

## **PERFORMANCE MANAGEMENT PROCESS AND ITS EFFECT ON EMPLOYEE'S PERCEPTION OF PERFORMANCE MANAGEMENT EFFECTIVENESS**

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### **Abstract**

Performance management (PM) 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. To get most out of it, every kind of organization needs to have effective PM system and need to ensure the proper implementation of each phases of PM. Thus, this study was conducted with the objective of assessing the performance management practice of Arba Minch University and the effect of performance management process on employees' perception of performance management effectiveness. A sample of (N=198) employees were participated in the research and contributed their part in providing genuine information. Descriptive statistics, spearman's rank order correlation and ordered logistic regression were used to analyze the primary data obtained from the respondents. The analysis result indicates that there is a significant positive relationship between PM process and employees perception of PM. Moreover the regression analysis indicates that the PM process has a significant positive effect on employees' perception of PM effectiveness.

### **Keywords:**

Performance Management, Performance Management effectiveness, Higher institution, ordered logit

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## 1. Introduction

HRM is said to be a nervous system of any organization. It coordinates and controls each and every activity either directly or indirectly for the purpose of organizational development and growth. Among all tools of HRM, Performance Management is a system that ensures and maintains the proper flow of life blood in every section and unit of organization, which is human capital (person's knowledge, skills, experience and abilities). Performance Management does not only evaluate the employees' performances but achieve organizational goals through improving employee performance, employee development, employee engagement and through retaining them (*Mansoor Ahmed Junejo 2010*).

Performance management is a process of establishing shared understanding about what is to be achieved and how it is to be achieved, and an approach to managing and developing people that improves individual, team and organizational performance (Michael Armstrong 2009).

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 individual's work goals to the overall mission of the firm (David G. Collings and Geoffrey Wood 2009).

Achieving effective performance of human resources is primary goal of every organization. Due to its positive contribution towards improving employee's performance many Human Resource management literatures suggested that every organization need to have effective performance management system. Likewise higher educational institutions in Ethiopia are using performance management system, with the primary objective of monitoring and improving the performance of their academic and non-academic staffs.

According to Danial Aslam, (2011) all over the world, universities play a vital role for active participation in the knowledge societies which ultimately leads towards faster economic growth. This is because; universities in any country develop human capital (students) for not only better contribution in different professions but, in society as whole. They are responsible for successful development of an open and democratic civil society, by giving their students deep insight of specific subject knowledge; provide the social norms of communication and interaction

Similarly, the objectives of higher educational institutions in Ethiopia among others include: to prepare knowledgeable, skilled, and attitudinally mature graduates so that the country shall become internationally competitive, ensure that education and research promote freedom of expression based on reason and rational discourse and are free from biases and prejudices; design and provide community and consultancy services that shall cater to the developmental needs of the country (Ethiopian higher education proclamation no. 650/2009 art.4).

In order to achieve the above major objectives effective performance management system of teaching staff/instructors is one among the major activities of higher education institutions. In order to assess the practice of performance Management system in such institutions, the researcher, selected Arba Minch University, which is one among the first generation universities in Ethiopia.

Arba Minch University (AMU) is one of the well-established universities found in the southern Nations, Nationalities and People's Region (SNNPR). It is located at Arba Minch town, 500 km south of Addis Ababa. The University was initially founded as Arba Minch Water Technology Institute (AWTI) in 1986, and retains its reputation as a center of excellence for Water Technology in Eastern Africa. The University was officially inaugurated in June 2004 and offers both undergraduate and graduate program.

The main aim of the research is to assess the relationship between performance Management processes of the university and employee's perception of the Performance Management effectiveness. According to Dick Grote (2002) performance management is an ongoing process that comprises four phases: Performance Planning, Performance Execution, Performance Assessment,

and Performance Review. According to Armstrong, (2009) performance management system operates as a continuous and self-renewing cycle that closely resembles the cycle of continuous improvement. It comprises four stages: plan, act, monitor, and review. Other classification of phases was also developed by different authors. Though the phases may vary from one author to the other, the key performance management activities are included in one way or another and are essentially the same. For the purpose of the study Dick Grote's (2002) model was used. Among the four phases of the model, the researcher concentrated on performance planning, Performance assessment, and performance review (feedback). When compared to other phases the involvement of Managers/supervisors in performance execution phase is minimal as this phase is the primary responsibility of the employees. Thus instead of this phase the researcher is interested to incorporate the post appraisal actions (the uses of performance appraisal result in the institution) as it is believed to have impact on employees perception of Performance management effectiveness.

## 2. Statement of the Problem

According to Clinton (1992) as cited by *Richard BitangeNyaoga et al, (2010)* performance appraisal programs sometimes yield disappointing results. The primary reasons includes, lack of top management information and support, unclear performance standards, rater bias, too many forms to complete, and use of the program for conflicting purposes. The same study identified that, performance appraisal used in universities is not effective and they exist just as a matter of formality.

Another study also found that performance appraisal in university had little impact on staff motivation, efficiency, and performance. One reason for this is, the ambiguity surrounding the intentions of staff appraisal in universities: it is neither a management tool, nor is it wholly focused on staff development. As a result, the staffs believed that the exercise was time consuming and costly for universities with little tangible benefits (C. Haslam, et al. 1993).

A common failure of many teachers' performance evaluation is that, they make judgments about teachers based on unrepresentative samples (usually isolated observations) of a teacher's work. They do not evaluate the breadth of a teacher's activities, and other steps they may take to develop professionally (George Murdoch 2000).

In Arba Minch University performance evaluation of academic staff is conducted twice a year with an aim to improve the competence of staffs and thereby insure the quality of education, research and the community services given by the institution. However it is identified as one of the weak areas of the University. There is lack of sense of ownership of the system by those involved in it, due attention is not given to the processes and its importance (as a tool to enhance performance) is also underemphasized.

In light of the above problems, the study was aimed to address whether the university *properly carryout each phase of performance management system considered in this study and how it influences employee's perception of performance management effectiveness.*

### 2.1. Specific research questions

- ✓ Does the university properly conduct the performance management process (performance planning, performance assessment, feedback provision and post appraisal actions)?
- ✓ Is there a relationship between the performance management processes and employees perception of Performance Management effectiveness?
- ✓ What is the effect of performance management process on employee's perception of performance management effectiveness?

### 3. Objective of the study

The general objective of the study was to assess whether the university properly carryout the performance management process, and the relationship between the process and employees perception of performance management effectiveness.

#### 3.1. Specific objectives

- ✓ To identify whether the university properly carryout the Process (phases) of performance management
- ✓ To investigate whether there is a relationship between performance management process and employees perception of PM effectiveness.
- ✓ To determine the effect of performance management process on Employees perception of PM effectiveness

### 4. Research Methods

#### 4.1. Research design

As C.R. Kothari (2004) suggested descriptive research is useful to describe the characteristics of particular Phenomena. Thus descriptive research design is used to assess the implementation of performance Management process. Correlation research design, specifically spearman's rank order correlation is used to investigate the relationship between performance management processes and employee's perception of Performance Management effectiveness. Moreover ordered logistic regression was used to investigate the effect of PM process on employee's perception of performance management effectiveness.

#### 4.2. Sampling technique and sample size

If the population is believed to be heterogeneous in some characteristics, using stratified sampling results in more reliable and detailed information (C.R. Kothari 2004). Thus the researcher selected this method to insure the representativeness of the respondents from different categories. During the survey period, Arba Minch University has five colleges and one institute of technology with departments under them. Though the evaluation forms for all faculties are the same; the way the staff members and department heads agree on performance expectations, the way evaluation results are delivered to the staff members and the timing of evaluation differ to some extent from faculty to faculty. Hence, stratified sampling was used to represent specific characteristics of different departments in the sample. The stratification was made based on colleges, which includes institute of technology, college of natural science, college of social sciences and Humanity, college of Business and Economics, college Medicine and health sciences and College of agriculture. To obtain the sample size, Taro Yamane (1967) sample size determination formula was used.

Accordingly out of 778 study population (HR Data of 2012), a sample of 264 employees were selected at 95% confidence level.

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

Where n- represents the required sample size

N- Total population

e- Represents Error

$$n = \frac{778}{1 + 778(0.05)^2} = 264$$

After determining the required sample size, proportionate stratified sampling technique was used to select 91 respondents from institute of technology, 67 from college of natural sciences, 44 from college of social science and Humanities, 26 from college of Business and Economics, 22 from college Medicine and health sciences and 14 from College of agriculture.

#### 4.3. Data collection instruments

In order to collect information from primary sources, five point likert scale questionnaire was used. Some of the likert items were adopted from, (Michael Armstrong 2009), (Marie B. Walsh, 2003), and (Melissa Wiseman, 1999); by making some modifications. In order to insure its accuracy, reliability test was made. The summary of the reliability test of the instrument is presented below.

**Table 1: Reliability Test**

No.	Variables	Number of items	Reliability (cronbach alpha)
1	Performance planning	14	0.868 (86.8%)
2	Performance Assessment	10	0.792 (79.2%)
3	Feedback Process	6	0.707 (70.7%)
4	Post appraisal actions or uses of appraisal result	9	0.781 (78.1%)

According (Zigmund, carr, & Griffin, 2009) scales with alpha coefficient between 0.70 and 0.80 are considered to have good reliability. Accordingly the test result indicated that the instrument is reliable and suitable for use. The value of  $\alpha$  for all variables is more than 70%

Secondary data was collected by reviewing, Ethiopian higher education proclamation, senate legislation of the university, HR manual of the University, employee's performance evaluation forms and other pertinent sources. On top of this, additional information about performance management system of the university was also collected from department head, HR Director, and faculty head through interview.

#### 4.4. Data analysis methods

According to Geoffrey Marczyk (2005) in purely descriptive studies precise and comprehensive description facts is the primary focus of the study. Therefore descriptive statistics were used to describe the data about the implementation of PM process. Moreover correlation analysis was used to identify the relationship between performance management processes and the employee's perception of performance management effectiveness. Spearman's correlation was used due to the ordinal nature of the dependent variable. Ordered logistic regression was used to identify the effect of PM process on employee's perception of PM effectiveness. The rationale for the choice of this method is the nature of the dependent variable. The dependent variable (i.e. Employees perception of Performance management effectiveness) is ordinal. It was measured by five point likert scale ranging from strongly disagree given the value of one to strongly agree given the value of five.

### 5. Review of Literature

#### 5.1. Definition of Performance

According to Michael Armstrong, (2009) performance is the record of outcomes achieved. On an individual basis, it can be a record of the person's accomplishments.

The *Oxford English Dictionary* defines performance as: ‘The accomplishment, execution, carrying out, and working out of anything ordered.

Job performance is a function of two different things: what the person accomplishes and how the person goes about doing the job. Probably all of us have encountered people who were excellent at one and fail at the other. Thus, for an organization to be successful, both behaviors and results are important (Dick Grote 2002).

A comprehensive view of performance is achieved if it is defined as embracing both behavior and outcomes. Thus performance means both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. This definition of performance leads to the conclusion that when managing the performance of teams and individuals both inputs (behavior) and outputs (results) need to be considered (Michael Armstrong, 2009)

## 5.2. Definition of performance management

Performance management can be described as a strategic and integrated approach to delivering sustained success to organizations that focuses on performance improvement and employee development (Michael Armstrong, 2009)

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 individual’s work goals to the overall mission of the firm (DavidG.Collings and Geoffrey Wood 2009).

## 5.3. Performance management process

Many of the pertinent models on performance management involve a simple four or five step process. These models tend to be based on the assertion that all work performance stems from and is driven by the corporate objectives (David G. Collings and Geoffrey Wood 2009). According to D. Torrington, L. Hall, and S. Taylor (2008), a typical performance management system, include both development and reward aspects, the main stages of which are: definition of business roles, planning performance, delivering and monitoring performance, and formal performance assessment.

Armstrong, (2009) described that performance management system operates as a continuous and self-renewing cycle that closely resembles the cycle of continuous improvement. It comprises four stages: plan, act, monitor, and review.

From the above stated performance management processes and activities one can understand that, there is a variation of PM steps among different authors. Some authors emphasized only on major activities and compressed the appraisal process into few steps .Others are concerned with specific and very detailed activities which make the process to have a little bit longer steps than the others. Despite the slight variation in the process the basic activities to be carried out in PM process are one and the same.

For the purpose of this study a four-phase model identified by Dick Grote (2002) is used. He stated that in organizations that take performance management seriously and use the system well, the appraisal process involves four phases namely performance planning, performance execution, performance assessment, and performance review.

However the researcher concentrated on **performance planning, assessment and performance review phases** of this model and added post **appraisal actions (uses of performance appraisal result in the institution)** instead of **performance execution** which the researcher believed highly influences Employees perception of Performance management effectiveness. **Performance execution** is a stage where employee strives to produce the results and display the behaviors agreed on the planning stage as well as to work on development needs. Employees have a primary responsibility and ownership of this process. Hence, it is not included as a variable in this study.

To assess the current practices of the performance management system in Arba Minch University in light of this model each of the phases are discussed at some length as follows.

**Performance Planning:** The process by which, the manager and individual get together to discuss upon what the person will achieve over the next period (the key responsibilities of the person's job and the goals the person will work on) and how the person will do the job (the behaviors and competencies the organization expects of its members). They typically also discuss the individual's development plans.

According to W. Smither and M. London (2009) performance planning is, the stage where the supervisor and the employee meet to discuss, and agree on, what needs to be done and how it should be done.

According to Dick Grote (2002) Performance planning involves a meeting between an appraiser and an appraisee to reach an agreement on key job responsibilities, to develop a common understanding of the goals and objectives that need to be achieved, to identify the most important competencies that the individual must display in doing the job and to identify individual development plan.

According to W. Smither and M. London (2009) performance planning discussion includes a consideration of (1) results, (2), behaviors, and (3) development plan. *Results* refer to what needs to be done or the outcomes an employee must produce. A consideration of behaviors includes discussing competencies, which are measurable clusters of knowledge, skills, and attitudes (KSAs) that are critical in determining how results will be achieved. *Development plan* should include identifying areas that need improvement and setting goals to be achieved in each area.

*"Some managers object that performance planning takes too much time; these managers are wrong because that period is the most valuable time the manager spends in "people-management" activities during the entire year. A minute devoted to planning prevents hours spent on correcting and responding to an anguished reaction during a performance appraisal discussion i.e., is that what you wanted me to do? Why didn't you tell me?" (Dick Grote 2002).*

The employee must understand both *what* is expected and *how well* the job is expected to be performed. These two requirements are called "Significant Job Segments" and "Standards of Performance. While significant job segments describe what needs to be done, standards of performance describe how well it must be done. Two of them together clarify what's expected of the employee. This clarification is necessary to guide the behavior of the employee as well as to provide a basis for appraisal (Donald L. Kirkpatrick 2006).

Getting employees involved in the planning process will help them understand the goals of the Organization, what needs to be done, why it needs to be done, and how well it should be done (Grote, 2002).

When employees are involved in goal setting, the goals they set are higher and more demanding than goals that managers set alone. Employees will push the envelope, often demanding more of themselves than the managers might demand of them.

Participation in goal setting improves performance, not because participation by itself is inherently motivating, but because it provides the employee with an increased understanding of expectations and strategies for goal accomplishment (Armstrong 2009).

W. Smither and M. London (2009) also pointed out that, employees need to have active input in the development of the job descriptions, performance standards, and the creation of the rating form.

**Performance Assessment:** The manager reflects on how well the subordinate has performed over the course of the year, assembles the various forms and paperwork that the organization provides to make this assessment, and fills them out. In the assessment phase, both the employee and the manager are responsible for evaluating the extent to which the desired behaviors have been displayed, and whether the desired results have been achieved.

Performance assessment involves evaluating how good the individual has done the job and filling out the appraisal form. Employee performance assessment require the ability to judge performance, and good judgment is a matter of using clear standards, considering only relevant evidences, combining probabilities in their correct weight and avoiding projection ((*Dick Grote 2002*).

Four common sources of information are frequently used by managers while measuring actual performance: personal observation, statistical reports, oral reports, and written reports. Each has its strengths and weaknesses; however, a combination of them increases both the number of input sources and the probability of receiving reliable information. What we measure is probably more critical to the evaluation process than how we measure. Selecting the wrong criteria can produce serious, dysfunctional consequences. And what we measure determines, to a great extent, what people in the organization will attempt to excel at. The criteria we measure must represent performance as it was mutually set in the performance planning stage (David A. Decenzo, 2010)

**Performance Review (Feedback process):** The manager and the subordinate meet, usually for about an hour to review the appraisal form that the manager has written and talk about how well the person performed over the past period. It involves the meeting between the employee and the manager to review their assessments.

Feedback is the provision of information to employees on how they have performed in terms of results, events, critical incidents and significant behaviors. Feedback can be positive when it tells people that they have done well, constructive when it provides advice on how to do better, and negative when it tells people that they have done badly. Feedback reinforces effective behavior and indicates where and how behavior needs to change. Employees need feedback to help calibrate their progress toward a goal, as well as to suggest ways to adjust the level or direction of their efforts or to shift performance strategies (Michael Armstrong, 2009)

Feedback gives employees a clear understanding of how they stand in the eyes of their immediate superiors and the organization. The three commonly recognized components of a feedback system are data, evaluation of that data, and some action based on the evaluation. *Data* are factual pieces of information regarding observed actions or consequences. *Evaluation* is the way the feedback system reacts to the facts, and it requires performance standards. For feedback to cause change, some decisions must be made regarding subsequent action (Robert L. Mathis and John H. Jackson, 2010)

Employees understand their weaknesses and improve performance if the feedback is timely. The longer the gap between performance events and performance feedback, the greater the challenge of remembering with clarity the character and quality of the performance events (lee 2005)

According to DeNisi and Kluger (2000) feedback interventions are more likely to be effective if they keep the employee's attention focused on goals at the task performance level and least likely to be effective if they cause a shift of focus to a personal level.

Feedback regarding job performance seems necessary to justify administrative decisions, such as whether a salary increase is awarded and the size of the increase, or whether an employee should be transferred to another job or scheduled for promotion. Feedback should contribute to improved performance (Herbert H. Meyer, 1991).

#### **Post appraisal actions (Uses of Performance appraisal)**

Grote, (2002) identified that performance appraisal is useful for: facilitating promotion decision, facilitating layoff or downsizing decision, encouraging performance improvement, motivating superior performance, counseling poor performers, determining compensation changes, encouraging coaching and mentoring, supporting manpower planning, determining training and development needs, validating hiring decisions, providing legal defensibility for personnel decisions, and for improving overall organizational performance.

Performance appraisal results are used to determine reward outcome, and to identify better performing employees, bonuses, and promotions. On other hand, the evaluation results are used to identify the poor performers, or in the extreme cases, provide a base for decision of demotion, dismissal or decreases in pay (Khan, M., F., 2013).



#### 5.4. Effectiveness of Performance Management system

According to Robert L. Mathis and John H. Jackson, (2010) effective performance management system should be: Consistent with the strategic mission of the organization, beneficial as a development tool, useful as an administrative tool, legal and job related, viewed as generally fair by employees, and should be effective in documenting employee performance.

Employee's perception of performance management effectiveness refers to employee's belief about, the effectiveness of the system.

All indicators of effective performance management system mentioned above can be insured through proper accomplishment of each phases of performance management system. Hence the researcher proposed the following conceptual framework which indicates the relationship between performance management phases and employees perception of Performance management effectiveness.

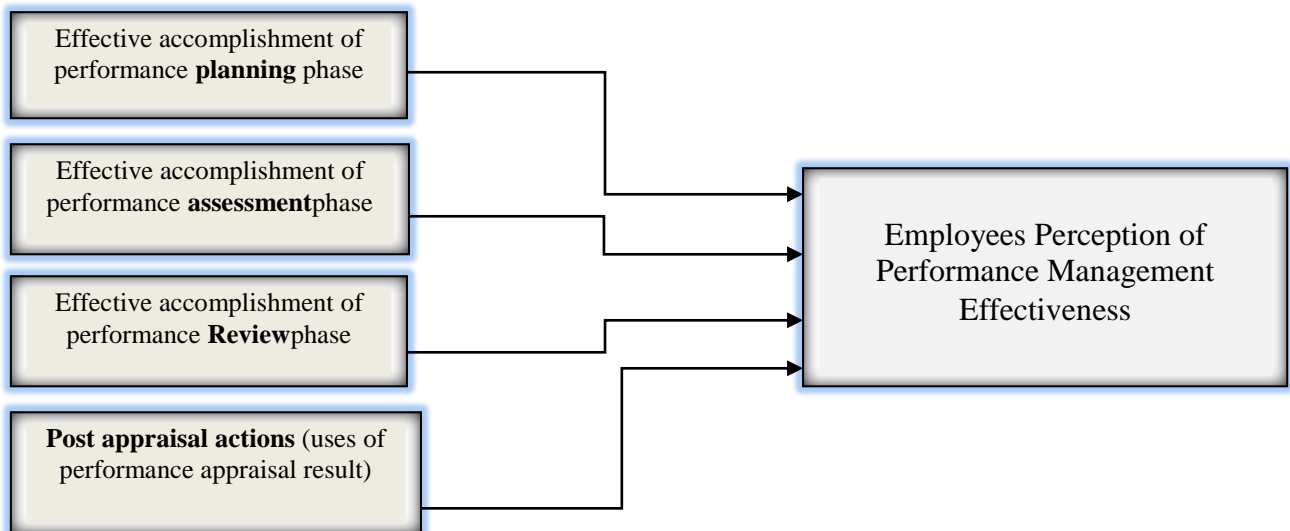


Figure 1: Conceptual Framework

*Source: Developed by the researcher*

## 6. Data analysis and discussion

In order to collect the required data, a total of 264 questionnaires were distributed. Out of these, 198 of them were returned. Therefore, the analysis presented hereafter is based on 75% response rate.

### 6.1. Demographic Characteristics of the Respondents

**Table 2: Respondents sex distribution by their college**

		College						
		Institute of Technology	College of Agricultural sciences	College of Business and Economics	College of Natural Sciences	College of Medicine and Health sciences	College of Social Science and Humanities	Total
Sex	Male	48	11	22	42	13	32	168
	Female	9	2	1	9	6	3	30
Total		57	13	23	51	19	35	198

*Source: Survey result compiled by the researcher*

Respondent's sex distribution by their collage shows that, majority of the respondents 168 (84.8%) were male and the remaining 30 (15.2%) were female. The number of female respondents is lesser than their male counter parts. Similarly 57 employees belongs to institute of technology, 13 belongs to college of agriculture, 23 college of business and economics, 51 college of natural sciences, 19 college of medicine and health science, and the remaining 35 employees belongs to college of social science and humanities.

## 6.2. Descriptive analysis about the status of PM process

**Table 3: Performance planning stage**

S.No.	Items	N	Mean	Std. Deviation
1	Clarity of job responsibilities	198	4.05	1.174
2	Departmental objectives are realistic and attainable	198	3.65	1.079
3	Alignment between department objectives and the overall goal of the university's	198	3.61	.980
4	Goals set for individuals support strategic objective of the university	198	3.61	1.045
5	Employees role clarity and its fitness with strategic goals of the university	198	3.60	1.070
6	Employees awareness about strategic objectives of the university	198	3.45	1.124
7	Departmental objectives are specific and time bound	198	3.34	1.141
8	Supervisors clearly explain their performance expectation to employees	198	3.18	1.204
9	Departmental plans clearly indicate success criteria	198	3.15	1.070
10	Employees and supervisors, agreed on how performance is measured	198	2.94	1.263
11	Departmental goals are challenging	198	2.83	1.197
12	The processes and objectives of PM are clearly described to employees	198	2.72	1.162
13	Joint (between employees & Supervisors) goal setting process	198	2.66	1.226
14	Employees participation in performance planning	198	2.62	1.215
	<b>Grand mean</b>		<b>3.24</b>	<b>1.14</b>

*Source: Survey result compiled by the researcher*

The grand mean (GM= 3.24) is slightly above average, which implies that the performance planning phase of the institution has some weaknesses. Specifically the mean value of item (question) number 10-14 is below average which implies the weak areas of the institution. The weaknesses are: lack of mutual agreement on how performance is to be measured, departmental goals are not relatively challenging, the process and objectives of performance management is not clearly communicated to employees, lack of joint goal setting process, and lack of employees participation in performance planning.

**Table 4: Performance Assessment stage**

S. No	Items	N	Std.	
			Mean	Deviation
1	Students evaluation of teachers performance do not reflect actual performance	198	3.54	1.281
2	Performance assessment covered all issues required to perform jobs successfully	198	3.52	1.112
3	Performance rating is based on all responsibilities of the employees	198	3.31	1.086
4	Performance rating is based on the quality ( how well it is done) of work done	198	3.27	1.093
5	Rating standards are used consistently across all employees	198	3.23	.991
6	Performance rating is based on how much work is done (quantity)	198	3.23	1.142
7	Rating results are partly subjective (based on raters personal likes or dislikes)	198	3.21	1.091
8	Rating results are accurate	198	2.91	1.090
9	Performance is measured based on mutually agreed up on goals	198	2.82	1.142
10	The performance rating is a waste of time	198	2.93	1.259
<b>Grand Mean</b>			<b>3.20</b>	<b>1.13</b>

Source: Survey result compiled by the researcher

The grand mean (GM= 3.20) is a little above average which implies the existence of weaknesses in some aspects of performance assessment phase. The weak areas are on item number one, seven, eight and nine. Item number 1 & 7 are negative for which positive response (M= 3.54, and 3.21 respectively) implies respondents agreement with the issues. Accordingly respondents replied that, student's evaluation of staff performance does not reflect actual performance and the rating results are partly subjective (involves personal bias). Item 8 indicates that, overall rating result lacks accuracy (M=2.91). Moreover respondents replied that their performance is measured based on goals that are not mutually agreed between employees and supervisors.

**Table 5: Feedback Process**

S. No	Items	N	Mean	Std. Deviation
1	Performance feedback is provided in written form	198	3.85	.991
2	The feedback received by employees motivated them for higher performance	198	3.84	.993
3	There is an appeal procedure if the rating received is not correct	198	3.36	1.410
4	Supervisors and employees sit together to discuss on evaluation result	198	2.90	1.420
5	Supervisors provide feedback on time	198	2.92	1.492
6	Supervisors provide feedback regularly	198	2.90	1.488
	<b>Grand Mean</b>		<b>3.3</b>	<b>1.32</b>

Source: Survey result compiled by the researcher

The feedback process is relatively good with (GM= 3.3). However there are still weaknesses as indicated by respondent's response on item 4, 5 and 6. There is a lack of culture where by supervisors and staffs sit together to discuss on evaluation result and feedback is not provided regularly and on time.

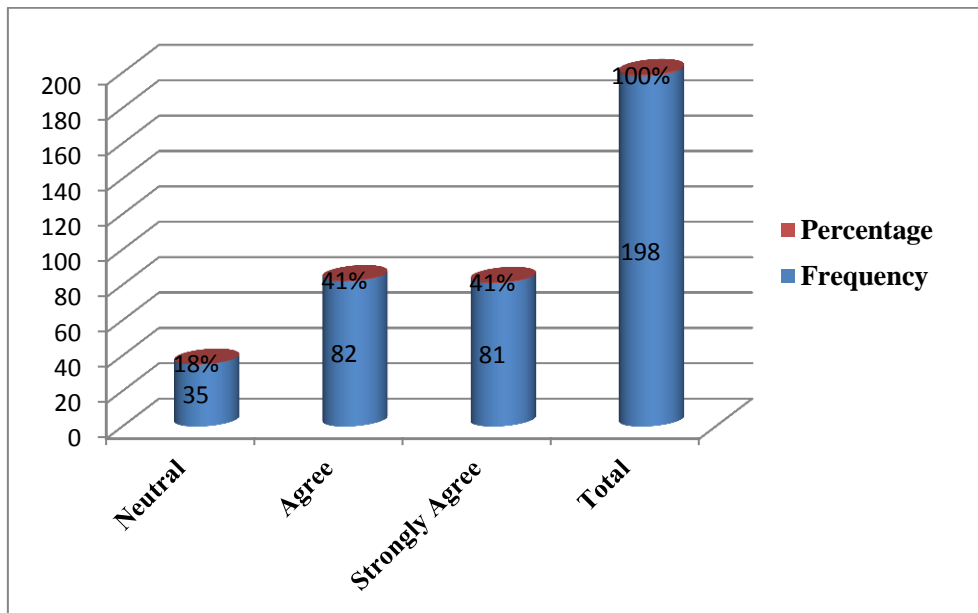
**Table 6: Post appraisal actions/ uses of appraisal result**

S.No	Items	N	Mean	Std. Deviation
1	Used for promotion	198	3.86	1.055
2	Used to improve staff performance	198	3.55	1.273
3	Used to align individual and organizational objectives	198	3.51	1.139
4	Provide basis for personal development	198	3.46	1.186
5	Used for pay decision	198	3.43	1.215
6	Enable employees to know where they stand in terms of performance	198	3.43	1.272
7	Used for training need assessment	198	2.75	1.365
8	Identify underperformers	198	2.66	1.397
9	Identify staff with high potential/high performer	198	2.66	1.218
	<b>Grand Mean</b>		<b>3.27</b>	<b>1.24</b>

Source: Survey result compiled by the researcher

The institution is relatively good (GM=3.27) in using the appraisal results for various purposes. This is confirmed by above average response of the respondents for item one through six. On the other hand item 7 to 9 indicates the weak areas that need improvement. The performance evaluation result is not used for training need assessment, and does not clearly distinguish high performers from low performers.

### 6.3. Employees Perception of Performance Management effectiveness



**Fig. 2: Employees Perception of PM effectiveness**

Employees perception about PM effectiveness was measured using five point likert scale ranging from strongly disagree (ineffective) to strongly agree (effective). Accordingly the above figure indicates that, about 18% of the respondents are neutral about the issue, 41% of the respondents replied agree and the remaining 41% replied strongly agree. This implies that the majority of the respondents (82%) have positive perception about the effectiveness of performance management.

**Table 7: Correlation between PM process and Employees Perception of PM effectiveness**

No	Variables	1	2	3	4	5
1	Employees Perception of PM Effectiveness	1.000				
2	Performance Planning	.347**	1.000			
3	Performance Assessment	.290**	.271**	1.000		
4	Feedback Process	.242**	.178*	.093	1.000	
5	Post appraisal actions/uses of PM	.325**	.374**	.317**	.057	1.000
N= 198						
**. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						

There is a significant positive relationship between performance planning and employees perception of performance management effectiveness  $r_s = .347$ ,  $p$  (2-tailed)  $< 0.001$ . The result implies that, if performance planning is done well, employees believe that the performance management system is effective. This is because, performance planning stage helps employees to identify and understand: **results** (what they are expected to produce), **behaviors** (competencies

required to produce the result), and **development plan** (identification of areas that need to be improved) W. Smither and M. London (2009).

Armstrong (2009) also suggested that performance planning help employees to understand expectations and strategies for goal accomplishment. This stage is useful to understand what needs to be done, and how well it should be done (Grote, 2002). It is useful to guide the behavior of the employee and provide a basis for appraisal (Donald L. Kirkpatrick 2006).

If employees know the goal of the organization, what is expected of them to realize the goal, and agree on those expectations with their supervisors, they can easily accept their evaluation results as it will be based on objective criteria. This in turn leads to the perception that the performance management system is effective.

There is a significant positive relationship between performance assessment and employees perception of performance management effectiveness  $r_s = .290$ ,  $p$  (2-tailed)  $< 0.001$ . If the performance assessment phase is done correctly, the evaluation result/the rating will be accurate, and this in turn makes employee believe that the performance management system is effective.

There is a significant positive relationship between performance feedback procedure and Employees perception of performance management effectiveness  $r = .242$ ,  $p$  (2-tailed)  $< 0.001$  This finding is consistent with the findings of Wagner (2006) cited in Muia Daniel Muindi (2012) which states that, if employees receive feedback on their progress, they become more engaged, more likely perceive the performance management process as fair and valuable, they view their compensation as fair; they are more likely to stay with the organization, and even recommend it as a great place to work.

There is a significant positive relationship between post appraisal actions/uses of performance management and employees perception of performance management effectiveness  $r_s = .325$ ,  $p$  (2-tailed)  $< 0.001$ . This implies that if the performance evaluation result is used for certain purposes, employees believe that the performance management system is effective.

#### 6.4. The effect of PM process on employee's perception of PM effectiveness

Ordered logistic regression was conducted to identify the effect of PM process and its effect on employees' perception of PM effectiveness. Accordingly the regression results are presented as follows.

**Table 8: Summary of goodness of fit indicators**

-2 Log Likelihood

		Chi-square value	df	Sign.
<b>Model fitting information</b>	Intercept Only Final	48.734	4	---
<b>Goodness of fit</b>	Pearson	400.113	390	.351
	Deviance	361.943	390	.843
<b>Test of parallel lines</b>	Null Hypothesis General	7.119	4	.130
<b>Pseudo R-Square: Cox and Snell (0.218), Nagelkerke (0.250), McFadden (0.119)</b>				

Link function: Logit.

The model fitting information indicates that, the  $\chi^2$  is significant at  $p < 0.05$  which implies that the model can better predict the dependent variable.

The goodness of fit test is intended to check whether the observed data fits the model or not. The  $\chi^2$  statistics is not significant  $p > 0.05$ , which implies that the model is good.

The test of parallel lines assumption was also met as  $\chi^2$  statistics is not significant  $p > 0.05$

Pseudo R-square is intended to measure the variability of the dependent variable caused by explanatory variable. The commonly used measure Nagelkerke  $R^2$  implies that the explanatory power of the Model is 25%.

**Table 9: Parameter Estimates**

							95% Confidence Interval		
		Estimate	Std. Error	Wald	df	Sign.	Exp( $\beta$ )	Lower Bound	Upper Bound
Threshold	[PM effectiveness = 3.00]	6.321	1.403	20.295	1	.000	556.1288	3.571	9.070
	[PM effectiveness = 4.00]	8.629	1.475	34.231	1	.000	5591.484	5.739	11.520
Location	Performance Planning	.707	.243	8.495	1	.004	2.027898	.232	1.183
	Performance Assessment	.685	.340	4.066	1	.044	1.983772	.019	1.352
	Feedback Process	.512	.190	7.233	1	.007	1.668625	.139	.884
	Post Appraisal Actions/uses of PM	.517	.189	7.487	1	.006	1.676989	.147	.887

Link function: Logit.

A one unit increase in accuracy of performance planning, is associated with the increase in the odds of being in the higher response category or the odds of perceiving PM system as effective, with odds ratio of  $Exp(\beta) = 2.03$  (95% CI, 0.232 to 1.183), Wald  $\chi^2(1) = 8.495$ ,  $p < 0.05$  holding other variables constant.

A one unit increase in accuracy of performance Assessment, is associated with the increase in the odds of being in the higher response category or the odds of perceiving PM system as effective, increases with odds ratio of  $Exp(\beta) = 1.98$  (95% CI, 0.019 to 1.352), Wald  $\chi^2(1) = 4.066$ ,  $p < 0.05$  holding other variables constant.

A one unit increase in accuracy of Feedback process, is associated with the increase in the odds of being in the higher response category or the odds of perceiving PM system as effective, with odds ratio of  $Exp(\beta) = 1.67$  (95% CI, 0.139 to 0.884), Wald  $\chi^2(1) = 7.233$ ,  $p < 0.05$  holding other variables constant.

If performance evaluation result is increasingly used for various personnel decisions, the odds of perceiving PM system as effective, increases with odds ratio of  $Exp(\beta) = 1.68$  (95% CI, 0.147 to 0.887), Wald  $\chi^2(1) = 7.487$ ,  $p < 0.05$  holding other variables constant.

## 7. Conclusion and recommendation

### 7.1. Conclusion

Performance management is a continuous process of identifying, measuring, and developing the performance of employees, and thereby aligns them to the strategic goals of the organization. For any types of organizations effective implementation of performance management will result in various benefits like, facilitating promotion and pay decision, performance improvement, develop high-performance culture etc.



Likewise in academic institution like Arba Minch University, performance evaluation is conducted with the objective of improving teaching, research and community service performance of the staffs and to hold them accountable for their performance.

For the above benefits to happen, the performance management system of the institution should be well designed, and the steps/procedures involved in the system should be well communicated to the participants.

The descriptive analysis about the current practice of performance management system implies that, the institution is relatively good in implementation of PM. This is supported by the above average grand mean score of each variable considered in the study. However it does not mean that the PM system is free of weaknesses. The item wise analysis revealed that the institution has a lot to improve with respect to the weaknesses in all phases of PM (Performance planning, Performance assessment, feedback procedure /system and on the use of performance evaluation results).

The correlation analysis revealed that, there is a significant positive relationship between performance management process and employees perception of performance management effectiveness. Moreover the regression analysis implies that, each phases of performance management system has a significant positive effect on employees' perception of performance management effectiveness.

## **7.2. Recommendation**

As indicated in the analysis part, the process of performance management has a significant positive effect on employee's perception of performance management effectiveness. It means, the more accurate the phases will be, the more likely that employees consider the performance management system as effective. If they develop positive perception towards the system, they become more involved in it, consider the system as a tool to enhance individual and institutional performance, as a base for career development, and tend to accept the evaluation result and any administrative decision made based on the evaluation result as fair and accurate. Hence to benefit out of the performance management system, the institution must insure accuracy (effective accomplishment) of each phases of performance management. Specifically the institution should work on the weak areas of the performance management system as per the following recommendations.

The institution should periodically communicate the objectives and the processes/procedures of PM to employees. Employees must be oriented to the evaluation instruments and its components. Such conditions will clarify the procedures and thereby enable employees to develop a sense of ownership of the evaluation system. There should be a platform through which employees participate in performance planning process. This can be done through mutual goal setting process, mutual agreement on performance standards and on key performance indicators and by giving chance to employees to have input in performance planning.

Performance assessment should be based on what the employees and their supervisors mutually agreed during the performance planning stage. Evaluating/assessing performance based on mutually agreed up on goals and standards will help supervisors to deal with employees' resistance to accept the evaluation results, and help the employees to deliver what is expected of them. The institution should improve the accuracy of the rating results, through the use of objective criteria, use of multiple raters, providing orientation to the raters and use of appropriate timing for rating. Moreover assigning appropriate weight to different raters can contribute to the rating accuracy. Maximum mark/weight should be assigned to the raters who are believed to have full information about the performance of the employees to be measured and to those who are expected to measure performance objectively. It is better to reduce the weight of students rating which accounts 50% and redistribute it to others who can rate effectively. If it is must to maintain the weight, the institution can alternatively work on improving the awareness of the students about the rating or use a sample of high performing students that may not relate the rating with grades/marks they achieved for a particular course. In addition the use of appropriate timing for evaluation can also minimize bias of students rating.

In order to meet the objective of performance management with respect to performance improvement, and personal development, the institution should provide Performance evaluation feedback regularly, and on time. Moreover, the employee and the supervisor must sit together to discuss on the weaknesses, causes of the weakness and agree on what is to be improved for the next time. Generally the institution should effectively accomplish each phases of performance management, as it has significant positive effect on employees perception of performance management effectiveness.

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