkite university, in 2016 E.C there were 989 academic staff, (121 staff in College of Natural and Computational Sciences (CNCS), 84 staff in College of Social and Humanity Science (CSHS), 48 staff in College of Business and Economics (CBE), 187 staff in College of Medicine and Health Science(CMHS), 23 staff in school of law, 202 staff Engineering college, 63 staff Computing & informatics collage(CCI) , 87 staff college of Agriculture (AGR), 19 staff college of College of Education and behavioral Science(CEBS) and 155 Laboratory technicians). According to Human

Resource of Wolkite University, in 2016 E.C there was 929 Administrative staff 471 staff administrative vice president office 80 staff Research and community service vice president office 77 staff Business Development corporate vice president office and 229 staff Academic affairs vice president office). Sum up of 929 staff in Wolkite University Administrative Corporate vice president office staff. The population was grouped into strata (in 9 academic college & one president office and four vice president office & Laboratory technicians. Simple random sampling has been employed in selecting the representatives following the method of proportional allocation under which the sizes of the samples from different stratum was kept proportional to the sizes of the stratum. Generally, to obtain the minimum population sample for this study, the researcher adopted stratified sampling as a technique using Yamane's formula (cited in Israel, 1992) as follows:

**Remark: d** $= \frac{P}{1+P(e)2}$ = d = $\frac{1918}{1+1918(0.05)2}$ **= 330**

Where: d = desired sample size;

P = total population;

e = significance level

**si** $= \frac{Pi}{P}$ **x n** where = si = desired sample from stratum I,

Pi = total number of populations at stratum I,

P = total number of populations,

d = desired sample size

**Table 3.1: Sample Size Distribution**

| No | Colleges/ institution | Sample size | | | |
|---|---|---|---|---|---|
| | | Total population | Stratified in college | Total No. of employees | Proportion of sample si= $\frac{Pi}{P}$*n; |
| 1. | Administrative corporate vice president office | 929 | President office | 72 | [(72*160)/929] =12 |
| | | | Administrative corporate vice president office | 471 | [(471*160)/929] =81 |
| | | | Research and community service vice president office | 80 | [(80*160)/929] =14 |
| | | | Business Development corporate vice president office | 77 | [(77*160)/929] =13 |
| | | | Academic affairs vice president office | 229 | [(229*160)/929] =40 |
| | | | Total no. of Administrative corporate vice president office | 929 | [(929*330)/1918]=160 |
| | Colleges/ institution | Total population | Stratified in college | Total No. of each college | Proportion of sample |
| 2. | Academic affairs vice president office | 989 | Engineering college | 202 | [(202*170)/989]=35 |
| | | | Computing & informatics | 63 | [(63*170)/989]=11 |
| | | | College of Natural and Computational Sciences (CNCS) | 121 | [(121*170)/989]=21 |
| | | | College of Medicine (CM) | 187 | [(187*170)/989]=32 |
| | | | College of Agriculture (AGR) | 87 | [(87*170)/989]=15 |
| | | | College of Business and Economics (CBE) | 48 | [(48*170)/989]=8 |
| | | | College of Social and Humanity Science (CSHS) | 84 | [(84*170)/989]=14 |
| | | | college of behavioral & Psychology | 19 | [(19*170)/989]=3 |
| | | | College of law (CL) | 23 | [(23*170)/989]=4 |
| | | | Laboratory technicians | 155 | [(155*170)/989]=27 |
| | Total no. | 1918 | Total no. of Academic affairs vice president staff office | 989 | [(989*330)/1918]=170 |

## 3.7 Source and Types of Data

This study used two sources of data: primary and secondary. Primary data were collected through questionnaires and interviews. The questionnaire items were specifically designed for managers, educators, and administrative staff. Selected department heads and directors were interviewed to gather qualitative data. Secondary data were obtained from the HRD office, which provided quantitative evidence through document analysis.

## 3.8 Data Collection Methods

Prior to being distributed to the entire population, the developed questionnaire was tested through a pilot test. For the pilot test, only 10% of the previously established sample size was used.

The questionnaire was created using pre-prepared research questions, and all respondents were given ample time to complete it. They also received instructions on how to fill out the rating scale. Each respondent was given the questionnaire by hand, and it was subsequently collected. The researcher used information from the interviews and personal observations to maintain balance.

To provide a more thorough explanation of the current impact of performance management on employee motivation at Wolkite University, the study employed personal observations and interviews, balancing both methods. The researcher recorded questionnaire and interview responses based on each respondent's answers.

## 3.9 Methods of Data Analysis

Descriptive statistics tools such as mean (average) and standard deviation was used to present the collected data and to point out special features. Chi-square test had employed to test whether there were statistically significant associations between performance management system and employee motivation. Further, for the purposes of this study, descriptive statistics such as mean, standard deviation, percentage, and frequency distributions has used to describe the research sample. Correlation and regression analysis helped the researcher to find the cause-and-effect link between the research variables by calculating the intensity and direction of the relationships between the independent and dependent variables. Data analysis was supported by STATA version 13 to produce accurate findings in interpreting raw data into relevant information.

Generally, the data that was gathered quantitatively was carefully examined for comprehensiveness and completeness. Quantitative data for this study was gathered through questionnaires, which were then analysed using descriptive statistics and presented as percentages, means, standard deviations, and frequencies using STATA version 13.

## 3.10 Tests for reliability and validity

### 3.10.1 Reliability test

According to Hair joseph F, William C. Black, Barry J. Babin & Rolph E. Anderson (2014), reliability refers to the extent to which a variable or set of variables is consistent in what it is intended to measure. If multiple measurements are taken, reliable measures would all be consistent in their values. It implies that the same thing happens again and over again under the same or extremely similar circumstances. The opposite of reliability is an erratic, unstable, or inconsistent result that happens because of the measurement itself (Neuman, 2014) in this study, first of all, the reliability and validity of the performance management system and employee motivation scales was assessed. The cronbach's alpha coefficient was used in the reliability analysis of the scales. According to Hair et al (1998), above 0.7 level of alpha value considered the scale has overall stability and consistency.

### 3.10.2 Validity

Validity is the extent to which a scale or set of measures accurately represents the concept of interest. According to Muji's (2004), validity concerns whether we are measuring what we want to measure and is probably the single most important aspect of measurement. The degree of similarity between the components used to create a summated scale and its conceptual description is measured by content validity (Hair 2014,).Validity explains how well the collected data covers the actual area of investigation (Ghauri and Grongaug 2005). Validity means "measure what is intended to be measured" (Field 2005). Validation was made to get some evidence on whether the content of the item was relevant in helping to answer the research question and to check the clarity of the question.

### 3.11 Model Specification

The respondents were divided into two categories: educators and administrative staff. 330 respondents were the study's total target population. The following regression model was used to examine the current impact of performance management on employee motivation at Wolkite University.

The study used correlation and regression analysis to determine the relationship between the dependent and independent variables.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta X_3 + \beta_4 X_4 + \varepsilon$, Where:

Y = Employee Motivation

$\beta_0$ = Constant Term

$\beta_{(1\text{-}5)}$ = Beta coefficients

$X_1$ = Performance planning & Expectation

$X_2$ = Performance Implementation

$X_3$ = Feedback

$X_4$ = Evaluation

$\varepsilon$ = Error Term

The conceptual frameworks of figures 2.1 from chapter two of this study are identical in that they show significant levels of less than 0.05 for the independent variables of performance planning and expectation, feedback and evaluation. They have a good relationship with Wolkite University's employee motivation.

### 3.12 Ethical Considerations

Ethical considerations regarding confidentiality and privacy were addressed. A concerted and conscious effort was made at all times to uphold this promise. Respondents were guaranteed that their names and private identities would not be requested or revealed in the research report. The researcher clearly informed the respondents that the purpose of the study was academic. Additionally, they were told that their participation in the study would be based on their consent. The researcher also ensured that no individual responses were personalized during data presentation, analysis, and interpretation. Finally, all materials used for the research were duly acknowledged.

CHAPTER FOUR

# 4. RESULTS AND DISCUSSION

## 4.1 Demographic Characteristics of the respondents

The section emphasizes that demographic structure of the respondents. In this study 330 questioners were distributed, from those 330 respondents which are 162 teachers and 158 administrative workers were responded and 10 respondents were not responded. So, this section clearly discusses that all 320 respondents; minimum, mean, standard deviation, maximum values and percent of the respondent.

**Table 4.1*:* Summarization of Continues Variables.**

| Variable | Obs | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| **Age** | 320 | 36.42117 | 6.722147 | 26 | 48 |

**Source:** *STATA version 13 using Own survey 2024*

The above table 2 discusses that, the respondents average age is 36 from the youngest age of 26 and the oldest age 48 years old. From this we conclude that most of the respondents in study engaged were highly productive age. Therefore, this human power work with the fulfillment of employee satisfaction helps the organization to success-s and fulfill short and long term goal.

**Table4.1. Descriptive Statistics of Categorical Variables**

| Variable | | Freq. | Percent | Cum. |
|---|---|---|---|---|
| Sex | Male | 214 | 66.88 | 66.87 |
| | Female | 106 | 33.13 | 100 |
| Marital status | Single | 79 | 24.69 | 24.69 |
| | Married | 192 | 60.00 | 84.69 |
| | Divorced | 25 | 7.81 | 92.50 |
| | Widowed | 24 | 7.50 | 100 |
| Education status | MSc/MBA | 155 | 48.44 | 48.44 |
| | BSC/BA | 128 | 40.00 | 88.44 |
| | Diploma | 37 | 11.56 | 100 |
| Occupation | Teacher | 155 | 48.44 | 48.44 |
| | admin employer | 134 | 41.88 | 90.32 |
| | lab assistant | 31 | 9.69 | 100 |
| planning performance process in Wolkite University is participatory know | Disagree | 54 | 16.88 | 16.88 |
| | Neutral | 76 | 23.75 | 40.63 |
| | Agree | 104 | 32.50 | 73.13 |
| | Strongly agree | 86 | 26.88 | 100 |
| Feedback | strongly disagree | 12 | 3.75 | 3.82 |
| | Disagree | 52 | 16.25 | 20.07 |
| | Neutral | 73 | 22.81 | 42.88 |
| | Agree | 183 | 57.19 | 100 |
| Evaluation/ review is conducted | Disagree | 88 | 27.50 | 27.50 |
| | Neutral | 12 | 3.75 | 31.25 |
| | Agree | 207 | 64.69 | 95.94 |
| | Strongly agree | 12 | 3.75 | 100 |
| Rewards has effect on employee motivation to be timely in completing their duties | strongly disagree | 12 | 3.75 | 3.82 |
| | Disagree | 155 | 48.44 | 52.26 |
| | Neutral | 61 | 19.06 | 71.32 |
| | Agree | 91 | 28.44 | 100 |

*STATA version 13 using Own survey 2024*

From table 3 result of respondents' females' participation was 33.13%, this shows female's participation was less than male. As to the researcher, female was not given equal chance to learn in the previous government time. This is the reason why the number of female is less as compared to the male. Even though in this study question participation is less, the number of female in the university is not equal.

From table 3 above 60% of the respondents were married. From this we can conclude that the employer was more or less interested to stay in the University for the Security of their family. This situation may reduce the labor migration.

The educational level of the respondents shows that 48.44% MSC/MBA, 40% BSC/BA and 11.56% were diploma holder. Almost all teachers are MSC/MBA holder well know about their responsibility and rights. Wolkite University works for the previous 13 years with teacher giving education opportunity degree holder makes master and master holders also make doctorate. Not only teacher, the admin and lab assistant also get the chance in weekend and regular program advance their educational statues. This gained education opportunity has a great role in enhancing employee's satisfaction. In similar fashion, Mullins (2005) argues that motivation is a driving force within individuals by which they attempt to achieve some goal.

From table 3, result of majority respondents says planning performance was participatory that means 59.38% respondents agree on the plan perfection but 23.75% of the respondent did abstain meaning neutral. This result indicates the level of satisfaction is not full employee agree. From narrated and interview response says that planning in wolkite university is participatory and select person from vice president as a committee. We conclude that based on the majority says and in the interview response that planning performance in Wolkite University is participatory.

From table 3 result of majority respondents of performance feedback responded 57.19% agree that Wolkite University did in the feedback. This result indicates the level of giving feedback in Wolkite University is well. The response on narrative and interview response said that feedback has been given on the job achievement evaluation time well. In the written form giving feedback habit in Wolkite University is less.

From table 3 result of majority respondents on reward system responded that 52.19% respondents say that Wolkite University did not give reward. This result indicates the level of giving reward in Wolkite University is not well. The response on narrative and interview response said that Wolkite University in reward way did not done at all.

As shown in the table 3, the measurement of performance in Wolkite University is regular or known. Majority of the respondent says every 6 month regularly measured the performance of the employee. This performance appraisal become information for the employer where is he/she as

compared to the other employee. The performance appraisal creates competition in the employee to accomplish the goal of the University. In the interview, the respondent says, Wolkite University measures the performance of the employee twice in a year for admin and teachers. But the way of measurement is not similar in all employers because from directorate to directorate did not have standard point. Some directorate give very high point for every employer not based on the capacity of the employer. Smither and London (2009) says about performance assessment is both the employee and the manager are responsible for evaluating the extent to which the desired behaviors have been displayed and whether the desired results have been achieved. Both parties are involved in the assessment process provides better information to be used during the review phase.

The leader of Wolkite University use performance appraisal as a tool for decision making. The respondent agrees that the leader of the University use performance to decide. From the interview, the leader use more performed employees to accomplish the goal of the University.

From the interview Wolkite University evaluate the accomplishment of the plan every quarter year with the responsible body of the university. The review or evaluation creates awareness where each work class was as compared to other. According to Smither and London (2009), when both the line manager and employee are active participants in the evaluation process, it can lead to more effective performance management and employee development.

## 4.2 Diagnostic Tests

### 4.2.1 Diagnostic test for Legit regression

The most common issues when working with cross sectional data are multicollinearity and hetero scedasticity. Multi-collinearity is where two or more independent variables are correlated with each other. The existence of multicollinearity might cause the estimated regression coefficients have the wrong sign. As to Gujarati, (2004) multicollinearity is a serious problem if the VIF of the variables is higher than 10 VIFs of unity indicate absence or presence of multicollinearity while as a rule of the thumb VIFs of between 5 and 10 are an indication of problematic multicollinearity of the independent variables. In this study, all the independent variables' VIFs were below 5 which is an indication of absence of multicollinearity. The result (1.28) is also an indication of good estimation of variable coefficients.

Heteroscedasticity is where the variance of the error term is not constant. Heteroscedasticity is a situation where the disturbance terms, do not have constant variance. Since the presence of heteroscedasticity would result in inconsistent estimators, the model was then estimated with STATA version13 software and used robust standard error to eliminate heteroscedasticity problem.

Logit model for development of community, goodness-of- fit test. The Hosmer Lemeshow test is a statistical test for goodness of fit for Logit model. It is used frequently in risk prediction models. The test assesses whether or not the observed event rates match expected in the model. This statistical test is widely used in the Logit model statistical/econometric model that, in its basic form of the binary dependent variable. This goodness-of-fit test compares the observed proportions to the test proportions to see if the differences are statistically significant or not. The p-value is less than the significance level (0.05) then the model is not a good fit. Then we conclude that the market participation effect is not significant, and then the econometric model is well-fit.

Normality analysis helps to check that data is normally distributed. In this study normality by applying the Shapiro-Wilk W test for normality. From appendix f below presents the value of probability of normality is 0.63 which is greater than 0.05 implying not significance at a 5% level Consequently, the null hypothesis cannot be rejected. Therefore, according to the Shapiro-Wilk W test for normality, residuals show normal distribution.

## 4.3 Analysis of correlation

To detect the presence of autocorrelation between the variables in the study, a correlation Coefficient (r).is used to measure the degree of association between the independent variables (Performance Planning, performance implementation, feedback, performance evaluation, and reward system) and the dependent variable (Employee Motivation). It takes a value between –1 and 1. A value of r near to 1 indicates strong positive association whereas a value of r near to –1 indicates a strong negative linear association, When r = ± 1 this indicates that the two variables are perfectly correlated, i.e., all the points are on a straight line, (Coetzee, 2003).

When the correlation is 1 or -1, a perfectly linear positive or negative relationship exists; when the correlation is 0, there is no relationship between the two sets of data. Coetzee (2003) noted that when considering the correlation between the independent variable and the dependent variable, the larger the magnitude of the correlation, the stronger the linear association.

As per Marczyk et al (2005) general guidelines, correlations of .01 to .30 are considered small, correlations .31 to .70 are considered moderate, correlations of .71 to .90 are considered large, and correlations of .91 to 1.00 are considered very large.

Depending on this assumption, all basic constructs were included into the correlation analysis. Three independent variables are positively and significantly correlated. From table 3 below represents the correlation matrix between the independent variables, performance planning, feedback, reward system and performance evaluation, and the dependent variables Employee motivation. Planning, feedback and evaluation has positive and significantly correlated with employee motivation. The highest coefficient of correlation in this study lie between Performance Planning and employee motivation is 0.1347. There is a significant positive relationship between Performance Planning and employee motivation ($r = 0.1347$, $n = 320$, $p \leq 0.0129$). The other independent variable correlation each other are not strong as expected. From the analysis, it is observed that Motivation has correlation with significant variable ranging from 0.1 to 0.3. According to the guideline of Marczyk et al (2005) indicates that weak correlations. The relationship between them is not strong relationship.

**Table4.2. Pairwise correlation result**

| | Employ~p | planni~n | Feedback | evalua~b | Reward~o |
|---|---|---|---|---|---|
| EmployeeSa~p | 1.0000 | | | | |
| planningpe~n | 0.1347* | 1.0000 | | | |
| | 0.0129 | | | | |
| Feedback | 0.1193* | -0.1464* | 1.0000 | | |
| | 0.0278 | 0.0068 | | | |
| evaluation~b | 0.1185* | -0.3065* | -0.1017 | 1.0000 | |
| | 0.0289 | 0.0000 | 0.0610 | | |
| Rewardshas~o | 0.0659 | 0.0831 | -0.0285 | -0.0423 | 1.0000 |
| | 0.2254 | 0.1261 | 0.6002 | 0.4373 | |

## 4.3 Estimation Result for performance management on employee motivation

Maximum likelihood estimates of the Logit model and the Marginal effects of the variables

**Table 4.4**:- *The Logit regression Model Result*

| EmployeeSatisfactionl~p | Coef. | Std. Err. | z | P>z | Marginal effect |
|---|---|---|---|---|---|
| planningperformancepr~n | 0.445515 | 0.110211 | 4.04 | 0*** | 3.68824 |
| Rewardshaseffectonemp~o | 1.154667 | 0.999268 | 1.16 | 0.248 | 0.305294 |
| evaluationPerformance~b | 2.975958 | 0.641453 | 4.64 | 0*** | 0.312206 |
| Feedback | 0.418768 | 0.138631 | 3.02 | 0.003*** | 3.33235 |
| _cons | -4.44138 | 0.878729 | -5.05 | 0*** | |
| Wald chi2 | 31.02 | | | | |
| Prob chi2 | 0 | | | | |

Where ***, ** and * significance level at 1%, 5% and 10%

From table 4, the marginal effect of the probit regression model the probability that the effect of performance management system on the employee motivation. The LR chi square which measures the overall significance of the model, i.e., with the null hypothesis that all coefficients are zero is rejected this showing that at least one of the coefficients is different from zero. Five total explanatory variables are included in the model; four of them have statically significant

impact on dependent variables. The effects of performance management system variable like planning performance, feedback and evaluation performance have positive and significant effect. The rest one reward was insignificant.

From table 4 the planning performance level is positive and significant at (1%). The planning performance process levels increases by one unit other variable holding constant employee motivation increase by 0.446 units. This shows the contribution of perform planning for employee motivation. From the interview and narrative response, the respondent says that Planning performance in Wolkite University is participatory meaning from each class represented when university prepare annual or five years strategic plan. The performance of accomplishments based on plan is nearly correlated not perfect; the management body evaluates quarterly plan accomplishments. This positive relationship also reflected in the study of other scholars Konjit (2018) and Meklit (2017) find that positive significant relationship. Smith and London (2009) say that Planning of performance management system is the first stages where employees enabled to have a clear knowledge about the system. This is the first cycle where Line mangers and employee meet to discuss and agree on what is to be done and how it is to be done by combining the result, behavior and development plan.

From table 4 the Performance feedback is positive and statistically significant variable (at 1%) level of significance. From the respondent's response the performance feedback increases by 1 unit holding other things constant employee motivation increases by 0.419 unit. From the interview and narrative response, Feedback has been given on the job achievement evaluation time well but in the written form giving feedback habit in Wolkite University is less. Feedback can also serve as a crucial element that enhances the performance of individual employees in the areas of weakness. This positive relationship also reflected in the study of other scholars Meklit (2017), Aktaruzzaman and Abdur (2021), Danish and Usman (2010) cited in Konjit (2018), Ghorbani and Ladoni (2013) feedback has positive and significant effect. Barbera and Young (2009) says that Performance feedback can also serve as a crucial element that enhances the performance of individual employees in the areas of weakness. Top management frequently provides employees feedback on their efforts and strengthens the progress of their jobs through unbiased feedback. In this regard, performance feedback records need to be retained for future references.

Performance evaluation result from table 5 has positive and significant effect on the employee motivation. Performance evaluation level increases by 1-unit other thing holding constant, employee motivation increases by 2.976 units. From the interview and narrative response, the respondent says that the evaluation performance management system is good as compared to the other variable. The university continuously evaluate especially twice in a year with specific written measurement but very subjective when measured by the manager. This positive relationship also reflected in the study of other scholars Konjit (2018) find performance evaluation has positive and significant relationship but Meklit (2017) and Aktaruzzaman and Abdur (2021) founds that performance appraisal has insignificant in employee motivation. Smither and London (2009) says that line manager and employee are active participants in the evaluation process.

# CHAPTER FIVE

# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 5.1. Introduction

The purpose of this study was to examine the effect of the performance management system on employee motivation. To achieve this, the study focused on key components of performance management, including performance planning, implementation, feedback, evaluation, and the reward system. A questionnaire was designed to cover these factors while also incorporating questions related to employee motivation. Of the 330 questionnaires distributed, 320 were fully completed, resulting in a response rate of 96.96%.

The following are the key findings regarding the performance management system at Wolkite University, along with the conclusions and recommendations.

To address the study's objectives, the research focused on answering the following main question: What is the effect of performance planning, feedback, evaluation, and rewards on employee motivation at Wolkite University?

Descriptive statistical analysis was carried out along with narrative description in attempting to answer the research questions of this study. The data collected from the questionnaire were analyzed by STATA version 13 whereas the interview results had been discussed in narration.

## 5.2 Summary of Major findings

The correlation analysis result indicates Planning, implementation, feedback and evaluation has positive and significantly correlated with employee motivation. From the analysis, it is observed that Motivation has weakly correlated with independent variable.

The regression results of Logit result were the planning performance, feedback Performance and Performance evaluation have positive and statically significant effect on employee motivation. The rest rewarding system has no significant effect on the employee motivation.

## 5.3. Conclusions

From the above summary, it can be concluded that there are aspects of the initial planning stage where doing good like according to the University annual report, it has good planning habit but the plan did not applicable as the duty as planned. The performance management begins with setting the organizations goals. However, the non-managerial staff feel that they jointly identify goals with their line manager by representative and also that the Performance management process translates organizational goals into individual job objectives.

One aspect of performance management is providing ongoing feedback to employees. However, the results of the study reveal that while managerial staffs are satisfied with this process, non-managerial staffs believe that performance feedback is beneficial for improving job performance. Despite this, they feel they do not receive feedback regularly, nor is it provided in written form.

When considering employee motivation, the majority of non-managerial staff feel that their performance is regularly assessed, but they believe it is not measured fairly based on agreed-upon objectives. This suggests that the evaluation method is largely subjective rather than being based on objective, scientific criteria.

The results of the correlation analysis revealed a positive relationship between the performance management system (PMS) and employee motivation, indicating that the implementation and effectiveness of the PMS directly impact employee motivation. Among the five factors of performance management, three are weakly correlated with employee motivation. Therefore, improper implementation of these factors contributes to lower levels of employee motivation. Based on the research findings and the observations above, we can conclude that the motivational aspect of the PMS is significantly low, particularly among the majority of non-managerial staff at Wolkite University.

Performance planning has a positive and significant effect on employee motivation. When Wolkite University prepares its annual or five-year strategic plans, it adopts a participatory approach by involving representatives from each department or group. However, despite the participatory nature of the planning process, the actual implementation does not align with the plan, as the correlation between the plan and employee motivation is weak, as previously

discussed. On the other hand, performance feedback has a positive and statistically significant effect on employee motivation.

At Wolkite University, feedback is provided during job achievement evaluations in a timely manner, but it is rarely given in written form. Feedback can play a critical role in enhancing individual performance, particularly in addressing areas of weakness. Performance evaluation has a positive and significant effect on employee motivation. The performance management system's evaluation component is considered better than other aspects. The university conducts evaluations regularly, typically twice a year, with specific written measurements. However, these evaluations tend to be subjective when assessed by managers.

## 5.4. Recommendation

Based on the finding and conclusions the study recommends for improvement and the following which will be helpful for the university. The recommendations are drawn from the study findings.

In the planning process at the University, participatory methods are used as part of the performance management system to enhance employee motivation. However, a number of employees have expressed opposition to the methods of participation. Therefore, this study recommends that the university improve the communication channels regarding the plan and increase employee involvement to better boost motivation. In other words, the study suggests that the university should adopt a well-managed approach to strengthen the connection between the performance management system and employee motivation.

The study identified that performance evaluation is intended to enhance the performance management system and employee motivation; however, it still allows for subjective measurements, which can lead to bias. Therefore, the study recommends that the university establish clear performance standards for each job level and conduct timely and continuous performance evaluations based on these standards. This approach will help minimize bias and avoid work-life imbalance.

It is recommended that the University increase staff awareness about the importance of providing feedback as a means to motivate employees within the performance management system. This

will also aid decision-making and contribute to more effective performance management at the University. Additionally, the study recommends that Wolkite University provide timely written feedback to employees, highlighting their achievements, strengths, and weaknesses. This will help identify performance gaps in advance and allow for improvements to be made proactively.

To enhance the effectiveness of employee motivation within the performance management system at Wolkite University, rewards play a crucial role. Therefore, this study recommends that the top management at Wolkite University focus on recognizing and rewarding employees, as well as showing appreciation for their efforts. This will foster positive interactions and improve employee motivation, thereby ensuring the effective implementation of the performance management system.

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# Appendix 1: Questioners

WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

MBA PROGRAM

Dear Sir/ Madam

This questionnaire is prepared to collect data for the study to be conducted on the title ″ Effect of performance management system on employee motivation the case of wolkite university" as a partial fulfillment for master's Degree in Business Administration. This questioner is purely an academic and any information you provide used confidentially. So, feel free and respond to the question to be asked below. I would like to thank you in advance for your time and willingness to participate in this survey.

Genera Instructions

- Please do not write your name or contact details on the questionnaire. It remains anonymous.
- Please indicate your answers with a check mark (√) in the appropriate block for Likert scale type statements and multiple- choice questions

**Thank you for your cooperation!**

## 1.1. Demographic characteristics of Respondents

1. Sex:- Male □ Female □

2. Age _____ 18-28 □ 29-39 □ 40-50 □ Over 50 □

3. Marital status Single □ Married □ Divorced □ Widowed □

4. Education status:- PhD □ MSc/ MBA □ BSC/ BA □ Diploma □ Other □

5. Occupation:- Teacher □ Admin employee □ Lab assistant/ Technician □

6. How long have you been serving this organization? Less than One Year □ Between 1 and 2 years □ Between 2 and 5 years □ Between 5 and 10 years □ More than 10 years □

7. What is the level of your current position in Wolkite University? College dean/ Director □ Department head/ team leader □ Teacher/ lab assistant □ Admin employee □

**Questions related to Performance management system**

This questionnaire is prepared based on a five point Likert scale. Please indicate to what extents of your agreement with the following statements. If the statement strongly matches with your response, choose 5 (Strongly Agree), if you discreetly agree on the idea, choose 4 (Agree), if you do not have any response on the point, choose 3 (Neutral), if you discreetly disagree with the statement choose 2 (Disagree) and if you completely differ with the statement, choose 1 (Strongly Disagree).

| Survey statement | Strongly Disagree (1) | Disagree (2) | Neutral (3) | Agree (4) | Strongly Agree (5) |
|---|---|---|---|---|---|
| Performance planning | | | | | |
| 1- I clearly know/ understand the Wolkite University vision, mission and strategic goals. | | | | | |
| 2- I clearly know my duties and job responsibilities | | | | | |
| 3- The performance planning process in Wolkite University is participatory | | | | | |
| 4- I clearly know the plan of Wolkite University and I do my duties & responsibility based on the plan. | | | | | |
| 5- Participating in the planning process motivates the employee highly to perform towards achieving the goal set by the Wolkite University | | | | | |
| **Performance feedback** | | | | | |
| 6- I am regularly supported and coached by my supervisor on areas of weakness identified | | | | | |
| 7- My supervisor writes statements about my strengths weakness and suggests for improvements during performance reviews. | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| 8- The performance review form properly addresses key areas of my work and it shows my actual performance" | | | | | |
| **Performance evaluation** | | | | | |
| 9- My performance is measured on regular basis before the performance appraisal /review meeting is conducted | | | | | |
| 10- I am highly involved in the performance management process and my opinions are valued | | | | | |
| 11- Evaluation/ review meeting is conducted." | | | | | |
| 12- Performance evaluation is valuable to the employee performance in Wolkite University | | | | | |
| **Reward system** | | | | | |
| 13- The university has a fair and equitable reward system. | | | | | |
| 14- I feel that receiving incentives has a direct impact on the quality of my work | | | | | |
| 15- Incentives provided by my organization aligns with my personal and career goals | | | | | |
| **Implantation of plan** | | | | | |
| 16- Are all the details of the plan fully | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| executed by all employees appropriately? | | | | | |
| 17- Are the requirements set at the planning performance level well implemented by employees and managers? | | | | | |

## Questions related to Motivation

This questionnaire is prepared based on five Likert scale. Motivation is explained in two ways that are in table form as explained above in five-point liker scale and also in five point Likert scale out of the table explained as follows.

1. I feel that my work has a clear purpose and contributes meaningfully to the organization's goals.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

2. I have sufficient opportunities for personal and professional growth within the organization.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

3. I feel valued and recognized for my contributions at work.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

4. The values and culture of the organization align with my personal values.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

5. The work environment and support from my team and management contribute positively to my motivation.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

**INTERVIEW QUESTIONS**

1. From Your Understanding, do all workers of Wolkite University have information about vision, mission and strategic goals of the University? ……
   ……...
2. Do you clarify for your followers for their duties and job responsibilities for increasing their performance? ….……
   ……
3. What do you assess about performance management system (Planning, Evaluation, Feedback & recognition (reward) to motivate Employees in Wolkite University? …….....
   .....
   .....
4. To what extent do you feel the performance management system, deficiencies (challenges) or gaps on Wolkite University? …..…….....
   .....
5. What do you think about the major challenges or opportunities of the performance management system for motivating Employees in Wolkite University? .....
   .....
6. Any other comments you would like to make in relation to performance management system of Wolkite University? …….....
   .....