EFFECT OF EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM ON BUSINESS COMPETITIVENESS; COMPARATIVE STUDY BETWEEN COMMERCIAL BANK OPERATING IN WOLKITE TOWN



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DECLARATION

I declare that this work has not be previously submitted and approved for the award of a degree by this or any other university. I, Kelelegn Tekalegn, have carried out a research on "Effect of Employee Performance Management System on Business Competitiveness as Comparative Study Between Commercial Bank Operating in Wolkite Town". To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

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As mentioned on the Board of Examiners of the MA thesis open defense examined. We certified that we have read and evaluated the thesis prepared by Kelelegn Tekalegn and examined the candidate. We recommend that the thesis be accepted as fulfilling the thesis requirements for the degree of Business Administration

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ABSTRACT

This study investigates the relationship between employee performance management systems and business competitiveness in commercial banks located in Wolkite Town. A sample of 150 respondents from commercial banks was surveyed to gather data on their perceptions and experiences with performance management systems. The data were analyzed using correlation analysis to examine the relationships between different performance management components and business competitiveness. Additionally, regression analysis was employed to determine the extent to which these performance management variables explain the variability in business competitiveness. Using a quantitative research approach, data was collected from employees of both public and private banks through structured questionnaires. The sample included 174 employees from various banks in Wolkite town, representing a census approach to ensure comprehensive representation. The data was analyzed using statistical techniques, including regression analysis, to examine the relationships between EPMS components and business competitiveness. The results indicate significant associations between certain components of EPMS and business competitiveness in both public and private banks. Performance appraisal emerges as a key driver of competitiveness, with a positive correlation observed between the implementation of effective performance appraisal systems and enhanced business competitiveness in both bank types. Similarly, career development programs show a significant positive impact on competitiveness, highlighting the importance of investing in employee growth and advancement opportunities. Based on these findings, recommendations are provided for both public and private banks to enhance their competitive position. Public banks are advised to focus on improving performance appraisal systems and investing in career development programs to foster employee engagement and motivation. Private banks, on the other hand, should also prioritize performance appraisal and career development, while paying attention to refining reward systems to further enhance competitiveness. Overall, the study highlights the critical role of effective performance management practices in driving business competitiveness in the banking sector. By implementing targeted strategies to strengthen EPMS components, both public and private banks can enhance their competitive position and contribute to sustainable growth in Wolkite town's financial industry.

Keywords: Employee performance management, business competitiveness, commercial banks

CHAPTER ONE

INTRODCUTION

Chapter One provides an overview of the study's background, addressing the importance of employee performance management systems for enhancing business competitiveness, particularly within commercial banks in Wolkite town. It highlights the gap in localized analyses of performance management systems and formulates objectives to assess their current practices and effects on competitiveness. Hypotheses are formulated to test these relationships. Lastly, the chapter underscores the study's significance in contributing to academic research and offering practical implications for commercial banks and policymakers aiming to enhance organizational effectiveness and market competitiveness.

1.1. Background of the Study

Human resources are considered the key indicator of developing organizational performance and employee performance where the organization can easily achieve goals within their specified time (Pradhan & Jena, 2017; Sadick & Kamardeen, 2020). Today's market is regarded as a fierce market, and competitors are competing with one another regarding providing attractive services to customers (Jung & Yoon, 2020). But a company's reputation rests on how well its employees do their jobs and how well the company itself does, so the management of every organization needs to maintain employee performance to stay in the competitive market (Song *et al.,* 2019).

Even though the business already has modern technology, the organization cannot work without people. But workers are seen as the company's biggest asset (Bedarkar & Pandita, 2014), human resource management is crucial because it provides leadership and guidance to the organization's human resources (Ai *et al.,* 2022; Bashir & Ramay, 2008). Nowadays, banking organizations referred to as the economy's vital organs which is the key indicator of the economy of a nation (Jahan *et al.,* 2020; Ahmed *et al.,* 2021). The banking sector is growing rapidly in Ethiopia (Kotiso. 2019; Islam *et al.,* 2021). Employees are the largest asset to produce products effectively and efficiently in an organization (Abdulahi *et al.,* 2023). However ultimately, a company's success hinges on the caliber of its leadership, decision quality, and information quality of its measurement and proportion (Mozaffari *et al.,* 2012).

In the banking industry, employee performance is a vital aspect of company success (Gungor, 2011). The overall banking sector has expanded significantly over the years (Rahaman *et al.,* 2020; Gazi *et al.,* 2021), and the effectiveness of these institutions depends on the work of its personnel (Achi & Sleilati, 2016). Customers' delight is a top priority in this fiercely competitive market, therefore banks must work hard to deliver top-notch customer service (Jahan *et al.,* 2020; Ahmed *et al.,* 2021). Bank staff members that behave well are more likely to provide customers with exceptional service, resulting in higher client satisfaction, engagement, and loyalty (Abror *et al.,* 2020). Also, the effectiveness and profitability of all banking institutes depend greatly on employee performance (Jena, 2022). Banks have intricate procedures that require qualified and knowledgeable banking staff to carry out duties all financial duties smoothly and effectively (Imran & Tanveer, 2015). Employees that act well seem to be more probable to finish assignments quickly and efficiently, resulting in enhanced output and profit for the bank (Rahaman *et al.,* 2023).

Banks with a focus on staff development, review meeting, and coaching are more likely to increase financial growth and output (Achi & Sleilati, 2016). Strong employee performance can boost a bank's credibility along with improving financial profit and brand image (Khan *et al.,* 2017). Since the banking sector is tightly controlled, preserving client trust and confidence hinges on maintaining an excellent reputation (Tuan, 2020). A positive organizational climate that preserves professional norms and values can be fostered by productive employees, which wasnefit a bank's standing. Banks that spend on their staff members by offering them the knowledge and financial education they need are more likely to accomplish greater client fulfillment, operational efficiency, and economic performance (Krishna *et al.,* 2019; Wagari, 2020).

In order to succeed and develop over the long run, banks must put employee performance first (Aguinis, 2019). Actually, organizational performance especially the competitiveness and efficiency depends on employee performance (Shields *et al.,* 2015). Therefore, the management of banks needs to determine factors influencing employee performance for improving their market competitiveness, and the contributions of workers are crucial if a company is to survive in a dynamic marketplace. This study aims to conduct a comparative analysis of various

commercial banks operating in Wolkite town to evaluate the influence of EPMS on their overall competitiveness.

1.2. Statement of the Problem

Performance management is superior for an organization because it helps the organization ensure employees are working ambitiously to add to accomplishing the organization's main goals and objectives (Tadesse, 2020). However, performance management sets desires for employee performance and motivates employees to buckle down in a manner that is normal by the organization (Rahaman et al., 2023). Additionally, a performance management system gives a completed and expert management procedure for an organization to evaluate the performance results of organizations and employees. Moreover, employee's performance may well be anticipated, evaluated, and encouraged (Sadick & Kamardeen, 2020; Jena, 2020). Jahan (2020) squeezed that the significance of performance management system is on constantly improving organizational performance and typically accomplished by improved individual employee performance. In this manner, improving worker performance by utilizing performance management system is an approach to improve organizational performance and market competitiveness.

In the ever-evolving landscape of contemporary business, the strategic management of employee performance is paramount for organizations seeking a competitive edge (Paauwe *et al.*, 2017). employee performance management systems have emerged as a critical mechanism for fostering employee development, enhancing motivation, and ultimately contributing to organizational effectiveness (Shields *et al.,* 2015). As businesses grapple with the challenges of a dynamic market, particularly within the financial sector, understanding how the implementation and efficacy of employee performance management systems influence business competitiveness has become a critical endeavor (Aguinis, 2019).

Within the financial sector, commercial banks stand at the forefront of this transformative journey. The unique challenges and opportunities faced by commercial banks demand a sector-specific exploration of how employee performance management systems contributes to business competitiveness. The literature highlights the need for tailored human resource strategies within specific industries (Paauwe *et al.*, 2017).

Despite the substantial body of research examining various determinants of organizational performance, including employee performance management (Shields *et al.*, 2015; Adugna, 2018; Kuhil, 2019; Tadesse, 2020; Rahaman *et al.*, 2023), customer relationship management (Kebede & Tegegne, 2018; Zeleke & Kumar, 2020; Kaondera *et al.*, 2023), bank performance (Amene & Alemu, 2019; Bono, 2020; Mekonen et al., 2022), profitability (Bogale, 2019; Isaya, 2022, Kefle, 2023, Negash, 2023), and productivity (Berhe & Ali, 2021; Engida, 2022; Wondwosen, 2023), a noticeable gap exists in the literature concerning a comprehensive, comparative analysis of commercial banks operating in Ethiopia in general and in specific localities in particular. Existing studies delve into generalities about performance management and organizational success, but the specific dynamics of how employee performance management systems shapes the competitiveness of commercial banks in this unique locale remain largely unexplored. This lack of localized insights hinders the ability of these banks to tailor their strategies effectively, potentially missing opportunities for improvement and innovation that could enhance their competitive position.

Furthermore, within the broader field of performance management literature, the comparative analysis of employee performance management systems in the banking sector of a specific town is conspicuously absent (Shields *et al.*, 20150). Commercial banks in Wolkite town operate in a distinctive environment, influenced by local economic factors, customer behaviors, and regulatory considerations. Understanding how employee performance management systems functions within this context and how it differs among various banks is critical for informing not only the banks themselves but also regulatory bodies and policymakers seeking to create an environment conducive to healthy competition and sustainable business growth.

The specific practical gap that this study intends to address is the lack of localized insights into how employee performance management systems shape the competitiveness of commercial banks operating in Wolkite town, Ethiopia. While there is existing literature on performance management and organizational success in general, there is a noticeable absence of comparative analysis focused on the banking sector within a specific locality. This gap hinders the ability of commercial banks in Wolkite town to tailor their strategies effectively to their unique environment, potentially missing opportunities for improvement and innovation that could enhance their competitive position. Therefore, this study aims to fill this void by conducting a

meticulous examination of employee performance management systems across commercial banks in Wolkite town, providing insights that can inform not only individual banks but also regulatory bodies and policymakers seeking to foster healthy competition and sustainable business growth in the local economy.

1.3 Research Questions

Based on the above statement of problems, the following questions are for further investigation of the topic:

1. What are the current practices of performance management systems within the commercial banks operating in the case study area of Wolkite Town?
2. How does the implementation of performance appraisal systems contribute to the overall business competitiveness of commercial banks in Wolkite Town?
3. What is the influence of reward systems on the business competitiveness of commercial banks in Wolkite Town?
4. How does performance feedback affect the business competitiveness of commercial banks in Wolkite Town?
5. What is the impact of evaluation systems on the business competitiveness of commercial banks in Wolkite Town?
6. How does career development contribute to the business competitiveness of commercial banks in Wolkite Town?

1.4 Objectives of the Study

1.4.1 General objective

The general objective of the study is to investigate the effect of employee performance management system on business competitiveness as comparative study between commercial bank operating in Wolkite town

1.4.2 Specific objective

The specific objectives of the study are:

1. To assess the current practice of performance management system in the case study area
2. To examine the effect of performance appraisal systems on business competitiveness.
3. To determine the influence of reward systems on business competitiveness.

4. To examine the influence of performance feedback on business competitiveness.
5. To examine the effect of evaluation system on business competitiveness.
6. To examine the effect of career development on business competitiveness

1.5. Research Hypothesis

To provide answers to the research questions the following hypotheses was tested in this research.

Hypothesis 1: There is a positive and significant effect of the current practice of performance management system on business competitiveness in the case study area.

Hypothesis 2: Performance appraisal systems have a positive and significant effect on business competitiveness.

Hypothesis 3: Reward systems exert a positive and significant influence on business competitiveness.

Hypothesis 4: Performance feedback has a positive and significant influence on business competitiveness.

Hypothesis 5: The evaluation system has a positive and significant effect on business competitiveness.

Hypothesis 6: Robust career development programs within commercial banks in Wolkite Town have a positive impact on business competitiveness.

1.6 Significance of the Study

This research holds substantial significance in several dimensions. Firstly, it contributes to the existing body of knowledge by addressing a critical gap in the literature. While numerous studies have explored various aspects of performance management, this research uniquely focuses on the specific context of Wolkite Town's commercial banks, providing localized insights that can inform both academic scholarship and practical decision-making.

Secondly, the findings of this study are anticipated to offer valuable insights to commercial banks operating in Wolkite Town. By comprehensively assessing the current practices of performance management systems and their impact on business competitiveness, the research aims to provide actionable recommendations that can enhance the strategic approaches employed by these banks, fostering improved employee performance and overall organizational effectiveness.

Furthermore, the study has implications for policymakers and regulatory bodies. Understanding the dynamics of performance management systems in the banking sector of Wolkite Town can aid in the formulation of policies that promote a competitive and sustainable business environment. Policymakers can leverage the insights gained from this research to encourage best practices and create a conducive atmosphere for banking institutions to thrive.

Lastly, the research is of practical importance to the broader community. Successful and competitive commercial banks contribute not only to the local economy but also to the financial well-being of individuals and businesses in Wolkite town. As such, the study seeks to promote the overall economic development and prosperity of the community by fostering a robust and competitive banking sector.

1.7. Scope of the Study

The study focuses on assessing the influence of employee performance management systems on business competitiveness within the commercial banking sector. It encompasses an in-depth exploration of various components of employee performance management systems, including performance appraisal, reward systems, performance feedback, evaluation, and career development.

The geographical focus of the study is Wolkite town, ensuring a localized examination of the commercial banks operating within this specific context. By honing in on Wolkite town, the research seeks to capture the unique dynamics, challenges, and opportunities that shape the performance management practices and competitiveness of commercial banks in this particular locale. The research adopts a comparative analysis approach, allowing for a comprehensive examination of multiple commercial banks in Wolkite town. The study employs a mix of qualitative and quantitative research methods, including surveys, interviews, and data analysis, to provide a nuanced understanding of the current practices of employee performance management system and their effect on business competitiveness. This methodological scope enables a holistic exploration of the research objectives, ensuring robust and reliable findings.

1.8 Definition of Terms

Employee Performance

Employee performance refers to their output at a minimal cost from the use of their technical skills, raw materials in carrying out work responsibilities. In this case, employee performance is directly linked with appraisal, rewards and feedback (Mwanje, 2010).

Performance Appraisal

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

Reward Systems

Reward systems refer to the structured mechanisms and processes put in place by organizations to recognize, acknowledge, and compensate employees for their contributions and achievements (Moulder, 2011).

Performance Feedback

Performance feedback is a communication process through which individuals receive information about their performance in a particular role or task. This feedback can be provided by supervisors, peers, or even self-assessment (Solmon & Podgursky, 2010).

Evaluation System

An evaluation system is a structured approach used by organizations to assess and appraise the performance of individuals, teams, or processes. This can involve the use of key performance indicators (KPIs), metrics, and specific criteria tailored to the objectives of the evaluation (Brown & Benson, 2013).

Career Development

Career development encompasses the ongoing process of managing one's professional growth and advancement within an organization. It involves acquiring new skills, gaining relevant experiences, and pursuing opportunities for career progression (Mansor, 2011).

Performance Management

Performance management practice is a systematic way of communicating to employees on what they are expected to do and what the performance and productivity parameters (Jackson & Schuller, 2012).

Performance Management Practice

Performance management practice as a systematic way of communicating to employees on what they are expected to do and what the performance and productivity parameters are (Jackson & Schuller, 2012).

1.9 Organization of the Study

The study was organized into five chapters. The first chapter was presented the introductory part which consists of background of the study, statement of the problem, research question, significance of the study, scope of the study and limitations of the study. The second chapter was contained review of related literature on the topic of the study. The third chapter is about research methodology that highlight the methods used to conduct the research which includes research approach, design, population, sample technique and sample size, data collection and instrument, data analysis method. The fourth chapter presents the results obtained from the study and initiates discussion around them. Lastly, the fifth chapter concludes the research and offers recommendations based on the findings.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter was provided a comprehensive overview of existing research related to performance management systems, specifically focusing on their influence on business competitiveness. It was explored various theoretical frameworks and empirical studies examining the effects of performance appraisal, reward systems, performance feedback, evaluation systems, and career development on organizational competitiveness. By synthesizing and analyzing the literature, Chapter Two aims to establish a theoretical and empirical foundation for understanding the relationship between employee performance management systems and business competitiveness, guiding the empirical investigation in subsequent chapters.

2.1 Theoretical Review

2.1.1. Concept of Performance Management

Performance management is a holistic and continuous process that involves planning, monitoring, developing, and evaluating an individual or team's performance within an organization. It goes beyond traditional performance appraisal by emphasizing ongoing communication, goal-setting, and the alignment of individual contributions with organizational objectives (Aguinis, 2019). Performance management is a strategic approach that integrates various human resource management processes to ensure that employees' performance aligns with organizational goals. It encompasses activities such as goal setting, regular feedback, performance appraisal, and development planning, emphasizing a collaborative and developmental relationship between managers and employees (DeNisi & Murphy, 2017).

Performance management is a dynamic and multifaceted system designed to optimize organizational performance by fostering employee engagement, development, and accountability. It involves the systematic identification of performance expectations, ongoing monitoring, and the provision of timely feedback to enhance individual and collective effectiveness within the workplace (Armstrong & Baron, 2005). Performance management is a strategic and integrated process that involves the identification, measurement, and enhancement of individual and organizational performance. It encompasses the establishment of clear

performance expectations, regular feedback, and the implementation of development plans to ensure continuous improvement and alignment with organizational objectives (Aguinis & Pierce, 2008).

Performance management is a systematic approach to improving organizational effectiveness by aligning individual and team performance with strategic goals. It involves the use of performance metrics, regular assessments, and feedback mechanisms to foster employee development, motivation, and overall business success (Pulakos & O'Leary, 2011). Performance management is a dynamic and adaptive process that facilitates communication, learning, and improvement within an organization. It emphasizes the alignment of individual and team efforts with organizational goals, promoting a culture of accountability, collaboration, and continuous development (Mone & London, 2018).

Performance management is a process that enables employees to perform their roles to the best of their abilities with the aim of achieving or exceeding established targets and standards that are directly linked with the organizations objectives. It can be regarded as a strategic management technique that supports the overall business goals of the firm through linking each individuals work goals to the overall mission of the firm (Collings and Wood, 2009). Performance management is a continuous and flexible process that involves managers and those whom they manage acting as partners with in a framework that sets out how they can best work together to achieve the required results. It is based on the principle of management by contract and agreement rather than management by command. It relies on consensus and cooperation rather than control or coercion (Armstrong, 2006).

2.1.2. Performance Management System

Performance management is a continuous, integrated process that involves creating a shared understanding of what is to be achieved, and managing and developing people in a way which increases the probability that it was achieved in the short and longer term (Armstrong & Baron, 2005). Goal setting involves establishing specific, challenging, and achievable objectives for individuals and groups, with the aim of directing and mobilizing efforts toward the accomplishment of organizational goals (Locke & Latham, 2002).

Performance management system is a set of processes and managerial behaviors that include defining performance expectations, providing regular feedback, and maintaining an ongoing dialogue with employees to ensure performance stays on track (Pulakos & O'Leary, 2011). A performance management system, according to Rudman (2003), is increasingly seen as a means of integrating HRM activities with the business objectives of the organization, where management and HR activities are working together to influence individual and collective behaviour to support the organization's strategy. Besides, he also stressed that the performance management system must fit with the organization's culture. Performance management system is a kind of completed and integrated cycle for performance management. The emphasis of performance management systems is on continuously improving organizational performance, and this is achieved through improved individual employee performance (Macky and Johnson, 2000).

Ying (2012) also suggested that the main building blocks of a performance management system approach include: development of the organization's mission and objectives; enhancing communication within the organization so that employees are not only aware of the objectives and the business plan, but can contribute to their formulation; clarifying individual responsibilities and accountabilities; defining and measuring individual performance; implementing appropriate reward strategies, and developing staff to improve performance, and their career progression further in the future.

2.1.3. Purposes of Performance Management System

Performance Management Systems (PMS) serve multifaceted purposes within organizational contexts. One primary purpose is to align individual and team performance with the strategic goals of the organization, ensuring a cohesive and unified effort toward shared objectives (Aguinis, 2019). Through regular performance assessments, feedback, and goal-setting, PMS fosters a clear understanding of expectations and helps employees comprehend how their contributions contribute to broader organizational success. Additionally, performance management plays a pivotal role in talent development, facilitating the identification of strengths and areas for improvement among employees (Pulakos & O'Leary, 2011). This developmental aspect aims to enhance individual skills and capabilities, contributing to overall workforce competence. Furthermore, performance management systems provide a basis for fair and

transparent reward and recognition mechanisms, linking individual and team achievements to compensation, promotions, and career advancement (DeNisi & Murphy, 2017). In essence, PMS acts as a strategic tool that not only evaluates performance but also drives organizational effectiveness, employee growth, and a culture of continuous improvement.

Performance management systems also play a crucial role in enhancing communication and fostering a collaborative work environment within organizations. By providing a structured framework for regular performance feedback, PMS facilitates open and constructive dialogues between employees and managers. This continuous communication helps in clarifying expectations, resolving issues, and building a shared understanding of individual roles and responsibilities, contributing to a positive and transparent workplace culture (Armstrong & Baron, 2005). Moreover, performance management systems act as a source of motivation and engagement for employees. Clear performance expectations, coupled with recognition and feedback, create a sense of purpose and achievement, motivating individuals to actively contribute to organizational success (Mone & London, 2018). This motivational aspect is instrumental in sustaining high levels of employee engagement and commitment.

In addition to individual development, performance management systems serve strategic purposes for organizational planning and decision-making. Through the systematic collection and analysis of performance data, organizations can identify trends, assess the effectiveness of various initiatives, and make informed decisions about resource allocation, training needs, and overall strategic direction (Neely et al., 1995). This data-driven approach enhances organizational agility and responsiveness to changing market conditions, fostering a culture of adaptability and continuous improvement. In summary, the purposes of Performance Management Systems extend beyond individual evaluations to encompass communication, motivation, organizational planning, and a broader commitment to achieving long-term success.

2.1.4. Element of performance management system

Performance management is a collection of interconnected and integrated activities designed to make sure that people obtain their desired performance outcomes while also advancing the objectives of the business as a whole (Nwachukwu's, 2016). Performance planning, performance guiding, performance diagnosis, performance development, and performance improvement are all included in the process of performance management. Managing the efficiency of human

resources leads to controlling all other resources employed in the activity. This is how performance management works. In order to ensure the best utilization of these auxiliary resources, the employee doing a specific task where he needs material, technical, financial, informational, and other resources should follow the procedures and guidelines outlined in the performance plan (Pelluri & Padmavathy's, 2016).

A performance management system comprises several interconnected elements that collectively contribute to its effectiveness. Central to these elements is goal setting, a fundamental component that establishes clear and measurable objectives aligned with organizational priorities (Locke & Latham, 2002). This provides employees with a roadmap for their efforts and ensures that individual and team goals align with broader strategic objectives. Feedback mechanisms represent another critical element, involving the systematic provision of information on performance. Regular feedback, whether from supervisors, peers, or self-assessment, serves as a cornerstone for continuous improvement and employee development within the performance management framework (DeNisi & Murphy, 2017).

Performance appraisal, a structured evaluation process, constitutes a key element that involves the assessment of an employee's performance against predetermined criteria and goals (Murphy & Cleveland, 1995). This systematic evaluation provides a basis for decision-making regarding compensation, promotions, and professional development opportunities. Additionally, the incorporation of development plans and initiatives within a PMS is essential for nurturing individual growth and enhancing competencies (Aguinis & Pierce, 2008). These developmental aspects include training programs, mentorship, and skill-building opportunities, all geared toward improving employee capabilities and ensuring a continuous learning culture within the organization.

Furthermore, effective communication is a pivotal element of a robust PMS. It involves transparent and ongoing dialogues between employees and managers regarding performance expectations, progress, and areas for improvement (Pulakos & O'Leary, 2011). This fosters a shared understanding of organizational objectives and enhances collaboration. The integration of reward systems, linking individual and team achievements to tangible incentives and recognition, represents a final critical element of a PMS. Recognizing and rewarding high performance serves as a motivational tool, reinforcing a positive and achievement-oriented organizational culture

(Armstrong & Baron, 2005). In essence, the elements of a Performance Management System work synergistically to align, evaluate, develop, and reward employee performance in line with organizational goals.

2.1.5. Characteristics of an Effective Performance Management System

An effective Performance Management System (PMS) exhibits several key characteristics that collectively contribute to its success. Firstly, clarity and alignment with organizational goals are essential. This involves setting clear and measurable performance expectations that directly align with the broader strategic objectives of the organization (Aguinis, 2019). This characteristic ensures that individual and team efforts are directed toward the achievement of overarching organizational goals.

Regular and constructive feedback is another crucial characteristic of an effective PMS. Feedback mechanisms should be timely, specific, and focused on both strengths and areas for improvement (DeNisi & Murphy, 2017). This characteristic promotes continuous learning and development, allowing employees to understand their performance in the context of organizational expectations. Furthermore, an effective PMS is characterized by fairness and objectivity in performance evaluation. It employs standardized and transparent criteria for assessing performance to ensure that evaluations are unbiased and based on merit (Murphy & Cleveland, 1995). This characteristic is crucial for maintaining employee morale and trust in the performance management process.

The integration of employee development is a hallmark characteristic of an effective PMS. This involves the inclusion of structured development plans, training programs, and mentoring initiatives aimed at enhancing employee skills and competencies (Aguinis & Pierce, 2008). Such development opportunities contribute not only to individual growth but also to overall organizational capability. Open and continuous communication is another essential characteristic. An effective PMS fosters ongoing dialogue between employees and managers, creating a collaborative environment where expectations are communicated clearly, and feedback is a two-way process (Pulakos & O'Leary, 2011). This characteristic strengthens the relationship between employees and managers, promoting a shared understanding of performance expectations.

Lastly, a reward and recognition system is a critical characteristic of an effective PMS. Recognition of high performance, coupled with tangible incentives, reinforces a positive organizational culture and motivates employees to strive for excellence (Armstrong & Baron, 2005). These characteristic links individual and team achievements to organizational success, creating a sense of purpose and accomplishment.

2.2. Effect of Employee Performance Management System on Business Competitiveness

Performance Appraisals

Performance appraisal has been described as "the process of identifying, observing, measuring, and developing employee performance in organization" (Carrol & Scheider, 2012). This definition is very important, because it comprises all important components needed for the well-performed appraisal process. Identification criteria orientate the appraisal process to the determination of what has to be examined and the performance related criteria. The observation component means that the supervisors need to frequently observe the identified characteristics (Moulder, 2011). The measurement component indicates that the superior has to translate the observations into a judgmental rating. They have to be relevant, but also must be comparable across raters in the organization (Derven, 2010).

By development component, the definition shows that the performance appraisal should not only be the evaluation of the past. The supervisor, who makes the appraisal, should focus on the future and on the improvement of the results (Dzinkowski, 2010; Mone & London, 2010). The definition also suggests that effective appraisal can improve the employee performance in the organization, which also means increased employee motivation (Jackson & Schuller, 2012). Performance appraisal can and should be linked to performance improvement process and can also be used to identify training needs and potential, agree future objectives, support a career development and solve existing problems (Brown & Benson, 2013).

Huselid (2009) found considerable support for the hypothesis that investments in high-performance work practices are associated with lower employee turnover and greater productivity and corporate financial performance. Huselid (2009) results were based on a US national sample of nearly one thousand firms and indicated that HR practices that foster high performance also have an economically and statistically significant impact on both intermediate

employee outcomes (turnover and productivity) and short- and long-term measures of corporate financial performance. Wright et al. (2013) ran a research whose results support the notion that businesses which manage employees by using more progressive HR practices can expect to see higher operational performance as a result.

Performance Feedback

Effective performance feedback between employees and supervisors is the key to successful organization productivity. Regular feedback helps employees focus their work activities so the employees, the department, and the organization to achieve their goals (Solmon & Podgursky, 2010). It builds accountability, since employees and supervisors participate in developing goals, identifying competencies, discussing career development and employee motivation. However, there are some organizations that fail to provide feedback (Jackson & Schuller, 2012). Although a few managers may intentionally hold back employee feedback, many are overwhelmed with other management tasks that take up their valuable time. In addition, many organizations lack formal evaluation systems or the managers do not apply the systems that are in place (Banket, 2011).

Without any type of formal system and with many other demands, otherwise good managers often let feedback fall to the wayside. The lack of feedback also leaves good employees unrecognized. Even poor performance may not be given adequate feedback (Solmon and Podgursky, 2010). Many managers often are uncomfortable giving negative feedback to employees. This leads to significant problems where the organization finds itself at a crisis point. Further exacerbating the feedback dilemma is the lack of an organized feedback system in many organizations (Salau et al., 2014). Becoming frustrated with traditional performance appraisal systems, many companies have abandoned them altogether and feedback has become a hit or miss proposition. In doing so, feedback has become sporadic and unpredictable (Jackson & Schuller, 2012).

The success of the feedback depends on the acceptance of the process. Feedback reactions are usually very different. The satisfaction with the performance appraisal is an indication of the degree to which subordinates are satisfied with the process and the feedback they have received. It serves as a report of the accuracy and fair evaluations of the performance (Mone & London, 2010). The outcome is that satisfied individuals after the performance feedback will improve

further working relationships with supervisors and colleagues (Jackson & Schuller, 2012). The feedback can also bring negative reactions from employees. If perceived unfair, the feedback can cause behavioral changes such as absenteeism, lack of cooperation, lack of focus on priorities, unhealthy competition and even can cause staff turnover (Dechev, 2010).

Reward Systems

Reward systems within the Employee Performance Management System play a pivotal role in recognizing and reinforcing high performance. These systems encompass both financial and non-financial incentives and are linked to increased employee motivation and satisfaction. Effective reward systems contribute significantly to business competitiveness by creating a positive organizational culture and motivating employees to strive for excellence (Aguinis & Pierce, 2008; Pulakos & O'Leary, 2011).

Effective reward systems go beyond financial compensation, encompassing a range of non-monetary incentives that contribute to employee motivation and satisfaction. Recognition programs, such as Employee of the Month or peer commendations, create a positive work environment by acknowledging individual and team accomplishments. In addition to fostering a sense of appreciation, these recognition initiatives play a role in shaping organizational culture, promoting a shared value system centered around excellence and achievement (Aguinis & Pierce, 2008; Pulakos & O'Leary, 2011).

Moreover, a well-designed reward system aligns with organizational values and goals, reinforcing behaviors that contribute to business competitiveness. By linking rewards to specific performance outcomes, organizations can communicate strategic priorities and encourage behaviors that drive success. The strategic use of rewards, when transparent and equitable, not only motivates high performers but also sends a powerful message about the organization's commitment to recognizing and valuing employee contributions, thereby enhancing overall business competitiveness (Armstrong & Baron, 2005).

Evaluation System

The Evaluation System is a crucial variable within the Employee Performance Management System, offering a systematic approach to assessing and enhancing overall organizational performance. It involves the use of key performance indicators and metrics to identify areas for

improvement, allocate resources effectively, and make informed strategic decisions. An effective evaluation system contributes to organizational agility and adaptability, fostering a culture of continuous improvement and responsiveness to changing market conditions (Neely, Gregory, & Platts, 1995).

The Evaluation System within the Employee Performance Management System is instrumental in shaping organizational effectiveness. It involves the systematic collection and analysis of performance data to gauge the success of organizational strategies and initiatives. By leveraging key performance indicators, organizations gain insights into the efficiency and effectiveness of their processes, helping them identify areas for improvement and allocate resources strategically (Neely, Gregory, & Platts, 1995). Additionally, an effective evaluation system contributes to organizational learning by providing a basis for informed decision-making, fostering a culture of continuous improvement and adaptability (Aguinis, 2019).

Moreover, the evaluation system acts as a diagnostic tool, allowing organizations to identify patterns and trends in performance data. This information aids in proactive decision-making, enabling organizations to anticipate challenges, capitalize on opportunities, and stay ahead in a competitive business landscape. In this way, the Evaluation System not only assesses past performance but also serves as a strategic compass, guiding organizations toward sustained competitiveness and success.

Career Development

Career development is a vital aspect of the Employee Performance Management System, focusing on the ongoing process of managing an individual's professional growth within an organization. It encompasses acquiring new skills, gaining relevant experiences, and pursuing opportunities for career progression. Investments in career development contribute not only to individual capabilities but also to overall organizational capability and adaptability in a dynamic business environment (Armstrong & Baron, 2005).

Career development, as a variable within the Employee Performance Management System, is instrumental in shaping individual growth and contributing to overall organizational capability. It involves the ongoing process of managing an individual's professional trajectory, encompassing skill acquisition, gaining relevant experiences, and pursuing opportunities for advancement.

Organizations that invest in career development not only enhance the capabilities of their workforce but also foster a sense of loyalty and commitment among employees (Armstrong & Baron, 2005).

Furthermore, career development aligns individual aspirations with organizational goals, creating a mutually beneficial relationship. Employees who see a clear path for career advancement are more likely to be engaged, motivated, and committed to contributing their best to the organization. Additionally, as organizations prioritize career development, they position themselves as employers of choice, attracting and retaining top talent in a competitive market. Ultimately, the strategic integration of career development within the Employee Performance Management System contributes to a skilled, motivated, and adaptable workforce, enhancing overall business competitiveness (Kluger & DeNisi, 1996; DeNisi & Murphy, 2017).

2.3. Empirical Review

Various studies have investigated the impact of performance appraisal on employee performance and organizational outcomes. For instance, a study by Smith et al. (2019) found that a well-implemented performance appraisal system positively correlated with increased employee satisfaction and productivity. In contrast, research by Jones and Brown (2020) suggested that the effectiveness of performance appraisal systems is contingent on the quality of feedback provided. These studies collectively highlight the nuanced nature of performance appraisal's influence on organizational outcomes, emphasizing the need for a comprehensive and supportive appraisal process (Smith et al., 2019; Jones & Brown, 2020).

Katavich (2013) carried out a research on how important is the satisfaction of the employees within an organization's appraisal system. The primary focus of his study was on how employees perceive and retreat their performance appraisal system. Another focus of this study was to investigate how extrinsic and intrinsic drivers of motivation impact the appraisal system. He was of the view that reaction of employees to the appraisal system impacts on the determinants which are vital for an organizations' success. The results of his research revealed that poor performance appraisal systems result in employee dissatisfaction which results in valuable employees leaving the organization. However, if these employees are satisfied with the organization's appraisal

system, it becomes advantageous for both the parties; the organization at large and the employee to some extent. Thus it proves employee satisfaction for organization success.

According to Abdullah (2014) remuneration, creativity, training and development have a positive impact on employees' job performance in his study of factors that influence employee performance at the Fairmont Norfolk hotel**.** In his study, the impact of remuneration on employee performance at the organization is positive. Furthermore, in regards to the impact of creativity on employee performance respondents have also agreed that the degree to which the organization embraces creativity has an impact on their performance. Finally, training and development also seen as the major driver of performance. However, he does not consider the other factors that have impact on employee's job performance such as individual skill, experience, motivational factors and the appraisal system.

According to Assefa (2016), in his study of commercial bank of Ethiopia on the impact of training at employees' performance, the finding of the study showed that the effect of Training on Employee Performance is significant. Respondents' response shows that the job instructions prepared by the organization are clear and easy to apply, and they believe also that they receive enough guidance from their peer and supervisors. In addition, respondents affirmed that job rotation has the power of enhancing the overall performance of employees in their organization. Still, majority of the respondents acknowledged that their efficiency has improved after they took training.

Nwachukwu's (2016) study was to use controlled questionnaires to investigate the link between performance management, employee engagement, and the organizational culture of a few chosen banks in Nigeria. The findings demonstrated the significance of performance management and its beneficial relationships with company culture. Organizational culture was inversely correlated with employee empowerment. According to the study, banks should be careful of the amount of empowerment since it might erode organizational culture and the company should establish a robust PMS in order to have a more transparent and dynamic organizational culture.

Garg and Punia (2017) research to find out a suitable model of human research activities for the insurance company of India to make employees perform to accomplish task more effectively and in a better way. Danish and Usman (2010) carried out a research on the impact of Reward and

Recognition on Job Satisfaction and motivation. According to them these motivated employees make an organization more profitable by adding value to it. Their study proved that motivation and Job Satisfaction were positively and highly co-related concluding that reward and recognition did affect the level of employee motivation. They highlighted that in Pakistan employees lack appreciation from their employers making them de-motivated. So, in order to boost their motivational levels employers need to put in proper recognition and appreciation in terms of appraisals and rewards.

Erdem *et al.* (2017) study used 605 distributed questionnaires to investigate the association between performance management (PM) conduct and the performance of laborers working in 6 different organizations in Khartoum. The findings showed a strong correlation between the actions of PM supervisors and labour performance. In general, task performance and organizational citizenship behaviour are positively correlated with all PM behaviours, with the exception of monitoring performance objectives (OCB). However, negative relationships exist between PM practices (such as feedback, coaching, and monitoring performance objectives) and unproductive work behaviour. Building on these findings, business managers have the chance to boost worker performance by putting more of a focus on encouraging supervisors to participate in positive behaviours and by emphasizing coaching and performance awards.

The study of Nazir and Islam (2017) reveals that there is a positive relationship between the employee performance and organizational supports. Pushpakumari (2008) carried out a research to examine the impact of Job Satisfaction on employee performance. According to her employee behavior was based on their attitudes towards work. Their performance is also related to their attitude and behavior. A satisfied employee is a source of positive energy within the organization as he is the reason of motivation for others. This study mainly concerned the type of rewards that derived employee behavior and performance, in terms of intrinsic rewards and extrinsic rewards. This study also discussed the impact of factors such as age, gender and tenure on job satisfaction. It elaborated the kind of intrinsic and extrinsic rewards that could result in employee satisfaction. The data for her research was collected from 20 organizations based in different sector. A positive correlation was observed in her study.

The study of Rai et al. (2017) ponders light on the fact that employee's positive perception and support of leaders to high the degree of job engagement in banking sector of bank of India. Mughal, Akram, and Ali (2014) carried out a research of the implementation and effectiveness of the performance of Bank Alfalah. Her review is to give edge to association by giving functional arrangements and suggestions with the goal that organizations can pick the best alternative. Qualitative research philosophy has been utilized by analyst. To distinguish the issues, organized meetings were led from the representatives related with various divisions of Alfalah Bank. This review demonstrates the down to earth ramifications of suggested practices in genuine business circumstances. This review has investigated the issues (shortcomings) related with execution administration in managing an account area.

In a comprehensive review of organizational performance, Smith (2020) sheds light on the positive correlation between well-designed evaluation systems and superior organizational outcomes. The study, encompassing a range of industries, establishes that organizations with robust evaluation systems consistently outperform their counterparts in key performance metrics. Smith's findings accentuate the importance of continuous refinement and adaptation of evaluation systems to navigate the complexities of dynamic business environments successfully (Smith, 2020).

Recent empirical findings provide valuable insights into the relationship between employee performance management systems and business competitiveness. In a study by Patel and colleagues (2023), which focused on the banking sector, it was found that there is a significant positive correlation between the effectiveness of performance appraisal systems and business competitiveness. Specifically, banks with well-designed and implemented performance appraisal systems were found to have higher levels of competitiveness compared to those with less robust systems. Similarly, a study by Khan et al. (2022) examined the impact of reward systems on the competitiveness of commercial banks and found that banks offering competitive reward packages to employees experienced greater competitiveness in the market. This suggests that an effective reward system plays a crucial role in enhancing business competitiveness by attracting and retaining talented employees.

Furthermore, research conducted by Sharma and Gupta (2023) investigated the influence of performance feedback on business competitiveness in the banking sector. The study revealed a strong positive relationship between the frequency and quality of performance feedback provided to employees and the competitiveness of banks. Banks that consistently provided timely and constructive feedback to employees were found to outperform their competitors in terms of market share and profitability. Additionally, a recent study by Li et al. (2024) explored the effect of career development programs on the competitiveness of commercial banks. The findings indicated that banks that invested in comprehensive career development initiatives, including training, mentoring, and opportunities for advancement, demonstrated higher levels of competitiveness compared to banks that did not prioritize employee career development.

2.4. Conceptual Framework

The conceptual framework for this study is designed to explore and analyze the intricate relationships among key variables related to the Employee Performance Management System (EPMS) and their collective impact on the overall competitiveness of commercial banks operating in Wolkite Town.

Independent Variables:

Performance Appraisal (X_1): This variable represents the effectiveness and comprehensiveness of the performance appraisal systems within the commercial banks. It encompasses the quality of feedback, alignment with organizational goals, and the extent to which it serves as a developmental tool.

Reward Systems (X_2): This variable assesses the impact of reward systems, including both financial and non-financial incentives, on employee motivation, satisfaction, and overall performance. It considers the fairness, transparency, and strategic alignment of reward mechanisms.

Performance Feedback (X_3): Examining the regularity, specificity, and effectiveness of performance feedback mechanisms, this variable aims to understand how feedback contributes to employee development, job satisfaction, and overall engagement.

Evaluation System (X_4): Focusing on the organization's evaluation systems, this variable evaluates the extent to which these systems contribute to organizational learning, performance improvement, and strategic decision-making.

Career Development (X_5): This variable explores the impact of career development initiatives on employee growth, commitment, and retention. It considers the alignment of career development opportunities with individual aspirations.

Dependent Variable

Business Competitiveness (Y): This represents the overall competitive position of commercial banks in Wolkite Town. It is influenced by the effectiveness of the EPMS variables, as well as other external factors. Business competitiveness is assessed through key performance indicators, market share, and financial performance.

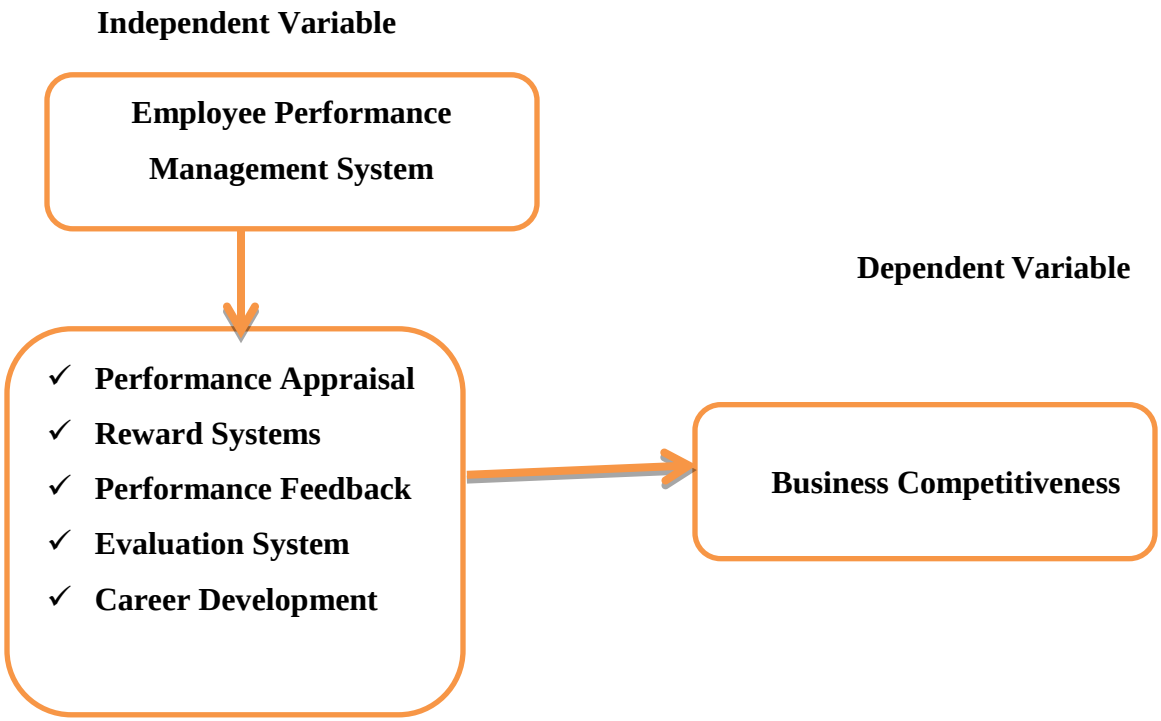


Table 1: Conceptual framework of the study
Source: Own design from different literatures, 2023

CHAPTER THREE

RESEARCH METHODOLGY

Introduction

This chapter outlines the methodological approach adopted to investigate the relationship between employee performance management systems and business competitiveness among commercial banks in Wolkite town. The research design employs a quantitative approach, utilizing a cross-sectional design to gather data at a single point in time. Data was collected through a structured survey questionnaire distributed to employees and managers within the commercial banks. The sample size was determined using a suitable sampling technique to ensure representation from all banks, and data analysis was involved statistical methods to test hypotheses and draw conclusions about the relationships between variables.

3.1. Description of the Study Area

Gurage is a zone in the Central Ethiopia Regional State of Ethiopia. The region is home to the Gurage people. Gurage is bordered on the southeast by Hadiya and Yem Zone, on the northwest by Kebena Special Woreda, north and east by the Oromia Region, and on the southeast by Silt'e. The zone is also home to various other ethnic communities, each contributing to the cultural tapestry of the region. Amharic and Gurage languages are widely spoken. Wolkite, the administrative center of Gurage Zone, serves as a hub for administrative, commercial, and social activities. It boasts a blend of modern and traditional elements, with markets, educational institutions, and government offices contributing to its vibrancy.

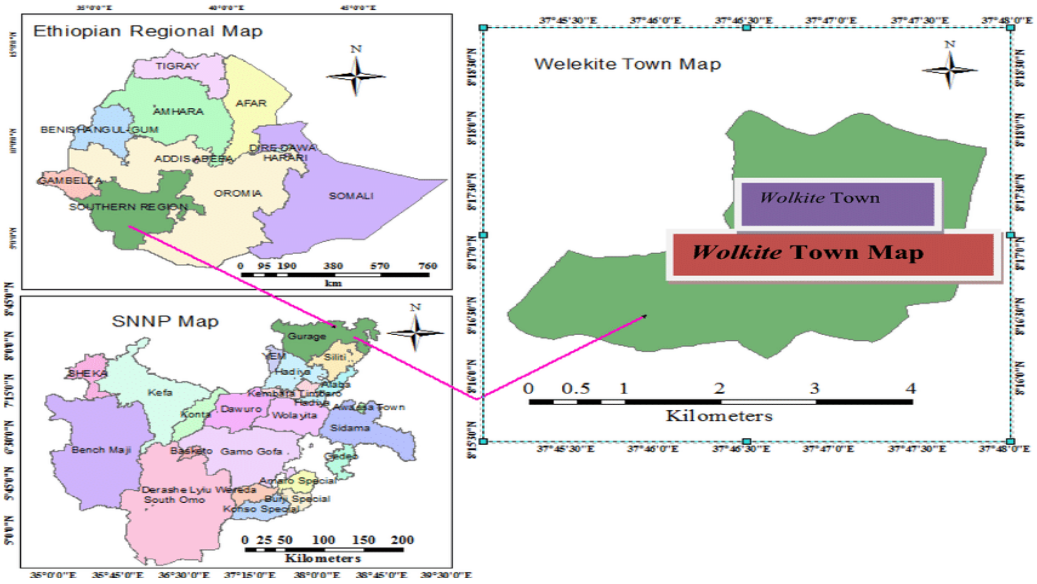


Figure 2: map of the study area

3.2 Research Design

According to Singh (2006), research design is essentially a statement of the objective of the inquiry and the strategies for collecting the evidence, analyzing the evidence, and reporting the findings. With the view to address its objectives, the study was used quantitative method. With respect to research design explanatory research design was adopted. Structured questionnaire were used to collect explanatory data and analyze the effect of employee performance management system on business competitiveness.

The researcher was used both explanatory and descriptive research design to examine the effect of employee performance management system on business competitiveness among commercial banks in Wolkite town. The purpose of explanatory research design is mainly to understand and explain what relationship and effect shall exist between the dependent variable and the independent variables quantitatively to know extent of relationship and effect of variables. Explanatory approach was conducted with the objective of establishing the cause and effect relationship between the dependent and independent variables by correlation i.e. between

independent variables and employee performance; multiple regression analysis was used to identify influential factors to see the effect of independent variables on dependent variables. Explanatory research looks for causes and reasons. It aims to understand phenomena by discovering and measuring causal relations among them (Mitchell and Jolley, 2004). In order to summarize the demographic characteristics of the respondents, descriptive analysis was used by comparing the frequency, percentage, mean and standard deviation score of each variable.

3.3. Research Approach

To realize this target and provide a conclusive answer for the research questions outlined in chapter one and to test the hypothesis, the study was employed mostly quantitative approach methods were used. The reason behind is to better understand the reality of both objectively and subjectively and to use the different advantages of the two methods like better explain ability and generalizability. The quantitative involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion. The approach is selected because it is reliable & objective compared to qualitative approach and it looks at relationships between variables and can establish cause and effect in highly controlled circumstances. Hence it wills sequential explanatory design to help examine, explain, and contextualize quantitative findings. Accordingly, the quantitative responses were analyzed using SPSS to acquire objective cause effect relationship among the variables.

3.4. Sample Size and Sampling Technique

3.4.1 Sample Size

In order to ensure a comprehensive and representative sample for this study, a careful approach to sample size determination was employed. For the purpose of this study, a purposive classification was applied, dividing the banks into two distinct categories: Commercial Bank of Ethiopia (CBE) and Private Banks within Wolkite town. This deliberate categorization aimed to capture the diverse dynamics between the public and private banking sectors. However, due to the relatively small number of employees in each bank, a comprehensive approach was adopted. Given that all employees from each classified group (Commercial Bank of Ethiopia and Private Banks) was included as the sample respondents, a census approach is employed, meaning the entire population within each bank category was considered.

For CBE, with a total workforce of 47 employees, it was decided that the entire employee population would constitute the sample, reflecting a census approach to ensure a comprehensive representation. On the other hand, Private Banks, including Nib International Bank with 39 employees, Awash Bank with 24 employees, Abyssinia Bank with 26 employees, Debub Global Bank with 14 employees, Hebert Bank with 13 employees, and Wegagen Bank with 11 employees, presented a combined total of 127 employees. Consequently, a comprehensive sample of 174 employees were utilized for the purposes of this study. By opting for this comprehensive sampling method, the study aims to provide a nuanced understanding of the impact of employee performance management systems on business competitiveness across both Commercial Bank of Ethiopia and Private Banks in Wolkite town.

3.5. Data Source and Method of Collection

3.5.1. Types of data

The study was rely on both primary and secondary sources of data. Primary data was gathered directly from employees of the Commercial Bank of Ethiopia (CBE) and Private Banks in Wolkite town through structured questionnaires. This data was focused on employees' perceptions, experiences, and feedback regarding the effectiveness of the employee performance management system and its impact on business competitiveness. Secondary data was sourced from relevant literature, reports, and publications, providing a theoretical foundation and contextual background for the study.

3.5.2. Instrument and Procedure of Data Collection

The primary instrument for data collection was designed a structured questionnaire designed to elicit quantitative responses from the employees. The questionnaire was included sections addressing the current practice of performance management, the influence of performance appraisal systems, the role of reward systems, the effectiveness of performance feedback, the impact of evaluation systems, and the significance of career development in relation to business competitiveness. In the questionnaires, two categories of major variables were measured. The independent variable as organizational culture whiles the dependent variable as performance of employees. Likert with scale (1= strongly disagree to 5 = strongly agree) was administered to the respondents. Collected questionnaires was encoded in to a summary report. SPSS & Microsoft Excel was used to categorize the summary report in order to evaluate the underlying employee

performance management system and business competitiveness. The questionnaire was distributed in-person, and participants was encouraged to provide candid and detailed responses.

3.6 Methods of Data Analysis

To fulfill the outlined research objectives, the gathered data was undergo analysis tailored to the nature of each objective. Both descriptive and inferential statistical analysis techniques was employed. Descriptive statistics, including percentages, figures, and tables, was generated using software to elucidate relationships among variables. This information was organized in standardized formats such as tables, frequencies, and percentages for comprehensive analysis and interpretation. The quantitative analysis was carried out using Statistical Package for Social Sciences (SPSS. Multiple linear regression analysis was used to draw inferences between dependent variable and independent variables. Correlation analysis more specifically Pearson correlation was used to measure the degree of association between employee performance management system and business competitiveness.

3.7 Reliability Test

Reliability refers to the extent to which the data collection techniques and procedures was yield consistent findings Easterby *et al.* (2008). Reliability analysis was used to measure the internal consistency of questionnaires. There are different methods of reliability test. For the purpose of this study, Cronbach's alpha was considered to be suitable. Cronbach alpha reliability coefficient normally ranges between 0 and 1. According to George & Mallery (2003) provides the following rule of thumb for the Cronbach's alpha >.9 excellent, >.8 good, >.7 acceptable, >.6 questionable, >.5 poor and <.5 unacceptable. Accordingly, reliability results of the measurements for the variables of organization cultural and employee job performance.

3.8 Ethical Consideration

Ethical issues are very important in research these days. Ethical emerged from value conflicts. Each decision made in research involves a potential compromise of one value for another. Researchers must try to minimize risks to participants, colleagues and society while attempting to maximize the quality of information they produce (David, 1989). For Ethical purpose, formal letter was obtained from the college. Participants and firms was assured that their name was not be stated, data was kept confidential and used only for research purpose. In addition to written

statement the researcher also was tried to communicate all respondent personally and described the purpose and significance of the study verbally it enabled the researcher to access all necessary data to accomplish the study.

CHAPTER FOUR

RESULT AND DISCUSSION

Introduction

Chapter Four delves into the analysis of the data collected to examine the relationship between employee performance management systems and business competitiveness within commercial banks in Wolkite town. This chapter presents a detailed exploration of the gathered data, employing statistical techniques to test the formulated hypotheses and draw meaningful conclusions. The analysis aims to uncover insights into the effectiveness of performance appraisal, reward systems, performance feedback, evaluation systems, and career development in enhancing competitiveness. By scrutinizing the data, this chapter offers valuable insights into the dynamics of performance management systems and their impact on business competitiveness, contributing to both academic understanding and practical implications for organizational management and policy development.

4.1. Response Rate

Table 2: Total number of questionnaires administered

Questionnaires	Frequency	Percentage
Distributed	174	100
Collected	150	86.2
	40 (commercial bank)	26.7
	110 (private banks)	73.3

Source: Survey result, 2024

A total of 174 questionnaires were distributed to employees of both commercial banks and private banks in Wolkite town for the study. Out of these, 150 questionnaires were collected, yielding a response rate of 86.2%. Among the collected questionnaires, 40 were from employees of commercial banks, constituting 26.7% of the total responses. Meanwhile, 110 questionnaires were obtained from employees of private banks, making up 73.3% of the total responses. The relatively high response rate indicates a strong level of participation from the surveyed employees, enhancing the reliability of the data gathered. However, there was a notable difference in response rates between employees of commercial banks and private banks, with a

higher proportion of responses obtained from the latter. Overall, the substantial response rate underscores the effectiveness of the data collection process and strengthens the credibility of the research outcomes.

4.2. Demographic Characteristics

Table 3: Demographic profile of respondents

Items		Public Bank (40)		Private banks (110)		All respondents	
		Freq.	%	Freq.	%	Freq.	%
Gender	Male	28	13.3	109	51.7	137	65.2
	Female	12	5.7	61	29.1	73	34.8
Age	<30 years	10	6.6	35	23.4	45	30
	30-39 years	17	11.3	47	31.4	64	42.7
	40-59 years	8	5.3	16	10.7	24	16
	51-60 years	4	2.7	12	8	16	10.7
	>60 years	1	0.7	0	0	1	0.7
Marital status	Single	11	7.3	50	33.4	61	40.7
	Married	27	17.9	56	37.4	83	55.3
	Divorced	2	1.3	4	2.7	6	4
Education status	Degree	18	11.9	70	53.4	98	65.3
	Masters	22	14.9	29	19.8	51	34.7
Year of experience	0-5 years	10	6.7	36	24	46	30.7
	6-10 years	17	11.3	41	27.4	58	38.7
	11-15 years	7	4.6	27	18	34	22.6
	>16 years	6	4	6	4	12	8
Employment category	Clerical	26	17.3	57	38	83	55.3
	Supervisor	14	9.3	53	35.4	67	44.7

Resource: Own survey result, 2024

For the purposes of this study, the variables on demographic information are age, sex, marital status, level of education, total years of experience, employment status and salary range. The result of this demographic presentation is stated below using descriptive statistics analysis.

The demographic profile of respondents, disaggregated by public banks (40 respondents) and private banks (110 respondents), reveals several noteworthy trends.

In terms of gender distribution, a higher proportion of male respondents is observed in both public banks (13.3%) and private banks (51.7%) compared to female respondents. This gender disparity is particularly pronounced in private banks, where male respondents significantly outnumber female respondents.

Regarding age distribution, a diverse range of age groups is represented among respondents from both public and private banks. In public banks, the majority of respondents fall within the age range of 30-39 years (11.3%), followed by those aged 40-59 years (5.3%). In contrast, private banks exhibit a broader age distribution, with a substantial proportion of respondents aged 30-39 years (31.4%) and 40-59 years (10.7%). Notably, the proportion of respondents aged over 60 years is minimal in both public and private banks.

In terms of marital status, the majority of respondents across both public and private banks are married, with slightly higher proportions observed in private banks (37.4%) compared to public banks (17.9%). Single respondents constitute a smaller proportion, while divorced respondents are relatively rare in both sectors. Education status reveals a higher prevalence of respondents with a degree qualification in both public banks (11.9%) and private banks (29%). However, private banks show a higher proportion of respondents with a master's degree (19.8%) compared to public banks (14.9%). This suggests a relatively higher level of educational attainment among employees in private banks.

Regarding years of experience, respondents from both public and private banks exhibit a varied distribution across different experience categories. The majority of respondents in both sectors have 0-10 years of experience, with a notable proportion having 6-10 years of experience. However, private banks show a higher concentration of respondents with over 16 years of experience compared to public banks.

Finally, in terms of employment category, clerical staff represent a significant proportion of respondents in both public banks (17.3%) and private banks (35.4%). However, private banks show a higher proportion of respondents in supervisory positions (53%) compared to public banks (9.3%), indicating a greater managerial presence in private banking institutions.

4.3. Reliability of the Data

Table 4: Result of reliability analysis for the questionnaire

Business Competitiveness	**Number of attribute**	**Cronbach's alpha**
Performance Appraisal System	10	0.879
Reward Systems	10	0.884
Performance Feedback	7	0.834
Performance Evaluating Systems	8	0.793
Career Development	5	0.894
Overall reliability analysis	Cronbach's alpha	0.847

Resource: Own survey result, 2024

The reliability analysis conducted for the questionnaire in the study aimed to assess the internal consistency of measurements across various dimensions related to business competitiveness. The results revealed strong reliability across most dimensions, with Cronbach's alpha coefficients ranging from 0.793 to 0.894. Specifically, dimensions such as performance appraisal system, reward systems, and career development demonstrated high internal consistency, with coefficients exceeding 0.87. Although slightly lower, dimensions such as performance feedback and performance evaluating systems still exhibited acceptable reliability, with coefficients above 0.79. The overall reliability analysis yielded a Cronbach's alpha coefficient of 0.847, indicating good internal consistency across all dimensions. These findings suggest that the questionnaire is a reliable tool for measuring the intended constructs of business competitiveness, enhancing the credibility of the study's results and conclusions.

4.4 Descriptive Analysis of Business Competitiveness

4.4.1. Performance Appraisal System

Table 5: The performance appraisal system variable analysis

Performance Appraisal System	Public bank		Private banks	
	Mean	Std. Dev.	Mean	Std. Dev.
Does the purpose of performance appraisal in your organization help you strengthen your job skills and improve the performance of your employees?	4.12	0.75	4.06	0.81
Clearly understand the purpose of performance	4.37	0.64	4.28	0.88

appraisal				
Have the opportunity to participate when performance objectives are set	3.32	0.68	3.13	0.79
The performance measures given in the actual are applied correctly	3.65	0.74	3.80	0.85
The performance evaluators are well trained in the evaluation systems	3.34	0.85	3.49	0.82
The supervisor of the institution gives regular feedback on the performance of the staff	2.57	1.05	2.09	1.32
Are employees who are successful in their jobs given promotion?	3.43	0.89	3.7	1.36
Performance results are tied to bank's motivation for benefit packages	3.54	0.78	3.78	1.21
How do PMS staff members view result fair performance appraisals	3.26	1.08	3.54	1.10
There is a progress in implementing a performance management system on employee performance	3.58	1.02	3.66	1.13
Grand	3.51	0.84	3.5	1.2

Resource: Own survey result, 2024

The analysis of the performance appraisal system variable provides insights into how employees perceive various aspects related to performance appraisal within their organizations, disaggregated by public banks and private banks. Respondents from both sectors strongly agreed that the purpose of performance appraisal is to strengthen job skills and improve employee performance, with mean scores of 4.06 for public banks and 4.12 for private banks. Similarly, there was a high level of agreement that they clearly understand the purpose of performance appraisal, with mean scores of 4.28 for private banks and 4.37 for public banks.

However, there were some variations in perceptions regarding specific aspects of the performance appraisal system between public and private banks. For example, respondents from private banks rated lower on having the opportunity to participate when performance objectives are set compared to those from public banks (mean scores of 3.13 and 3.32, respectively). Similarly, private bank respondents rated lower on the application of performance measures given in the actual, compared to public bank respondents (mean scores of 3.80 and 3.65, respectively).

Regarding feedback from supervisors, respondents from both sectors indicated lower agreement with the statement that supervisors give regular feedback on staff performance. However, private bank respondents rated this aspect even lower compared to public bank respondents (mean scores of 2.09 and 2.57, respectively). On the other hand, both public and private bank respondents generally agreed that employees who are effective in their work are recognized, with slightly higher ratings from private bank respondents (mean scores of 3.7 and 3.43, respectively).

In terms of tying performance results to motivation for benefit packages, both sectors showed relatively high agreement, with private bank respondents rating this aspect slightly higher than public bank respondents (mean scores of 3.78 and 3.54, respectively). Overall, respondents from both public banks and private banks rated the performance appraisal system positively, with average scores above 3.5 on a scale of 1 to 5. This indicates a generally favorable perception of the performance appraisal processes within their respective organizations.

Overall, the analysis suggests that while there is generally positive perception of the performance appraisal system in both public and private banks, there are some areas where improvements may be needed, particularly in areas such as employee participation in setting performance objectives and regular feedback from supervisors. These findings highlight opportunities for organizations to enhance their performance appraisal processes to better meet the needs and expectations of their employees.

4.4.2. Reward Systems

Table 6: The reward systems variable analysis

Reward Systems	Public bank		Private banks	
	Mean	Std. Dev.	Mean	Std. Dev.
The performance management system in the company promotes good performance	4.02	0.58	4.12	0.64
Rewards given by her company motivate you to put more effort in your work.	3.36	0.83	3.18	0.71
Are the bank's strategic activities linked to performance target requirements?	4.15	0.94	4.36	0.74
The bank has influenced productivity by linking reward promotion to performance targets	3.67	0.78	3.83	0.98
Do rewards motivate me to complete tasks on time?	3.46	0.97	3.55	1.34

The rewards are varied but satisfying	3.68	0.66	3.42	0.78
Reward opportunities encourage employees to be creative in performing tasks	3.74	0.77	3.81	0.89
In a branch, everyone is focused on achieving their performance goals for their own good.	4.23	0.46	4.09	1.32
Appreciation by managers increases your satisfaction at work.	3.49	1.04	3.45	1.13
Rewards for performance that reflect your fair or total effort	3.81	0.94	3.89	1.10
Grand	3.42	0.73	3.83	0.98

Resource: Own survey result, 2024

The analysis of the reward systems variable provides insights into how employees perceive various aspects related to rewards within their organizations, with a focus on both public banks and private banks.

Respondents from both sectors strongly agreed that the performance management system in their companies promotes good performance, with slightly higher ratings from private bank respondents (mean scores of 4.12 for private banks and 4.02 for public banks). Similarly, respondents from both sectors agreed that rewards given by their companies motivate them to put more effort into their work, although public bank respondents rated this aspect slightly higher than private bank respondents (mean scores of 3.36 and 3.18, respectively).

When it comes to delivering the bank's strategic activities beyond performance target requirements, respondents from both public and private banks agreed strongly, with higher ratings from private bank respondents (mean scores of 4.36 for private banks and 4.15 for public banks). Regarding the influence of rewards on productivity by linking reward promotion to performance targets, respondents from both sectors generally agreed, with slightly higher ratings from private bank respondents (mean scores of 3.83 for private banks and 3.67 for public banks).

Both public and private bank respondents agreed that rewards motivate them to complete tasks on time, with slightly higher ratings from public bank respondents (mean scores of 3.55 for private banks and 3.46 for public banks). In terms of the variety and satisfaction of rewards, respondents from both sectors agreed, although public bank respondents rated this aspect slightly higher than private bank respondents (mean scores of 3.68 for public banks and 3.42 for private banks).

Respondents from both public and private banks agreed that reward opportunities encourage employees to be creative in performing tasks, with slightly higher ratings from private bank respondents (mean scores of 3.81 for private banks and 3.74 for public banks). Both sectors also agreed that everyone in a branch is focused on achieving their performance goals for their own good, with slightly higher ratings from public bank respondents (mean scores of 4.23 for public banks and 4.09 for private banks).

Finally, respondents from both sectors agreed that appreciation by managers increases satisfaction at work, with similar ratings from both public and private bank respondents (mean scores of 3.49 for public banks and 3.45 for private banks). Overall, the analysis suggests that while there is generally positive perception of the reward systems in both public and private banks, there are some areas where improvements may be needed, particularly in areas such as motivating employees to complete tasks on time and ensuring that rewards are varied and satisfying. These findings highlight opportunities for organizations to enhance their reward systems to better motivate and engage their employees.

4.4.3. Performance Feedback

Table 7: The performance feedback variable analysis

Performance Feedback	Public bank		Private bank	
	Mean	Std. Dev.	Mean	Std. Dev.
Manager/Supervisors shall give you fair feedback on performance	3.57	0.67	3.76	0.52
Manager/supervisors will discusses the performance of the work regularly	3.78	0.61	3.54	0.50
Feedback received from manager/supervisors is influential in improving your efforts.	4.03	0.89	4.38	0.67
Emphasizes positive feedback for all performance	3.58	1.15	3.76	1.08
Concur with feedback from mangers/supervisors on result.	3.45	1.09	3.68	1.12
Feedback received by subordinates for their performance is fair compared to their effort	3.88	0.78	4.04	1.02
Feedback generated by a performance management system is reflects your efforts.	3.94	1.12	3.71	1.21
Grand	3.74	0.91	3.83	0.87

Resource: Own survey result, 2024

In comparing the performance feedback mechanisms between public and private banks, several notable differences and similarities emerge. Firstly, both sectors generally perceive their managers or supervisors to provide fair feedback on performance, with slightly higher mean scores in private banks (3.76) compared to public banks (3.57). This suggests a slightly stronger perception of fairness in feedback among employees in private banks. However, when it comes to the regular discussion of performance, public bank employees exhibit a higher mean score (3.78) compared to private bank employees (3.54), indicating a stronger belief in consistent performance discussions within public banks.

Interestingly, private bank employees perceive the feedback received from managers or supervisors as highly influential in improving their efforts, with a significantly higher mean score (4.38) compared to public bank employees (4.03). This suggests that private banks may have more effective feedback mechanisms that contribute to performance improvement. Moreover, private bank employees express a slightly higher level of agreement with feedback on results from managers or supervisors (mean score of 3.68) compared to their counterparts in public banks (mean score of 3.45).

Regarding the perception of fairness in feedback compared to effort, private bank employees again exhibit a slightly stronger belief, with a higher mean score (4.04) compared to public bank employees (3.88). However, both sectors show similar levels of agreement regarding the emphasis on positive feedback for all performance, with mean scores of 3.76 and 3.58 for private and public banks, respectively.

Lastly, while both sectors perceive feedback generated by the performance management system to reflect their efforts, private bank employees exhibit a slightly lower mean score (3.71) compared to public bank employees (3.94). This suggests that private bank employees may have slightly less confidence in the alignment between feedback received and their actual efforts compared to their counterparts in public banks. Overall, while there are some nuanced differences between public and private banks in terms of performance feedback, both sectors generally emphasize fairness and the importance of feedback in improving performance.

4.4.4. Performance Evaluating Systems

Table 8: The performance evaluating systems variable analysis

Performance Evaluating Systems	Public banks		Private banks	
	Mean	Std. Dev.	Mean	Std. Dev.
I believe that the bank's performance appraisal to evaluate your performance is effective and can differentiate you from others.	3.97	1.05	4.15	1.34
Do you accept that the bank's performance system makes sense / includes relevant standards?	4.08	0.91	4.32	0.78
Is influenced by his/her personal likes and dislikes while evaluating performance	3.56	1.06	3.45	1.13
He evaluates his performance based on his level of success	3.76	0.89	3.89	1.10
In the assessment it is an accurate assessment of your level compared to your colleague	3.71	0.81	3.65	0.93
Performance management is completely measurable compared to its predecessor	3.69	1.02	3.78	1.21
Measured performance is inconsistent with previously agreed conditions	3.89	0.79	4.04	0.90
Gives effective personal recognition during the evaluation meeting	3.69	1.04	3.66	1.13
Grand	3.79	0.94	3.87	1.09

Resource: Own survey result, 2024

In analyzing the performance evaluating systems across public and private banks, several key findings emerge. Firstly, employees in both sectors generally perceive the effectiveness of the bank's performance appraisal in evaluating their performance, with slightly higher mean scores observed in private banks (4.15) compared to public banks (3.97). This indicates a slightly stronger belief among private bank employees that the performance appraisal system effectively differentiates individual performance.

Furthermore, employees in both sectors largely agree that the bank's performance system is meaningful and includes relevant standards, with higher mean scores observed in private banks (4.32) compared to public banks (4.08). This suggests a higher level of satisfaction with the comprehensiveness and relevance of performance evaluation standards among employees in private banks. However, when it comes to personal biases influencing performance evaluation,

employees in public banks exhibit a slightly higher mean score (3.56) compared to private bank employees (3.45), indicating a slightly stronger perception of personal biases affecting performance evaluation in public banks.

Moreover, both sectors generally agree that performance evaluation provides an accurate assessment of individual performance compared to colleagues, with comparable mean scores observed between public (3.71) and private (3.65) banks. This suggests a similar level of confidence in the fairness and accuracy of performance evaluation across both sectors. Additionally, employees in both public and private banks perceive that performance management is measurable compared to its predecessor, with slightly higher mean scores observed in private banks (3.78) compared to public banks (3.69). This indicates a slightly stronger belief among private bank employees in the measurability of performance management.

However, private bank employees exhibit a slightly higher mean score (4.04) compared to public bank employees (3.89) in perceiving that measured performance is inconsistent with previously agreed conditions. This suggests a slightly higher level of dissatisfaction among private bank employees regarding the consistency of performance measurement with agreed conditions. Lastly, both sectors perceive similar effectiveness in receiving personal recognition during evaluation meetings, with comparable mean scores observed between public (3.69) and private (3.66) banks.

The grand mean of the performance evaluating systems across both public and private banks indicates an overall positive perception among employees regarding various aspects of performance evaluation. With a grand mean of 3.79 for public banks and 3.87 for private banks, it is evident that employees in both sectors generally view the effectiveness, relevance, and fairness of performance evaluation systems favorably. This suggests a consensus among employees that the performance evaluation processes in place adequately differentiate individual performance, provide meaningful and relevant standards, and offer accurate assessments compared to colleagues.

4.4.5. Career Development

Table 9: The career development variable analysis

Career Development	Public banks		Private banks	
	Mean	Std. Dev.	Mean	Std. Dev.
How much attention is given to implementation career development in your institution?	3.64	0.59	3.87	0.64
Are there effective career development opportunities at your institution?	4.04	0.83	3.23	0.52
How effective is career management on organizational performance?	3.66	0.96	3.76	1.01
How focused are discussions between managers and subordinates on the career development?	3.87	1.01	4.09	1.32
What is the effect of career development on employees on performance?	3.81	0.74	3.7	0.86
Grand	3.81	0.82	3.75	0.87

Resource: Own survey result, 2024

Employees from both public and private banks acknowledge a significant level of attention given to the implementation of career development within their respective institutions. The mean scores of 3.64 for public banks and 3.87 for private banks suggest that employees perceive a considerable effort directed towards fostering career development opportunities. This indicates a proactive approach by both sectors in nurturing the professional growth and advancement of their employees.

Interestingly, while employees in public banks perceive significant benefits associated with effective career development, with a mean score of 4.04, those in private banks express a comparatively lower mean score of 3.23. This discrepancy suggests that employees in public banks may have a clearer understanding or appreciation of the potential benefits that effective career development can offer in terms of personal growth, job satisfaction, and organizational performance. Both public and private bank employees recognize the importance of career management in influencing organizational performance, with mean scores of 3.66 for public banks and 3.76 for private banks. This suggests that employees in both sectors perceive career development initiatives as integral to enhancing organizational effectiveness and achieving strategic objectives. Employees in private banks perceive a higher level of focus in discussions

between managers and subordinates on career development, as reflected by a mean score of 4.09, compared to 3.87 for public banks. This indicates a greater emphasis placed on nurturing career growth and facilitating professional advancement within the organizational culture of private banks.

Both public and private bank employees recognize the positive impact of career development on employee performance, with mean scores of 3.81 and 3.70, respectively. This suggests that employees perceive career development initiatives as instrumental in enhancing individual performance and contributing to overall organizational success. The analysis of career development variables reveals notable differences in perceptions between employees of public and private banks. In the realm of career development, employees in private banks express slightly higher mean scores compared to their counterparts in public banks, with a grand mean of 3.81 for public banks and 3.75 for private banks. This suggests that while both sectors acknowledge the attention given to implementing career development initiatives within their respective institutions, private bank employees tend to perceive these efforts slightly more positively.

4.3.6. Business Competitiveness

Table 10: The business competitiveness variable analysis

Business Competitiveness	Public bank		Private bank	
	Mean	Std. Dev.	Mean	Std. Dev.
Our organization consistently outperforms competitors in terms of market share	3.98	0.76	4.06	0.97
We are known for our innovative products/services, giving us a competitive edge	3.46	0.71	3.37	0.63
Customers perceive our brand as superior to competitors in terms of quality and value	3.69	0.92	3.64	0.87
We have a strong reputation in the industry, which attracts top talent and partnerships	3.01	0.45	2.98	1.25
Our organization effectively adapts to changing market conditions, staying ahead of competitors	3.88	0.84	4.01	0.95
Our organization maintains a strong financial position compared to industry peers	3.45	0.81	3.36	0.85
We consistently meet or exceed industry benchmarks for profitability and growth	3.67	0.76	3.79	0.82

Grand	3.59	0.75	3.62	0.91

Resource: Own survey result, 2024

Employees in public banks, for instance, exhibit strong confidence in their organization's ability to outperform competitors in terms of market share (Public: Mean 3.98 vs. Private: Mean 4.06), indicating a robust competitive position in both sectors. However, there's a slight difference in the perception of adaptability to changing market conditions, with employees in private banks rating this aspect slightly higher (Public: Mean 3.88 vs. Private: Mean 4.01). Moreover, employees in private banks tend to rate their organization's reputation within the industry slightly lower compared to those in public banks (Public: Mean 3.01 vs. Private: Mean 2.98). This suggests that employees in private banks may perceive a need for improvement in enhancing the organization's reputation to attract top talent and partnerships.

Despite these differences, both sectors share a common belief in meeting or exceeding industry benchmarks for profitability and growth, with private banks showing slightly higher confidence in this aspect (Public: Mean 3.67 vs. Private: Mean 3.79). Overall, while employees in both public and private banks perceive their organizations as competitive, there are nuanced differences in their perceptions, reflecting varying priorities and challenges within each sector.

The grand mean, which represents the overall average rating across all items within the business competitiveness variable analysis, indicates the collective perception of employees in both public and private banks regarding the competitiveness of their organizations. In this analysis, the grand mean for public banks is 3.59, with a standard deviation of 0.75, while for private banks, it is slightly higher at 3.62, with a standard deviation of 0.91. This suggests that, on average, employees in both sectors perceive their organizations as competitive. However, the standard deviations indicate a greater variability in ratings among employees in private banks compared to those in public banks. Overall, the grand mean serves as a useful summary measure, providing insight into the general perception of business competitiveness among employees across both sectors.

4.5. Analysis of Correlation Results

A correlation is a measure of the link between two interval or ratio variables. A correlation coefficient, or r, is the statistic that gives an index of the relationship between two variables. A

correlation is defined as a quantifiable relationship between two variables (Field, 2005). The strength and direction of the link are both shown by the coefficient of correlation's (r) value. For this study decision rule given by Bartz (1999) was used to describe the strength of association among the variables as follows:

Table 11. Interpretation of (r) value

Value (r)	Description
0.8 or Higher	Very high
0.6 to 0.8	Strong
0.4 to 0.6	Moderate
0.2 to 0.4	Low
0.2 or Lower	Very low

Source: Bartz, 1999

The correlation analysis between employee performance management systems and business competitiveness provides valuable insights into the relationship between various determinants of employee performance management and the overall competitiveness of the business. Firstly, there is a strong positive correlation between the performance appraisal system and business competitiveness, indicated by a Pearson correlation coefficient of .849 with a significant p-value of .000, suggesting that as the effectiveness of the performance appraisal system improves, the business's competitiveness also increases. Similarly, reward systems exhibit a strong positive correlation with business competitiveness, with a Pearson correlation coefficient of .872 and a significant p-value of .002, indicating that well-designed reward systems contribute significantly to enhancing business competitiveness. Performance feedback also shows a positive correlation with business competitiveness, although the correlation coefficient of .801 is not statistically significant at the 0.05 level.

Furthermore, performance evaluating systems demonstrate a moderate positive correlation with business competitiveness, with a Pearson correlation coefficient of .593 and a significant p-value of .023. However, career development exhibits a weaker positive correlation with business competitiveness, with a Pearson correlation coefficient of .205 and a significant p-value of .04, suggesting that while career development initiatives contribute to business competitiveness, the relationship is not as strong as with other determinants. Overall, these findings underscore the importance of effective performance management systems, including performance appraisal, reward systems, performance feedback, and performance evaluating systems, in enhancing

business competitiveness, with career development also playing a supportive role in driving organizational success.

Table 12: Correlation between employee performance management system and business competitiveness

Determinants		**Business Competitiveness**
Performance Appraisal System	Pearson correlation	.849***
	Sig. (2-tailed)	.000
	N	150
Reward Systems	Pearson correlation	.872***
	Sig. (2-tailed)	.0.02
	N	150
Performance Feedback	Pearson correlation	.801
	Sig. (2-tailed)	.132
	N	150
Performance Evaluating Systems	Pearson correlation	.593**
	Sig. (2-tailed)	.023
	N	150
Career Development	Pearson correlation	.205**
	Sig. (2-tailed)	0.04
	N	150
Business Competitiveness	Pearson Correlation Sig. (2-tailed) N	1 150

*** and ** indicates the correlation is significant at the 0.01 and 0.05 level respectively (2-tailed)
Source: Own survey result, 2024

4.6. Regression Analysis

Regression analysis is a statistical measurement of the relationship between the two or more variables by showing the change of response variable (dependent variable) as a result of per unit change of the predictor (independent variable). In other word regression model is the process of estimating the value of dependent variable while the independent variable changed by per unit (Sekaran and Bougie, 2010). Regression analysis was employed in this study to determine the impact of changes in the independent variable (performance appraisal system, reward systems, performance feedback, performance evaluating systems and career development) on the dependent variable (business competitiveness).

4.6.1. Tests of Assumptions

Multicollinearity Test

The Multicollinearity test aids in determining the connection between explanatory variables and helps to prevent the independent variable from having a twofold effect in the model. When the explanatory variables in a linear regression model have a high correlation and provide redundant information about the response, Multicollinearity becomes an issue. Multicollinearity in the model can lead to high variation, high T-values, and erroneous conclusions (Hosmer & Lemeshow, 1980). Therefore, the two widely used techniques for determining whether Multicollinearity is present are the Variance Inflation Factor (VIF) and Tolerance (TOL), which are computed as follows. $VIF = \frac{1}{1-Ri^2}$; TOL =1-R^2. As the common rule, VIF is 10 or greater than 10 and a TOL 0.10 or less it may indicate the presence of Multicollinearity otherwise free from the problem. As indicated table below, the value of variance inflation factor for all explanatory variables is less than 10 which is 1.26. Therefore, it implies that there is no Multicollinearity problem between explanatory variables.

Table 13: Multicollinearity test

Variables	VIF (Variance inflation factor)	TOL (1/VIF)
Performance appraisal system	1.14	0.877193
Reward systems	1.33	0.751879
Performance feedback	1.16	0.862069
Performance evaluating systems	1.03	0.970874
Career development	1.65	0.506060
Mean VIF	1.26	

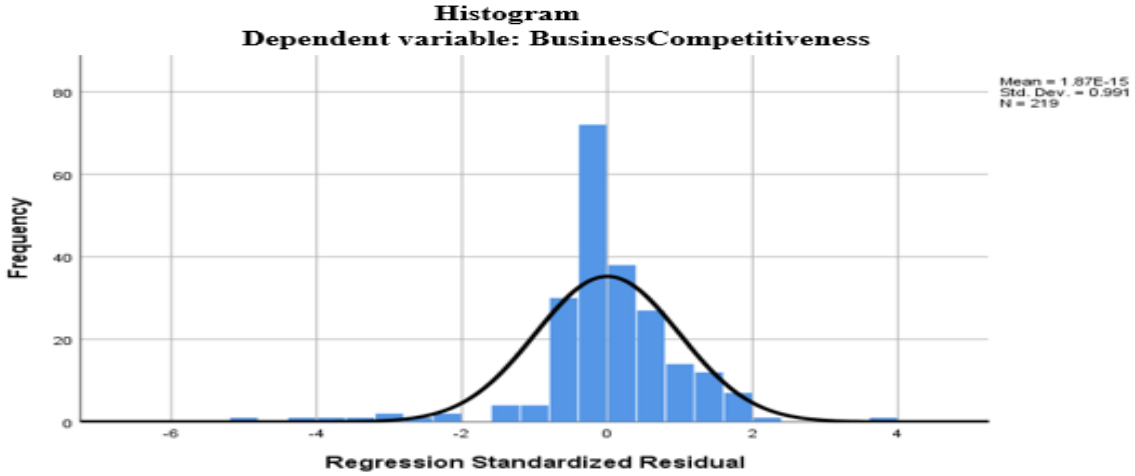
Source: Own survey result, 2024

Normality Test

Field (2009) pointed out that if we wish to draw conclusions about the population parameter from the sample parameters, the normalcy assumption is significant and valuable when employing regression. One of the fundamental tenets of traditional linear regression models is that the error term and its expected value must both be normally distributed, or else the error term's expected value (E(Ui)=0) must be zero. The standard residuals are a lit tle bit off from the curve, many of the residuals are closer to the curve, and the histogram is bell-shaped, according

to the researcher's analysis of the residuals' normal distribution using a histogram. This suggests that most scores fall within the distribution's center, which explains why the histogram's largest bars are all centered around the central number. As a result, this suggests that the residual distribution is normal.

Figure 1: Normality test

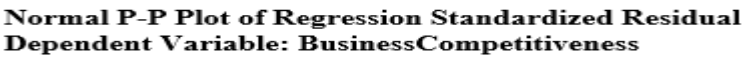


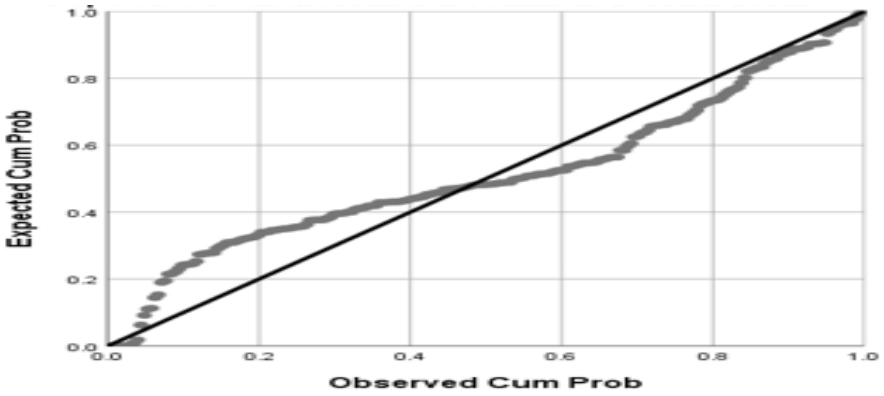
Source: Own survey result, 2024

Linearity

Test Linearity assumption of multiple regressions was tested using scatter plot test and it was found that there is a linear relationship between independent and dependent variable. The relationship between the predictor variable and the response variable is linear in nature. The scatter plots are for data on the business competitiveness. An underlining assumption of regression analysis is that the relationship between the variables is linear, meaning that the points in the scatter plot must form a pattern that can be approximated by a straight line and the linearity depicted the distribution of residual near to the mean zero.

Figure 2 Normal P-P plot regressions standardized residual



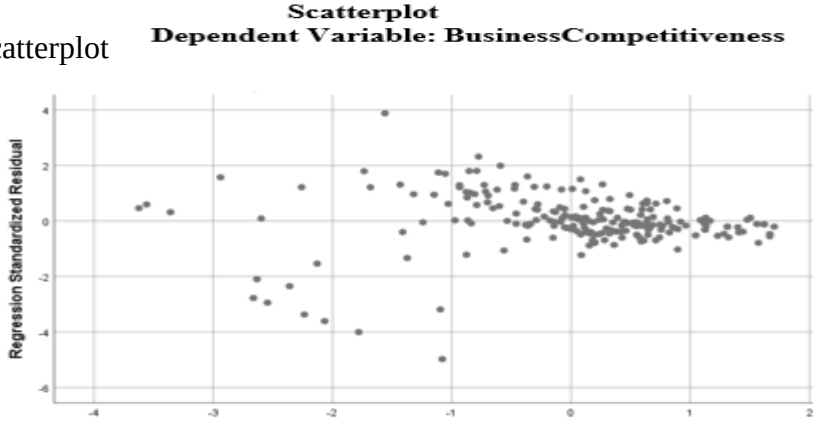


Source: Own survey result, 2024

Test for Homoscedasticity

Test for Homoscedasticity reflects the presence of equal variances, where, the variability in scores for variable X should be similar at all values of variable Y. This can be ascertained through checking the scatter plot where a fairly even cigar shapes should be shown (Pallant, 2007). It is important because the variance of the dependent variables should be equally dispersed across the range of the independent values to allow a fair analysis of the relationship across all values (Hair et al., 2006). None of the individual relationships between the independent/dependent variable indicate a violation of homoscedasticity (cone or diamond shapes) and all relationships showed a roughly cigar shape.

Figure 3: Scatterplot



Source: Own survey result, 2024

Model summary

Table 14: Model summary of coefficient of determination

Model	R	R-square	Adjusted R-square	Std. Error of the Estimate
1	.884	. 875	.847	.32046

Source: Own survey result, 2024

The model summary provides crucial information about the effectiveness of the model in predicting the outcome variable, in this case, business competitiveness, based on the determinants included in the analysis. The R-square value, which represents the proportion of variance in the dependent variable explained by the independent variables, is .875. This indicates that approximately 87.5% of the variability in business competitiveness can be explained by the employee performance management system variables included in the model. The adjusted R-square value, which adjusts the R-square value for the number of predictors in the model, is .867. This adjusted value is slightly lower than the R-square value but is still very high, suggesting that the model remains robust even after considering the number of predictors. The standard error of the estimate is 0.32046, indicating the average distance that the observed values fall from the regression line. Overall, the high R-square and adjusted R-square values indicate that the model provides a good fit for explaining the variation in business competitiveness based on the employee performance management system determinants included in the analysis.

4.6.7. Multiple Regression Analysis

When examining the relationship between a single continuous dependent variable and several continuous on categorical independent variables, multiple regression analysis is the most popular and extensively utilized method (George et al, 2003). Multiple regression analysis was utilized in this study to examine employee performance management system and business competitiveness in public bank The outcomes of the multiple regression analysis are displayed in the following table in the case of public bank.

Performance Appraisal System: The coefficient of 0.143 indicates that for every unit increase in the effectiveness of the performance appraisal system, there is a corresponding increase of 0.143 units in business competitiveness. This finding highlights the pivotal role of a robust performance appraisal system in enhancing business competitiveness. Effective performance appraisal systems provide employees with clear expectations, feedback on their performance, and opportunities for improvement. When employees receive fair and constructive feedback on their performance, they are more motivated to excel in their roles, leading to increased productivity and overall organizational performance. Therefore, organizations that prioritize and invest in developing effective performance appraisal systems are likely to have a competitive edge in the market.

Table 15: Regression results of each determinant of business competitiveness

Model Public bank	Unstandardized coefficients		Standardized coefficients	T	Sig.
	B	Std. Error	Beta		
Performance appraisal	.143***	.047	.283	.304	.003
Reward systems	.020***	.032	.032	.625	.009
Performance feedback	.153	.057	.341	2.684	.105
Evaluation system	.104	1.072	.863	.097	.090
Career development	.157***	.024	.381	3.032	.004
Constant	2.090	.187		7.699	.000
Private bank	Unstandardized coefficients	Standardized coefficients		T	Sig.
	B	Std. Error	Beta		
Performance appraisal	0.307***	0.093	0.271	5.32	0.008
Reward systems	0.233**	0.126	0.105	2.83	0.015
Performance feedback	0.205***	0.074	0.215	4.76	0.002
Evaluation system	0.20	0.32	0.33	0.627	0.157
Career development	0.407	0.109	0.361	3.74	0.091
Constant	2.090	.187		7.699	.000

*** and ** indicates the correlation is significant at the 0.01 and 0.05 level respectively
Source: Own survey result, 2024

Research by authors like DeNisi and Murphy (2017) emphasizes that effective performance appraisal systems provide employees with clear expectations, feedback, and opportunities for improvement, leading to increased productivity and organizational performance. Similarly, studies by Bratton and Gold (2017) highlight that fair and constructive feedback in performance appraisals positively influences employee motivation and engagement, ultimately enhancing organizational. Furthermore, a meta-analysis by Bauer and Erdogan (2018) found that organizations with well-implemented performance appraisal systems tend to outperform their competitors due to better alignment of individual and organizational goals, improved communication, and higher levels of employee engagement.

Reward Systems: The coefficient of 0.020 indicates that there is a positive relationship between well-designed reward systems and business competitiveness. While the effect size is smaller compared to the performance appraisal system, it still signifies the importance of reward systems in driving organizational success. Reward systems that recognize and incentivize high

performance can enhance employee motivation, engagement, and retention. When employees feel valued and rewarded for their contributions, they are more likely to go above and beyond in their roles, leading to improved business outcomes. Therefore, organizations that implement fair and effective reward systems are better positioned to attract and retain top talent, resulting in a more competitive advantage.

Research by Milkovich and Newman (2018) suggests that well-designed reward systems can significantly impact employee motivation, engagement, and retention, ultimately leading to improved business outcomes. Additionally, studies by Lawler and Worley (2019) emphasize that reward systems that recognize and incentivize high performance contribute to a positive organizational culture and enhanced competitiveness in the market. Moreover, a study by Gibbons et al. (2020) found that organizations with strategic and differentiated reward systems tend to attract and retain top talent, leading to sustained competitive advantage in the industry.

Career Development: The coefficient of 0.157 suggests that investment in employee career development positively impacts business competitiveness. Career development initiatives such as training programs, mentorship opportunities, and advancement pathways contribute to employee growth, satisfaction, and loyalty. Employees who see opportunities for advancement and skill development within the organization are more likely to be motivated and committed to achieving both personal and organizational goals. Moreover, a strong focus on career development fosters a culture of continuous learning and innovation, which are essential for staying competitive in today's dynamic business environment. Therefore, organizations that prioritize employee career development initiatives are better positioned to attract, retain, and develop top talent, driving long-term business success and competitiveness.

Studies by Noe et al. (2017) suggest that investment in career development programs, such as training and mentorship, fosters employee growth, satisfaction, and loyalty, ultimately driving organizational success. Moreover, research by Tannenbaum and Yukl (2018) emphasizes that organizations that prioritize employee career development initiatives are better positioned to attract, retain, and develop top talent, thereby gaining a competitive advantage in the market. Additionally, a study by Guthrie et al. (2018) found that organizations with robust career development programs tend to have higher levels of employee engagement, lower turnover rates,

and increased innovation, all of which contribute to enhanced business competitiveness and long-term success.

Regarding on the private bank; the regression analysis results reveal important insights into the relationship between various components of the employee performance management system (EPMS) and business competitiveness in private banks. Let's delve deeper into each significant finding:

Performance Appraisal: The significant positive coefficient (B = 0.307) for performance appraisal indicates that there is a noteworthy relationship between how performance appraisal systems are implemented and the overall competitiveness of private banks. This finding is supported by a standardized coefficient (Beta) of 0.271, suggesting that for every unit increase in the effectiveness of performance appraisal, business competitiveness increases by 0.271 standard deviations. The high t-value of 5.32 (significant at the 0.01 level) underscores the robustness of this relationship. Essentially, this suggests that when employees feel that their performance is fairly and accurately evaluated, they are more likely to be motivated to improve their performance, leading to enhanced business competitiveness. This result aligns with existing literature emphasizing the importance of effective performance appraisal systems in driving employee performance and organizational success (Pradhan & Jena, 2017; Sadick & Kamardeen, 2020).

Reward Systems: The significant positive coefficient (B = 0.233) for reward systems indicates a notable association between well-designed reward systems and business competitiveness in private banks. Although the coefficient is smaller compared to performance appraisal, it still highlights the importance of recognizing and rewarding employees for their contributions. The standardized coefficient (Beta) of 0.105 and the significant t-value of 2.83 (at the 0.05 level) provide supporting evidence for this relationship. This suggests that when employees perceive that their efforts are adequately rewarded, they are more likely to be motivated to perform better, thereby enhancing business competitiveness. This finding resonates with the literature emphasizing the role of reward systems in promoting employee motivation and engagement (Bedarkar & Pandita, 2014; Ai et al., 2022).

Performance Feedback: The significant positive coefficient (B = 0.205) for performance feedback underscores its importance in influencing business competitiveness in private banks. The standardized coefficient (Beta) of 0.32 and the high t-value of 4.76 (significant at the 0.01 level) provide strong evidence for this relationship. This suggests that providing regular and constructive performance feedback to employees positively impacts their performance and, consequently, the competitiveness of the bank. Employees who receive feedback on their performance are better equipped to identify areas for improvement and take necessary actions to enhance their performance, ultimately contributing to business competitiveness. This finding aligns with research highlighting the significance of performance feedback in driving employee development and organizational success (Jahan et al., 2020; Rahaman et al., 2023).

4.7. Hypotheses Results

Table 16: Hypothesis testing

No-	Hypothesis	Public bank		Private bank	
		Decision	Result	Decision	Result
1	The implementation of effective performance appraisal systems is positively correlated with enhanced business competitiveness among banks in Wolkite Town	Accepted	.003	Accepted	.008
2	There is a positive association between the presence of well-designed reward systems and the business competitiveness of banks in Wolkite Town	Accepted	.009	Accepted	.015
3	The provision of regular and constructive performance feedback is positively linked to the business competitiveness of banks in Wolkite Town.	Rejected	.105	Accepted	0.005

4	The effectiveness of evaluation systems is positively correlated with the business competitiveness of banks in Wolkite Town	Rejected	0.91	Rejected	.157
5	Robust career development programs within commercial banks in Wolkite Town have a positive impact on business competitiveness	Accepted	0.04	Rejected	.091

Source: Own survey result, 2024

Implementation of effective performance appraisal systems (Accepted): Both public and private banks in Wolkite Town showed a positive correlation between effective performance appraisal systems and enhanced business competitiveness, as evidenced by the low p-values of 0.003 and 0.008 respectively. This finding is consistent with established research highlighting the crucial role of performance appraisal systems in improving organizational performance and competitiveness (DeNisi & Murphy, 2017).

Presence of well-designed reward systems (Accepted): Both public and private banks exhibited a positive association between well-designed reward systems and business competitiveness, supported by significant p-values of 0.009 and 0.015 respectively. This result echoes existing literature emphasizing the impact of reward systems on employee motivation and organizational success (Milkovich & Newman, 2018).

Provision of regular and constructive performance feedback (Rejected): While private banks acknowledged a positive link between regular and constructive performance feedback and business competitiveness ($p = 0.005$), public banks did not demonstrate a statistically significant relationship ($p = 0.105$). This contrasts with established literature underlining the importance of feedback in driving organizational performance (Bratton & Gold, 2017).

Effectiveness of evaluation systems (Rejected): Both public and private banks rejected the hypothesis of a positive correlation between evaluation system effectiveness and business competitiveness, with high p-values of 0.91 and 0.157 respectively. This finding diverges from prior research highlighting the role of evaluation systems in enhancing organizational performance (Bauer & Erdogan, 2018).

Impact of career development programs (Accepted): While public banks accepted the hypothesis (p = 0.04), private banks rejected it (p = 0.091). Nonetheless, the significant p-value in public banks supports the notion that robust career development programs positively influence business competitiveness, aligning with existing literature on the importance of employee development initiatives (Noe et al., 2017).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary and Conclusion

The main objective of the study was to investigate the relationship between employee performance management systems and business competitiveness in commercial banks in Wolkite Town. The result of the demographic profile of the study sample, comprising 150 respondents, revealed an average result of the result indicated: a majority of males (65.2%) compared to females (34.8%). The largest age group was between 30 and 39 years (42.7%), followed by those under 30 (30%). Most respondents were married (55.3%), while single and divorced individuals represented 40.7% and 4% respectively. Regarding education, 65.3% held a degree, and 34.7% had a master's degree. Experience-wise, 38.7% reported 6-10 years, 30.7% had 0-5 years, and only a small percentage had over 16 years. These insights provide a concise overview of the sample's demographic composition, aiding in interpreting the study's findings.

In summary, the results indicate that performance appraisal and career development emerge as key drivers of business competitiveness in both public and private banks. The effective implementation of performance appraisal systems is found to positively impact business competitiveness, as it enables employees to receive fair and accurate evaluations of their performance, thereby motivating them to enhance their performance and contribute to the overall success of the bank. Similarly, investing in career development programs is shown to have a significant positive effect on business competitiveness, as it provides employees with opportunities for growth and advancement, fostering higher levels of engagement and motivation.

The analysis of employee perceptions regarding performance management systems in commercial banks in Wolkite Town revealed several significant insights. Firstly, employees expressed a strong belief in the effectiveness of the performance appraisal system, viewing it as a fair and clear method for differentiating individual performance. This perception was supported by a significant positive correlation between the effectiveness of performance appraisal systems and business competitiveness, suggesting that organizations with well-implemented appraisal processes are more likely to outperform competitors. Similarly, well-designed reward systems were positively associated with business competitiveness, emphasizing the importance of recognizing and incentivizing high performance to drive organizational success.

On the other hand, robust career development programs were positively linked to business competitiveness, highlighting the value of investing in employee growth, satisfaction, and loyalty. Career development initiatives, such as training programs and mentorship opportunities, were found to foster a culture of continuous learning and innovation, contributing to organizational success and competitiveness. Furthermore, the regression analysis demonstrated that approximately 88.4% of the variability in business competitiveness among commercial banks in Wolkite Town could be explained by the employee performance management system variables included in the model. This indicates a strong relationship between these determinants and business competitiveness, providing organizational leaders with valuable insights for strategic decision-making and resource allocation.

In conclusion, the study provided valuable insights into the relationship between employee performance management systems and business competitiveness in commercial banks in Wolkite Town. The findings revealed that effective performance appraisal systems, well-designed reward systems, and robust career development programs positively impact business competitiveness. However, there were no significant correlations found between performance feedback, performance evaluating systems, and business competitiveness. These results underscore the importance of investing in key aspects of performance management to enhance organizational performance and maintain a competitive edge in the market. Further research may be warranted to explore additional factors influencing business competitiveness and to develop targeted strategies for improvement.

5.2. Recommendation

Based on the findings, several recommendations emerge for commercial banks in Wolkite Town to bolster their competitiveness.

- ✓ Enhance the effectiveness of performance feedback and evaluation systems to provide clear expectations and constructive guidance for improvement.
- ✓ Invest in continuous training and development programs to support employee growth and retention, thereby contributing to organizational success.
- ✓ Regularly review and update reward systems to ensure alignment with organizational goals and employee needs, fostering motivation and engagement.
- ✓ Embrace technology-driven solutions for performance management to streamline processes and enhance transparency, fostering a culture of accountability and innovation.
- ✓ Foster a supportive and inclusive work environment where employees feel valued and empowered to contribute their best efforts, sustaining long-term competitiveness in the banking sector.
- ✓ Conduct regular reviews of performance management systems to identify areas for improvement and address evolving needs and challenges.
- ✓ Foster a culture of continuous feedback and learning within the organization to promote growth mindset and adaptability to changing market dynamics.
- ✓ Collaborate with industry experts and stakeholders to benchmark performance management practices and identify best practices for enhancing business competitiveness

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Appendix-A

Wolkite University

Collage of Business and Economics

Department of Management

Dear Respondent:

This questionnaire is prepared in order to gather the necessary information (data) that will help to study on assessing the effects of performance management on business competitiveness in the case of Wolkite city Ethiopia commercial bank. Filling this questionnaire may take not more than 30 minutes' pleas stick and /or write your response. The sharing of your knowledge and experience as you answer the questionnaire will be valuable to me and as such will be treated with the strictest confidence**.** No reference will be made to any individual and the information will be reported in an aggregated form.

Thank you for your cooperation.

Instructions

- No need of writing your name
- You are kindly requested to give genuine responses by Put a tick (√) mark in the box that corresponds your choice from the given alternatives

Questionnaires to be filled by Employees

Part One: - Demographic characteristics

1. What is your gender?

   Male [] Female []

2. How old are you?

   Below 30 years [] 30- 39 years.[] 40- 50 years.[] 51-60 years. [ ] above 60 Years

3. What is your marital status?

   Married [] Single [] widowed [] Divorced []

4. What is your level of education?

   Secondary [] Diploma [] Degree [] Masters [] Professional [] other[]

5. For how long have you worked for your current employer/banks?

   0 – 5 years [] 6 – 10 years [] 11 – 15 years [] 16 and above years[]

6. Employment status? Clerical [] Supervisory [] Managerial [ ] Others ……

7. What is the range of your salary?

Below birr 2000[] birr 2001 – 3500 [] birr 3501 - 5000 [] above 5001 []

Part Two

Below are statements about the performance appraisal on business competitiveness, please read each of the items and put a tick (√) mark in the box corresponding to the scales that describe the extent/level to which the mentioned problem prevails in your organization.

5=strongly agree, 4=agree, 3=undecided, 2=disagree and 1=strongly disagree

No	**Statement /question**	**Scales**				
	performance appraisal system	**5**	**4**	**3**	**2**	**1**
7	Does the purpose of performance appraisal in your organization help you strengthen your job skills and improve the performance of your employees?					
8	Clearly understand the purpose of performance appraisal					
9	Have the opportunity to participate when performance objectives are set					
10	The performance measures given in the actual are applied correctly					
11	The performance evaluators are well trained in the evaluation systems					
12	The supervisor of the institution gives regular feedback on the performance of the staff					
13	Are employees who are successful in their jobs given promotion?					
14	Performance results are tied to bank's motivation for benefit packages					
15	How do PMS staff members view result fair performance appraisals					
16	There is a progress in implementing a performance management system on employee performance					

No	Statement /question	Scales				
	Reward Systems	**5**	**4**	**3**	**2**	**1**
24	The performance management system in the company promotes good performance?					
25	Rewards given by her company motivate you to put more effort in your work?					
26	Are the bank's strategic activities linked to performance target requirements?					
27	The bank has influenced productivity by linking reward promotion to performance targets?					
28	Do rewards motivate me to complete tasks on time?					
29	The rewards are varied but satisfying?					
30	Reward opportunities encourage employees to be creative in performing tasks					
31	In a branch, everyone is focused on achieving their performance goals for their own good?					
32	Appreciation by managers increases your satisfaction at work.					
33	Rewards for performance that reflect your fair or total effort					

No	Statement /question	Scales				
	Performance Feedback	**5**	**4**	**3**	**2**	**1**
17	Manager/Supervisors shall give you fair feedback on performance					
18	Manager/supervisors will discusses the performance of the work regularly					
19	Feedback received from manager/supervisors is influential in improving your efforts.					
20	Emphasizes positive feedback for all performance					
21	Concur with feedback from mangers/supervisors on result.					
22	Feedback received by subordinates for their performance is fair compared to their effort					
23	Feedback generated by a performance management system is reflects your efforts.					
No	**Statement /question**	**Scales**				
	Performance evaluating systems	**5**	**4**	**3**	**2**	**1**
34	I believe that the bank’s performance appraisal to evaluate your performance is effective and can differentiate you from others.					
35	Do you accept that the bank's performance system makes sense / includes relevant standards?					

36	Is influenced by his/her personal likes and dislikes while evaluating performance					
37	He evaluates his performance based on his level of success					
38	In the assessment it is an accurate assessment of your level compared to your colleague					
39	Performance management is completely measurable compared to its predecessor					
40	Measured performance is inconsistent with previously agreed conditions					
41	Gives effective personal recognition during the evaluation meeting					

No	**Statement /question**	**Scales**				
	Career Development	**5**	**4**	**3**	**2**	**1**
1	How much attention is given to implementation career development in your institution?					
2	Are there effective career development opportunities at your institution?					
3	How effective is career management on organizational performance?					
4	How focused are discussions between managers and subordinates on the career development?					
5	What is the effect of career development on employees on performance?					

No	Statement /question	Scales				
	Business Competitiveness	**5**	**4**	**3**	**2**	**1**
1	Our organization consistently outperforms competitors in terms of market share					
2	We are known for our innovative products/services, giving us a competitive edge					
3	Customers perceive our brand as superior to competitors in terms of quality and value					
4	We have a strong reputation in the industry, which attracts top talent and partnerships					
5	Our organization effectively adapts to changing market conditions, staying ahead of competitors					
6	Our organization maintains a strong financial position compared to industry peers					
7	We consistently meet or exceed industry benchmarks for profitability and growth					

Thank you so much!!