

Assessment of Prospects and Challenges of Employee Performance Management System in Case of CBE Hareto Branch

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ASSESSMENT OF PROSPECTS AND CHALLENGES OF EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM: IN CASE OF CBE HARETO BRANCH

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Abstract

The major purpose of the study was to assess the prospect and challenge of Employee Performance Management System (PMS) at CBE Hareto branch, focusing on employee perceptions and experiences. A sample of 16 employees with census sampling technique provided insights into various aspects of the PMS, revealing a strong consensus on several critical issues. Descriptive statistics like frequency, percentage, mean and standard deviation was used. Key findings indicate that employees perceive unbalanced targets for similar positions and ineffective feedback mechanisms, which contribute to decreased morale and hinder professional growth are the major challenge of employee PMS. Additionally, concerns regarding the transparency and documentation of the rating process and inconsistencies in PMS implementation across departments were highlighted. While employees generally view the PMS positively in terms of clarity and satisfaction, significant areas for improvement were identified, particularly in training and recognition. The analysis concludes that while the PMS fosters accountability and provides effective feedback, addressing the identified challenges is essential for enhancing employee engagement and satisfaction. Therefore Recommendations include enhancing training and development programs, improving recognition systems, standardizing PMS processes, and ensuring equitable target setting. By implementing these strategies, the bank can handle its challenge and strengthen its prospect related to PMS, ultimately leading to improved employee performance and organizational success. Continuous monitoring and adaptation of the PMS will be crucial to meet the evolving needs of employees and the organization.

Key words, challenge, prospect, performance management system, employee

1.1. INTRODUCTION

Performance Management System (PMS) has become an important part of organizational management, particularly in competitive sectors such as banking. In today's competitive business environment, organizations need employees who are skilled, motivated, and able to contribute effectively to organizational goals. Performance management is therefore viewed as a continuous process that connects human resource activities with organizational objectives. It provides a framework for setting goals, monitoring performance, providing feedback, identifying development needs, and improving employee performance (Gupta, 2012; Aguinis, 2013).

An effective performance management system helps managers assess employee performance, clarify expectations, align individual goals with organizational objectives, and identify areas for improvement. It also provides useful information for decisions related to training, promotion, career development, rewards, and competency development. When properly implemented, PMS creates a clear link between what employees do and what the organization aims to achieve, thereby supporting productivity and long-term organizational performance (Aguinis, 2019; Lee & Worsfold, 2021).

Employee performance is closely connected to organizational performance. Skilled, trained, and motivated employees are better positioned to respond to challenges and take advantage of available opportunities. Employee performance can therefore be understood in terms of the activities employees are expected to perform and how effectively they accomplish those activities. Regular performance assessment and constructive feedback help organizations identify performance gaps, support employee development, and encourage continuous improvement (Stredwick, 2005; Aguinis, 2019; DeNisi & Pritchard, 2023).

In the banking sector, effective employee performance management is particularly important because service quality, customer satisfaction, and organizational efficiency depend heavily on employee performance. In Ethiopia, where the banking industry is becoming increasingly competitive, banks need effective systems for managing and developing their human resources. A well-designed PMS can help banks improve employee capabilities, strengthen accountability, enhance service delivery, and align employees' efforts with organizational objectives.

However, establishing an effective PMS involves more than having formal procedures and documentation. It requires commitment from managers and employees, clear performance standards, effective communication, regular feedback, fair evaluation, and appropriate follow-up actions. Therefore, assessing both the prospects and challenges of PMS is important for understanding whether the system is achieving its intended purpose.

In this context, the present study focuses on the Performance Management System at Commercial Bank of Ethiopia (CBE), Hareto Branch. The study aims to assess the prospects of the existing PMS and identify the major challenges affecting its effective implementation. Understanding these issues can help improve employee performance, service delivery, and the overall effectiveness of the branch.

Statement of the Problem

The banking industry plays a crucial role in performing essential economic functions by channeling funds from households, firms, and governments that have surplus savings to those who face a shortage of funds and wish to spend more than their income (Bailey, 2005). In organizations, the primary purpose of a performance management system is to enhance overall organizational results. It fosters a culture that attracts, develops, and retains talented employees, strengthens relationships between leaders and their teams, and encourages meaningful collaboration among staff. Additionally, a well-implemented performance management system provides opportunities for employee growth and development while ensuring that employees clearly understand their work objectives and how their roles contribute to the broader goals of the organization. This alignment of individual performance with organizational success is critical for sustained growth and competitiveness (Aguinis, 2019; DeNisi & Pritchard, 2023; Lee & Worsfold, 2021).

Effective performance management systems require a well-articulated process for accomplishing performance evaluation activities, with clearly defined roles and timelines for both managers and employees. Human resources are particularly important because other factors of production cannot be effectively utilized without people to organize, manage, and operate them. Compared to other factors of production, human resources have the capacity to generate greater value through the development of knowledge, skills, experience, and motivation over time (Abdurezak

& Girma, 2014). Therefore, effective management of employee performance is essential for organizations, including banks, to achieve their strategic and operational objectives.

However, studies conducted in Ethiopia have identified several challenges in the implementation of performance management systems. For instance, the study conducted by Melat (2014) at the Ethiopian Management Institute found that organizational goals were not fully aligned with individual and departmental goals. The study also indicated inadequate employee participation during the performance planning stage, a lack of regular feedback, and a lack of uniformity in gathering information about employee performance as major problems in performance management system implementation.

Similarly, the study conducted by Dereje (2015) on the implementation of performance management systems in Addis Ababa City Administration, particularly in Addis Ketema Sub-City Wereda 2, found that the performance management process required serious consideration. The study reported weaknesses in performance planning, ongoing coaching and technical support, recognition and reward, and performance accountability at both individual and organizational levels. Dereje (2015) further argued that these challenges were associated with the need to institutionalize effective and modern performance management practices while moving away from traditional bureaucratic approaches.

Although these studies provide important evidence regarding performance management challenges in Ethiopian organizations, there is a research gap concerning the specific context of commercial banking institutions, particularly at the branch level. Previous studies have mainly focused on public institutions and administrative organizations, while limited attention has been given to how employee performance management is practiced within individual branches of the Commercial Bank of Ethiopia (CBE). In particular, there is insufficient empirical evidence regarding the prospects and challenges of performance planning, employee participation, performance evaluation, feedback, recognition and rewards, and the alignment of individual employee objectives with the strategic objectives of CBE at the branch level. Furthermore, the findings of studies conducted in other organizations and administrative settings may not fully reflect the operational realities and performance management practices of CBE branches.

The Commercial Bank of Ethiopia (CBE) Hareto Branch has implemented an employee performance management system with the aim of aligning the strategic objectives of the bank with individual employee performance. Effective performance management is expected to improve employee performance and, consequently, contribute to the overall performance of the branch and the bank. However, the effectiveness of the system may be influenced by various organizational and employee-related factors, including the clarity of performance objectives, employee participation, managerial support, regular feedback, performance evaluation practices, recognition and reward mechanisms, and accountability.

Therefore, the gap identified in the existing literature is the limited branch-level empirical evidence on the prospects and challenges of employee performance management within CBE, particularly at Hareto Branch. This study seeks to address this gap by examining the existing employee performance management practices, identifying the major challenges affecting their implementation, and assessing the prospects for improving the system at CBE Hareto Branch. The study is therefore intended to provide context-specific evidence that may contribute to improving employee performance management and supporting the achievement of organizational objectives at the branch level.

Research Questions

The research will address the following basic questions;

- ✎ How the strategic objective of the bank aligns with employee performance objective in CBE Hareto branch?
- ✎ What are the prospects of employee performance management system at CBE Hareto Branch?
- ✎ What are the challenges in implementing employee performance management system at the bank?
- ✎ What are the purpose does the performance management system have in CBE Hareto branch

Objectives of the study

General objective

The general objective of this study will be to assess the prospects and challenges of employee performance management system in CBE Hareto branch.

Specific objective

Specifically, the study was addressing the following specific objectives;

- ✎ To identify how strategic objective of bank align with the individual performance objective
- ✎ To assess the prospect of employee performance management system in the bank.
- ✎ To assess the challenges faced while implementing performance management system.
- ✎ Identify the purpose of performance management system in CBE Hareto branches.

Review of Related Literature

This chapter reviewed literature related to the Performance Management System (PMS), focusing on its meaning, processes, purposes, importance, prospects, challenges, and previous empirical findings. The review provides a theoretical and practical foundation for examining PMS practices in the study organization.

Theoretical Review

Performance management is a continuous process of planning, monitoring, assessing, and improving employee performance in line with organizational goals. It is broader than performance appraisal because it does not only evaluate past performance but also focuses on employee development, feedback, motivation, and future improvement (Aguinis, 2009; Armstrong & Baron, 2004).

An effective PMS connects individual and team objectives with the organization's overall mission and strategy. It helps employees understand what is expected of them and provides managers with information for making decisions related to development, rewards, recognition, and performance improvement (Aguinis, 2019; Pulakos, 2020).

The PMS generally follows three major stages: performance planning, performance implementation, and performance assessment/review. During planning, employees and supervisors agree on responsibilities, objectives, performance standards, measures, and development needs. During implementation, employees work toward the agreed objectives while managers provide support, coaching, and monitoring. The assessment stage involves reviewing

performance, discussing results, identifying gaps, and agreeing on future improvement actions (Grote, 2002; Smither & London, 2009).

Performance planning is particularly important because it establishes clear and achievable goals and performance standards. Key performance indicators (KPIs) can be used to measure whether employees and teams are achieving the expected results. Clear goals help employees understand their responsibilities and connect their work with organizational objectives.

Performance review and feedback are also important parts of PMS. Regular and constructive feedback helps employees understand what they are doing well, where they need improvement, and how they can improve their future performance. Effective performance discussions can also increase employee satisfaction, motivation, and development (Pulakos, 2004; Smither & London, 2009).

Purposes and Importance of PMS

The main purpose of PMS is to improve individual and organizational performance. It helps organizations clarify goals, monitor progress, identify performance gaps, develop employees, and make informed decisions about rewards and development.

A well-designed PMS can increase employee motivation and self-awareness, clarify job responsibilities, improve communication between employees and managers, support employee development, and make organizational goals clearer. It can also help organizations identify high-performing employees and areas requiring improvement (Aguinis, 2009).

Fairness and transparency are also important. When employees believe that performance evaluations are objective and properly conducted, they are more likely to accept the results and participate positively in the system. On the other hand, unclear standards, unfair evaluations, poor communication, and weak feedback can reduce employees' confidence in the PMS.

Prospects and Challenges of PMS

The literature indicates that modern performance management is increasingly moving from traditional annual appraisal toward continuous feedback, regular communication, employee

development, and flexible goal setting. Effective PMS can improve employee engagement, motivation, development, and organizational performance.

However, several challenges can affect the success of PMS. These include unclear performance expectations, poorly aligned individual and organizational goals, inadequate training of managers, weak feedback, lack of employee participation, inconsistent evaluation, limited recognition and rewards, and excessive administrative procedures. Leadership commitment is also important because managers and leaders are responsible for supporting the process and ensuring that it is consistently implemented.

Therefore, an effective PMS should not be viewed simply as a tool for rating employees. It should be used as a continuous management and development process that helps employees improve while supporting the organization in achieving its strategic objectives.

Empirical Review

Previous studies in Ethiopia and other African countries have identified both benefits and challenges associated with PMS.

Tessema (2005) found growing interest among Ethiopian organizations in performance management and the Balanced Scorecard, together with improvements in performance review meetings, communication, and employee training. However, Melat (2014) found that individual and organizational goals were not fully aligned, employee participation in PMS planning was limited, regular feedback was inadequate, and performance information was not collected consistently.

Similarly, Dereje (2015), in a study of Addis Ababa City Administration, found weaknesses in performance planning, coaching, technical support, recognition and rewards, and accountability. These weaknesses limited the ability of the PMS to produce meaningful performance improvement.

Evidence from the banking sector also shows similar challenges. Previous studies at the Commercial Bank of Ethiopia identified issues related to goal alignment, feedback, employee participation, performance standards, job rotation, rewards, and consistency of PMS

implementation. These studies suggest that while PMS can contribute to employee and organizational performance, its effectiveness depends largely on how fairly, consistently, and continuously it is implemented.

Outside Ethiopia, Zvavahera (2013), in Zimbabwe's civil service, found that PMS effectiveness was affected by the complexity of the system, weak adherence to PMS requirements, financial constraints affecting performance-related rewards, and weak links between performance and promotion. This demonstrates that challenges in PMS implementation are not limited to Ethiopia but can also occur in other African organizations.

RESEARCH METHODOLOGY

Research Design and Approach

This study employed a descriptive research design using a survey method to assess the prospects and challenges of the employee performance management system at CBE Hareto Branch. The study used a mixed-methods approach, combining quantitative and qualitative data. Quantitative data were collected through structured questionnaires, while qualitative data were obtained through interviews with relevant respondents. The mixed-methods approach provided both measurable findings and detailed insights into the existing performance management practices and challenges at the branch (Creswell, 2012).

Target Population, Sample Size and Sampling Technique

Target Population

The target population of this study consisted of all employees working at CBE Hareto Branch. The branch had a total of 16 employees, of whom 3 were female and 13 were male. Since the study focused on the employee performance management system, all employees were considered relevant to the study.

Sampling Technique

The study used a census sampling technique, in which all members of the target population were included. This technique was appropriate because the total number of employees at the branch

was small and manageable. Therefore, including all employees helped obtain comprehensive information about the performance management system.

Sample Size

Since the target population consisted of only 16 employees, all 16 employees were included in the study. Thus, the sample size was 16 respondents.

Sources of Data

The study used both primary and secondary data. Primary data were collected directly from employees of CBE Hareto Branch. Secondary data were obtained from relevant books, journal articles, previous studies, and other documents related to employee performance management.

Methods of Data Collection

The study used questionnaires and interviews to collect the required data. The questionnaire was prepared in English and reviewed by the research advisor before being distributed to the respondents. Interviews were also conducted with relevant respondents to obtain additional information about the prospects and challenges of the performance management system.

Methods of Data Analysis

The collected data were analyzed using both quantitative and qualitative methods. Quantitative data were analyzed using descriptive statistics, including frequency, percentage, mean, and standard deviation, to summarize respondents' views and demographic characteristics. Qualitative data obtained from interviews were analyzed thematically and presented in a descriptive manner.

Result and discussion

Introduction

This chapter is subdivided into two sections. The first part presents the frequencies statistics on the demographic characteristics of the sampled respondents. The second section, presents descriptive analysis (mean and standard deviation) on view of respondents on challenge and prospect of employee performance management system in CBE Hareto branch

Descriptive analysis on demographic characteristics of respondents

4.2.1. Gender of respondents

This section addresses frequency analyses of the respondents to the study with regard to gender working in the bank. The result of the frequency analysis is presented in Table 4. 1 here below

Table1.Gender of respondents

No	Gender of respondents working in CBE Hareto branch				
	Gender	Frequency	Percent	Valid Percent	Cumulative Percent
1	Male	13	81.3	81.3	81.3
2	Female	3	18.8	18.8	100.0
	Total	16	100.0	100.0	

Source: Survey data 2025

The data shows that the CBE Hareto Branch workforce was predominantly male, with males accounting for 81.3% of respondents and females 18.8%. This indicates a noticeable gender imbalance among employees. The valid percentages total 100%, showing that all respondents provided complete information. The findings suggest that female representation at the branch was relatively low, indicating limited gender diversity in the workforce.

4.2.2. Work experience of respondents

Table: 2. Work experience of respondents

How long have you been with the organization?					
No	Experience	Frequency	Percent	Valid Percent	Cumulative Percent
1	2 years	5	31.3	31.3	31.3
2	7 years	3	18.8	18.8	50.0
3	9 years	3	18.8	18.8	68.8
4	10 years	2	12.5	12.5	81.3
5	4 years	1	6.3	6.3	87.5
6	8 years	1	6.3	6.3	93.8
7	13 years	1	6.3	6.3	100.0
	Total	16	100.0	100.0	

Source: survey data 2024

Based on Table 4.2, respondents had different levels of work experience. The largest group (31.3%) had 2 years of experience, followed by those with 7 and 9 years of experience (18.8% each). Smaller proportions had 4, 8, 10, and 13 years of experience. Overall, most respondents had less than 10 years of experience, indicating a relatively young workforce in terms of organizational tenure. The presence of employees with longer experience also shows that the

branch has some experienced staff who may contribute to knowledge sharing and support for less experienced employees.

Position of respondents

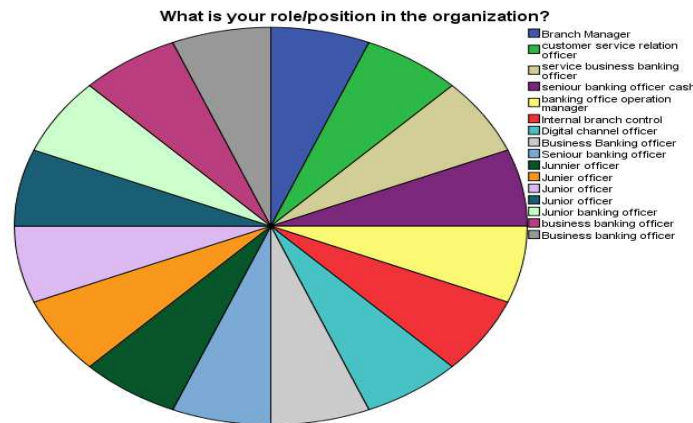


Figure: 4.1. Position of respondents

Based on the data, the CBE Hareto Branch had 10 different employee positions. Junior Officers represented the largest group, with 5 employees (31.25%), followed by Business Banking Officers with 4 employees (25%). Senior Banking Officers accounted for 2 employees (12.5%), while the remaining positions had one employee each (6.25%). Overall, the distribution shows a diverse workforce with more employees in junior-level positions than senior roles. This structure highlights the importance of training, career development, and opportunities for employees to progress to higher positions.

Salary of respondents

Table.3.Salary of respondents

Monthly salary of respondents working in CBE Hareto branch					
No	monthly salary	Frequency	Percent	Valid Percent	Cumulative Percent
1	8,005 Birr	5	31.3	31.3	31.3
2	10,402 Birr	2	12.5	12.5	43.8
3	10,985 Birr	1	6.3	6.3	50.0
4	13,317Birr	3	18.8	18.8	68.8
5	13,337Birr	1	6.3	6.3	75.0
6	18,467Birr	3	18.8	18.8	93.8
7	22,831Birr	1	6.3	6.3	100.0
	Total	16	100.0	100.0	

Source: survey data 2025

The findings show that the most common monthly salary is 8,005 Birr, earned by 31.3% of respondents. The next common salary levels are 13,317 Birr and 18,467 Birr, each representing 18.8% of respondents. The remaining salary categories account for smaller proportions.

The cumulative percentage indicates that 68.8% of respondents earn up to 13,317 Birr, while 100% are accounted for by 22,831 Birr. Overall, the data shows that a large proportion of employees are concentrated at the lower salary levels, indicating variation in salary across employees.

Descriptive analysis on strategic objective of bank aligns with employee performance objective

A strategic objective in the context of performance management systems refers to the overarching goals that an organization aims to achieve to fulfill its mission and vision. These objectives guide the direction of the organization and inform the development of specific employee performance objectives.

Table: 4. Mean and standard deviation of Strategic objective of CBE aligns with employee performance objective

NO	1.Statement of strategic objective of CBE aligns with employee performance objective	Descriptive Statistics		
		N	Mean	SD
1	Performance management has helped the bank to establish a culture in which individuals and groups take responsibility for the continuous improvement of business processes.	16	4.19	1.047
2	The PMS has helped the bank in evaluating the effectiveness of human resource interventions	16	3.78	1.402
3	Performance management system serves me in providing information about how I am perceived in the organization and where I stand.	16	3.56	1.459
4	The performance management system has helped the bank to manage and develop its employees in a ways it will achieve its short and long term objectives	16	3.5	1.673
5	The performance management has helped the bank to enhance its productivity.	16	3.38	1.586
6	The performance management system has helped the bank to integrate the individual objectives with the bank's objectives.	16	3.25	1.612
7	The performance management system has helped me to align my day to day business activities with the overall strategy of the bank	16	3.13	1.36
8	The performance management has helped me to enhance my productivity on a going basis.	16	2.88	1.408
	Valid N (listwise)	16		

Source: survey data 2025

The findings indicate that the Performance Management System (PMS) is generally perceived positively by employees. The highest mean score was recorded for promoting a culture of responsibility and continuous improvement (Mean = 4.19), showing that employees generally recognize the PMS as an important mechanism for encouraging accountability and better performance.

The PMS was also viewed positively in terms of evaluating HR interventions (Mean = 3.78) and providing feedback (Mean = 3.56). These findings suggest that the system provides useful information for assessing employee performance and supporting communication between employees and management. This is consistent with Siyoum (2016), who found that objective setting, coaching, appraisal, and evaluation within CBE's PMS had significant effects on employee performance. However, the study also identified weaknesses in feedback practices and recommended strengthening employee involvement in setting objectives and linking performance results with rewards and career development.

The relatively lower scores for employee development (Mean = 3.50), productivity enhancement (Mean = 3.38), and particularly the integration of individual and organizational objectives (Mean = 3.25) indicate that the PMS has not achieved the same level of effectiveness in all areas. The lowest score is especially important because effective performance management should help employees understand how their individual responsibilities contribute to broader organizational objectives. This finding is consistent with Ayanaw (2017), who reported that CBE faced problems related to effective communication of organizational goals and the alignment of individual goals with organizational goals. The study also found weaknesses in linking PMS with the bank's broader strategy and other HR functions.

Similarly, Girma (2015) found that employee participation in performance planning contributed to the achievement of organizational goals and emphasized that employees should be involved in setting organizational goals and objectives. The study recommended that the PMS should be clear, objective, easy to understand, and properly communicated to employees. These findings support the present result that stronger integration between individual and organizational objectives is needed.

More recent evidence from CBE also highlights the importance of strengthening the PMS. Yimenu (2024) recommended timely PMS training, improved performance-data tracking and documentation, stronger coaching and feedback, and revision of performance measures to reduce subjectivity and improve alignment with the bank's strategic goals. In addition, research conducted in CBE's Adama District found that performance management practices had a positive relationship with employee performance, indicating that effective PMS implementation can contribute to improved employee outcomes.

Overall, the findings show that the PMS is contributing positively to accountability, continuous improvement, HR evaluation, and feedback. However, the relatively lower scores for employee development, productivity enhancement, and especially alignment between individual and organizational objectives indicate areas that require greater attention. The bank could strengthen the PMS by improving communication of organizational goals, involving employees in objective setting, providing regular coaching and feedback, and ensuring that individual performance targets are clearly connected to the bank's broader objectives. This would help the PMS move beyond performance assessment and become a stronger tool for employee development, productivity, and achievement of organizational goals.

Prospect of Employee Performance Management System

"Prospect" generally refers to the potential benefits, opportunities, and positive outcomes that can arise from effectively implementing and utilizing these systems. In the realm of employee performance management, a prospect refers to the anticipated advantages and positive developments that organizations can achieve through the strategic implementation of performance management practices. The following table show descriptive analysis related with prospect of employee performance management system in CBE Hareto branch.

5. Mean and standard deviation on Prospect of employee performance management system

Descriptive Statistics				
No	Statement of Prospects of PMS	N	Mean	SD
1	The feedback provided through performance appraisal contribute to the professional development of employees	16	4.63	1.025
2	The appraisal system motivate employees to improve their performance	16	4.63	1.025
3	The performance management system help in identifying employees strength and weakness effectively	16	4.5	1.366
4	The performance management system aligns with the	16	4.25	1.125

	organizations goals and objectives			
5	The performance management is transparent and fair to all employees	16	4.06	1.124
	Valid N (listwise)	16		

Source: survey data 2025

The findings indicate that the Performance Management System (PMS) is viewed very positively by respondents. The highest mean scores (4.63) show strong agreement that performance feedback supports professional development and motivates employees to improve their performance. Respondents also strongly agreed that the PMS helps identify employees' strengths and weaknesses (Mean = 4.50) and supports alignment with organizational goals (Mean = 4.25). These results suggest that employees see the PMS not only as a tool for evaluating performance but also as a mechanism for improving their capabilities and contribution to the organization.

The findings are consistent with previous research conducted in the Ethiopian banking sector. Bishaw (2016) found that the PMS at the Commercial Bank of Ethiopia (CBE) helped create role clarity, distinguish good and poor performers, encourage constructive competition, and support employee development through communication between employees and supervisors. The study also reported that the PMS contributed to both individual and overall bank performance. Similarly, Siyoum (2016) found that objective setting, coaching, appraisal, and evaluation had positive effects on employee performance at CBE, although weaknesses were identified in feedback and in connecting performance results with rewards and career development.

More recent evidence from CBE also supports the positive role of PMS. Shumi, Fikadu, and Roba (2024) found that employee readiness for training, performance planning, feedback, appraisal, and rewarding systems significantly influenced employee performance in CBE's Adama District. This supports the present finding that PMS can contribute to employee improvement and organizational performance when its different components are properly implemented. Research in Ethiopian SMEs similarly found that performance planning, feedback, appraisal, training, and rewards are important components of an effective PMS and can contribute to improved employee work outcomes.

The finding that the PMS helps employees identify their strengths and weaknesses is also important for employee development. Performance management can provide employees with

information about their current performance and areas that require improvement. However, previous research at CBE has shown that this developmental role is not always fully realized. Kuhl and W/Michael (2019) identified limited training and awareness, inadequate regular feedback and coaching, and subjective supervisor assessment as challenges affecting PMS implementation at CBE. They recommended improving employee participation, providing timely training, revising performance standards, and strengthening regular feedback and coaching.

The relatively high score for alignment with organizational goals (Mean = 4.25) also indicates that employees generally understand the relationship between their individual performance and the objectives of the bank. This is an important prospect because an effective PMS should connect individual performance with broader organizational priorities. However, Ethiopian evidence indicates that maintaining this alignment requires continuous communication and employee involvement. Negash (2022), for example, found positive relationships between employees' understanding, communication, trust, engagement, and PMS practices at CBE.

Although the overall results are positive, the variations in standard deviations indicate that employees do not necessarily experience the PMS in exactly the same way. Therefore, the positive prospects of the system depend on consistent and fair implementation across employees and departments. This is important because earlier CBE research has identified challenges related to consistency, feedback, training, and subjective assessment.

Overall, the findings suggest that the PMS has good prospects for supporting employee development, motivation, performance improvement, and alignment with organizational goals. To fully realize these benefits, the bank should strengthen continuous feedback, employee development, training, and consistent implementation of the system. In this way, the PMS can move beyond simply assessing past performance and become a stronger tool for continuous learning, employee motivation, and improved organizational performance.

Challenge of Performance management System

A challenge in the context of employee performance management systems refers to the obstacles, difficulties, and barriers that organizations may face when implementing and maintaining these systems.

Table: 6. Descriptive analysis on challenge of Performance management System

No	Descriptive Statistics	Descriptive Statistics		
	Statement of Challenge of PMS	N	Mean	SD
1	There is a tendency of giving unbalanced targets for similar positions.	16	4.63	1.025
2	Feedback provided during performance management system is not always actionable or constructive.	16	4.63	1.025
3	There is a problems in documentation and transparency of rating by ratters	16	4.5	1.366
4	There is a lack of consistency in how performance management systems are conducted across different departments.	16	4.25	1.125
5	There is no fair job rotation among employees in your branch/office.	16	4.19	1.047
6	The performance management system often leads to conflicts between employees and managers	16	4.19	1.047
7	The performance management system is time consuming and burdensome for both managers and employees	16	4.06	1.124
8	There is a problems of accepting the rating results by the rates	16	3.78	1.402
9	The forms of performance evaluation are clear and easy to understand as well as document the performance of the individuals employees	16	3.78	1.402
10	There is positive reaction by the employees towards low performance ratings	16	3.5	1.673
11	The criteria used in performance appraisal system are not always clear or objective.	16	3.5	1.673
	Valid N (listwise)	16		

Source: survey data 2025

The findings show that the Performance Management System (PMS) faces several important challenges. The most serious concerns were unbalanced targets for employees in similar positions and feedback that is not always actionable or constructive, both with a mean score of 4.63. Respondents also strongly identified problems related to documentation and transparency of performance ratings (Mean = 4.50). Other challenges included inconsistency in PMS implementation across departments (Mean = 4.25), unfair job rotation and conflicts between employees and managers (Mean = 4.19), and the perception that the PMS is time-consuming and burdensome (Mean = 4.06).

These findings are strongly supported by previous research conducted at the Commercial Bank of Ethiopia (CBE). Ayanaw (2017) found that CBE faced problems including unbalanced targets

for employees, unfair job rotation, weak communication of organizational goals, and poor alignment between individual and organizational objectives. The study also reported that the PMS was not sufficiently integrated with other human resource practices. Similarly, Bishaw (2016) identified unbalanced goals for employees in similar job grades and unfair job rotation as important challenges. The study also found that performance evaluation results were not adequately connected with reward and recognition and recommended training supervisors to improve the consistency of ratings across assessors and branches.

The finding concerning feedback is also consistent with earlier Ethiopian evidence. Siyoum (2016) found that feedback activities at CBE had weaknesses and were negatively associated with employee performance in the study, while setting objectives, coaching, appraisal, and evaluation had positive effects. The study recommended improving employee participation in objective setting and linking performance results with rewards and career development. More recent research by Belay (2023) also found differences between raters' and ratees' perceptions of the effectiveness of CBE's appraisal system and recommended that feedback should be specific, timely, and based on predetermined performance expectations, together with additional training for performance raters.

The concerns about documentation, target setting, and consistency are also supported by research conducted in CBE branches under the West Addis Ababa District. The study found that some targets were unattainable, particularly for deposit and foreign-currency mobilization, while documentation and data tracking were weaknesses. It also reported that feedback provision was inadequate and recommended setting achievable targets according to branch circumstances and improving the system for tracking performance information.

In addition, research on CBE's Bishoftu branches found weaknesses in employee participation, regular feedback and coaching, supervisor assessment, transparency, and the connection between performance and rewards. The study recommended revising performance standards, improving transparency, providing timely training, and strengthening regular feedback and coaching. Research on Ethiopian private banks has similarly reported concerns about subjective performance criteria and insufficient rater understanding and training, emphasizing the need for measurable, objective, and job-related evaluation criteria.

Overall, the findings indicate that the main challenges of the PMS at the study area are related to fairness, transparency, consistency, feedback, target setting, and employee–manager relationships. These findings are broadly consistent with previous research in the Ethiopian banking sector. Therefore, improving the PMS requires the bank to establish equitable and achievable targets, provide timely and constructive feedback, strengthen documentation and transparency, train performance raters, and apply PMS procedures consistently across departments. Addressing these issues could improve employees' confidence in the system and strengthen the overall effectiveness of performance management.

Descriptive Analysis on Perception of Employee on PMS of the bank

Employee perception refers to how employees view and evaluate the fairness, effectiveness, transparency, and usefulness of the Performance Management System (PMS). It influences employees' trust in management, motivation, and willingness to participate in the performance management process. The following table presents the **descriptive analysis of employees' perceptions of the Performance Management System at the bank.**

Table: 7. Perception of Employee on PMS of the Bank

	Descriptive Statistics			
	❖ Statement of perception of employee on PMS	N	Mean	SD
1	Performance management processes are done free of bias & objectively	16	4.63	1.025
2	There is similar rating mechanism among branches and employees.	16	4.63	1.025
3	Performance raters are competent enough to undertake their responsibilities	16	4.5	1.366
4	I feel fairly treated in every process of performance management system.	16	4.44	1.094
5	The feedbacks are properly communicated to our office and me.	16	4.25	1.125
6	In my opinion, Employee Performance Management System is clearly defined in the organization	16	4.06	1.482
7	There is clear with my roles and responsibilities.	16	4.06	1.124
	Valid N (listwise)	16		

Source: survey data 2025

The findings show that employees have a generally positive perception of the Performance Management System (PMS). The highest mean scores (4.63) indicate strong agreement that the system is fair, objective, and consistently applied across branches. Employees also believe that performance raters are competent (Mean = 4.50) and that they are fairly treated (Mean = 4.44). In addition, feedback communication was viewed positively (Mean = 4.25). These results

suggest that employees generally have confidence in the PMS and consider its implementation to be fair and supportive.

The finding is consistent with previous research conducted at the Commercial Bank of Ethiopia (CBE). Bishaw (2016) found that the PMS at CBE provided several benefits, including role clarity, communication between employees and supervisors, employee development, and improved individual and organizational performance. The study also emphasized the importance of training supervisors so that performance ratings can be applied consistently across assessors and branches. Similarly, Negash (2022) found a positive relationship between employees' perceptions of PMS and factors such as communication, understanding, trust, and employee engagement at CBE.

The positive perception of fairness in the present study is also important because previous Ethiopian research has identified fairness and objectivity as challenges in performance appraisal. For example, Anjulo (2017), studying private banks in Addis Ababa, found concerns about subjective evaluation criteria and inadequate rater understanding and training. The study recommended using measurable, objective, and job-related performance criteria. This difference may indicate that the PMS at the branch under study is currently perceived more positively than some earlier findings from Ethiopian banking institutions.

However, the variations in responses in the present study suggest that not all employees may experience the PMS in exactly the same way. This observation is supported by Belay (2023), who found a significant difference between raters' and ratees' perceptions of the effectiveness of CBE's performance appraisal system. The study recommended improving awareness of the appraisal system, providing specific and timely feedback, and strengthening training for performance raters.

Documentation and communication also remain important areas for improvement. Yimenu (2024), in an assessment of the PMS at CBE, identified the need for appropriate and timely employee training, improved documentation and tracking of performance information, stronger coaching and feedback, and clearer performance standards to reduce subjectivity. Similarly, research on CBE branches under West Addis Ababa District identified weaknesses in PMS documentation and inadequate feedback practices.

Overall, the findings indicate that employees generally trust and positively perceive the PMS, particularly with respect to fairness, objectivity, rater competence, and communication of feedback. Nevertheless, the variation in employees' responses indicates that the bank should continue working to ensure that PMS practices are applied consistently. Strengthening communication, documentation, and training for performance raters would help maintain employee confidence and further improve the effectiveness and credibility of the PMS.

Descriptive analysis on Benefit of PMS to organization

The fundamental purpose of performance management is to help organizations maximize productivity by enabling employees to perform to their potential, (Elaine & Rose, 2015). Setting and defining goals to fulfill organizational objectives. Employees cannot meet your performance expectations or company goals if they are not clearly outlined (Sara, (2018)

Table: 8. Descriptive analysis on Benefit of PMS to organization

No	Statement of benefit of PMS to organization	Descriptive Statistics		
		N	Mean	SD
1	The performance management system fosters a culture of accountability within the organization.	16	4.63	1.025
2	Regular performance reviews contribute to improved organizational performance.	16	4.63	1.025
3	The performance management system supports effective communication between employees and management.	16	4.5	1.366
4	The performance management system is essential for strategic planning and decision-making.	16	4.44	1.094
5	The performance management system helps identify high performers and areas for improvement.	16	4.25	1.125
6	The performance management system helps in recognizing and rewarding employee contributions.	16	4.19	1.047
7	The performance management system is crucial for talent retention in the organization.	16	4.06	1.482
8	The performance management system provides valuable feedback for employee development.	16	4.06	1.124
9	The performance management system helps align individual goals with organizational objectives.	16	3.78	1.402
10	A well-implemented performance management system enhances employee motivation and engagement.	16	3.5	1.673
	Valid N (listwise)	16		

Source: Survey Data 2025

The findings show that the Performance Management System (PMS) provides several important benefits to the organization. The highest-rated benefits were promoting accountability and improving organizational performance through regular performance reviews (Mean = 4.63). Respondents also agreed that the PMS improves communication between employees and management, supports strategic planning and decision-making, helps identify high-performing employees and areas for improvement, and recognizes employee contributions.

These findings are consistent with previous research conducted in Ethiopia, particularly in the banking sector. Bishaw (2016) found that the PMS at the Commercial Bank of Ethiopia created role clarity, helped differentiate high and low performers, encouraged constructive competition, improved communication between employees and managers, and contributed to both employee and organizational performance. Similarly, Siyoum (2016) found that performance objectives, coaching, appraisal, and evaluation had positive effects on employee performance at CBE, although weaknesses in feedback and the connection between performance results, rewards, and career development were identified.

However, the relatively lower ratings for talent retention, alignment of individual goals with organizational objectives, and employee motivation and engagement indicate that some aspects of the PMS still require improvement. This finding is supported by Ayanaw (2017), who reported problems at CBE related to communication of organizational goals, alignment between individual and organizational goals, and the integration of PMS with other HR functions. Likewise, Kassaye (2017) found that CBE's performance management results were not sufficiently used to motivate, reward, and develop employees, and that employee participation and two-way communication in performance reviews were limited.

Recent Ethiopian evidence also supports the importance of strengthening PMS practices. Yimenu (2024) identified the need for timely training, better performance documentation, stronger coaching and feedback, clearer performance standards, and greater employee involvement in the PMS at CBE. In addition, a 2025 study of CBE's Kirkos District found positive relationships between performance planning, monitoring, review, rewarding, and employee performance, with performance rewarding showing a particularly strong relationship with employee performance.

Evidence from the wider African context also highlights the importance of PMS for employee engagement. A South African study found a strong relationship between performance management systems, employment relationships, and work engagement, suggesting that effective performance management is connected not only with performance but also with employees' engagement at work.

Overall, the findings indicate that the PMS is beneficial to the organization, particularly in promoting accountability, communication, and employee performance. However, the lower

ratings related to motivation, engagement, talent retention, and goal alignment show that the bank should give greater attention to the developmental and motivational aspects of performance management. Strengthening the link between performance results, employee development, recognition, rewards, and organizational goals could make the PMS more effective and meaningful to employees.

Employee Performance Management System

An Employee Performance Management System is a structured framework used by organizations to assess, manage, and enhance employee performance.

Table: 9. Employee Performance Management System

NO	❖ Statement of Employee Performance Management System	Descriptive Statistics		
		N	Mean	SD
1	The performance goal set for you are clear and achievable	16	5	0.00
2	Overall you are satisfied with the performance management system in your Bank	16	4.81	0.403
3	You receive timely and constructive feedback on your performance	16	4.81	0.403
4	Your personal performance goal are aligned with the organizational objective	16	4.81	0.403
5	The performance evaluation process is fair and unbiased	16	4.63	0.5
6	You have access to the recourse and tools needed to achieve your performance goals	16	4.5	0.516
7	The performance appraisal process help you understand area where you need improvement	16	4	0.816
8	The performance management system support your professional development	16	4	0.816
9	You receive adequate training and guidance to meet performance expectation	16	3.22	1.57
10	The performance management system of the Bank adequately recognizes and rewards your contribution	16	3.19	1.797
	Valid N (listwise)	16		

Source: survey data 2025

The findings indicate that employees have a very positive perception of the Performance Management System (PMS). The strongest area was the existence of clear and achievable performance goals (Mean = 5.00), followed by employee satisfaction, timely feedback, and alignment of personal goals with organizational objectives (Mean = 4.81). This suggests that employees generally understand what is expected of them and how their individual performance contributes to the objectives of the bank.

The finding is consistent with research conducted in Ethiopia. Lelissa (2016) found that Ethiopian banks had established performance management systems that were intended to evaluate employees against organizational objectives. The study also found a significant relationship between performance management practices and employee effectiveness. However, it identified weaknesses in employee involvement in planning and objective setting, the use of PMS as a motivational tool, and coaching for improved future performance. Similarly, a study of CBE found that setting objectives, coaching, appraisal, and evaluation had positive effects on employee performance, although weaknesses existed in feedback and in linking performance evaluation with rewards and career development.

Employees in the present study also viewed the evaluation process as fair and unbiased (Mean = 4.63) and reported good access to the resources required to perform their jobs (Mean = 4.50). This generally positive perception is important because fairness and adequate resources can strengthen employees' acceptance of the performance management process. Research at CBE by Bishaw (2016) similarly found that the PMS contributed to role clarity, communication between employees and supervisors, employee development, and improved individual and organizational performance. However, the same study identified concerns about unequal targets, job rotation, resource allocation, and the consistency of performance ratings.

Despite the generally positive results, identifying areas for improvement and supporting professional development received relatively lower scores (Mean = 4.00). This indicates that employees may need more support after their performance has been evaluated, particularly through training, coaching, guidance, and opportunities for professional development. This finding is supported by recent evidence from Ethiopia. A study of Ethiopian SMEs found that effective PMS should combine clear performance planning, regular feedback, performance appraisal, training and development, and rewards. The study also found that performance evaluation had the strongest positive relationship with improved employee work outcomes.

Similar evidence was reported in a study of Coca-Cola Beverages Africa, Ethiopia, where performance goals, performance monitoring, evaluation, regular feedback, and training and development were identified as important components of an effective performance management system. These findings support the present study's observation that, although employees have a

positive perception of the PMS, greater attention to employee development and continuous feedback could further strengthen its effectiveness.

Overall, the findings show that the PMS is positively perceived by employees, particularly in relation to goal clarity, feedback, fairness, and alignment of individual and organizational objectives. At the same time, the relatively lower score for professional development indicates an opportunity for the bank to strengthen training, coaching, continuous feedback, and career development. In this way, the PMS can move beyond simply evaluating employee performance and provide greater support for employees' continuous learning, development, and future performance.

SUMMARY, CONCLUSION AND RECOMMENDATION

Summary of Major Research Findings

The study found that the Employee Performance Management System (PMS) at the bank is generally working well, particularly in promoting accountability, improving employee performance, and supporting the achievement of organizational objectives. However, the findings also revealed some areas that need further attention to make the system more effective and acceptable to all employees.

The major findings of the study are presented below:

- ✎ **Accountability and performance:** The PMS has helped create a sense of accountability among employees. Employees generally understand that their performance is monitored and that they are expected to meet established performance standards.
- ✎ **Feedback and employee development:** The study found that performance feedback is useful in helping employees understand their strengths and areas for improvement. Feedback also encourages employees to improve their performance. However, some employees indicated that feedback is not always clear, constructive, or practical enough to guide improvement.
- ✎ **Alignment of goals:** The PMS helps employees connect their individual performance goals with the broader objectives of the bank. This shows that the system plays an important role in directing employees toward common organizational goals.

- ✎ **Fairness and transparency:** Most employees viewed the PMS as fair, transparent, and objective. Nevertheless, differences in employees' responses suggest that not everyone experiences the system in the same way. This indicates a need for greater consistency in how performance evaluations are conducted.
- ✎ **Consistency across departments:** The findings showed that PMS practices are not always applied in the same way across departments and similar positions. Differences in performance targets and evaluation practices were among the concerns raised by employees.
- ✎ **Training and development:** Although the PMS supports employee development, the study found that more attention should be given to training and professional development. Employees need regular opportunities to improve their knowledge, skills, and ability to perform their jobs effectively.
- ✎ **Recognition and rewards:** The findings also showed that employee recognition and reward practices need improvement. Employees are more likely to remain motivated when their contributions and achievements are properly recognized and rewarded.
- ✎ **Job rotation and career opportunities:** The study identified concerns about fairness in job rotation and career development opportunities. Providing employees with fair opportunities for rotation and professional growth could improve their satisfaction and motivation.
- ✎ **Documentation and evaluation:** Some employees expressed concerns about the documentation and transparency of performance ratings. Clear evaluation criteria and proper documentation would make the process easier to understand and increase employees' confidence in the results.
- ✎ **Communication and feedback:** The PMS has created opportunities for communication between employees and managers, but the findings suggest that these discussions should be more regular and constructive. Employees need to receive timely feedback and have opportunities to discuss their performance with their managers.
- ✎ **Efficiency of the PMS process:** The study found that some aspects of the PMS are considered time-consuming and burdensome. Reducing unnecessary paperwork and simplifying procedures could make the system easier for both employees and managers to use.
- ✎ **Leadership involvement:** The findings indicate that managers and leaders have an important role in making the PMS successful. Their active involvement, support, and consistent

application of performance management practices are necessary for the system to achieve its intended objectives.

CONCLUSION

The analysis indicates that the Employee Performance Management System at the bank is functioning well in several key areas, particularly in establishing a culture of accountability and providing effective feedback. However, there are notable areas for improvement, especially in training, recognition, and ensuring consistency across departments. Addressing these challenges is essential for enhancing employee engagement, satisfaction, and overall performance. While there is general agreement that the PMS is transparent and fair, the moderate standard deviation indicates some variability in perceptions. This suggests that not all employees may feel equally confident in the fairness of the system. Overall assessment in summary, the Performance Management System is functioning well in supporting employee development, motivation, and alignment with organizational goals. However, to maintain and enhance its effectiveness, continuous monitoring and potential adjustments are necessary. Addressing any inconsistencies in employee perceptions and experiences will be crucial for fostering a more equitable and effective performance management environment. By doing so, the organization can further leverage the PMS to maximize employee engagement and performance, ultimately contributing to its overall success.

Recommendations

Based on the findings of the study, the following key recommendations are proposed:

- ✎ **Strengthen Training and Development:** Provide regular training, guidance, and resources to improve employees' skills and professional growth.
- ✎ **Improve Recognition and Rewards:** Strengthen both financial and non-financial rewards to recognize employee contributions and improve motivation.
- ✎ **Standardize PMS Implementation:** Apply consistent performance management procedures, targets, and evaluation standards across departments and similar positions.
- ✎ **Improve Feedback and Communication:** Train managers to provide timely, clear, constructive, and actionable feedback and encourage regular employee–manager discussions.

- ✎ **Ensure Fairness and Transparency:** Establish clear evaluation criteria, equitable targets, and transparent documentation and rating procedures.
- ✎ **Promote Fair Job Rotation:** Provide equal opportunities for job rotation and career development to support employee growth and satisfaction.
- ✎ **Regularly Monitor the PMS:** Periodically evaluate the effectiveness of the PMS using employee feedback and make necessary improvements.
- ✎ **Simplify the PMS Process:** Reduce unnecessary paperwork and procedures to make the system less time-consuming for both employees and managers.
- ✎ **Strengthen Leadership Involvement:** Encourage managers and leaders to actively support and model effective performance management practices.

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Conflict of Interest

The authors declare that they have **no conflict of interest** related to this study.

Authors' Contributions

Melese Alemayehu, the corresponding author, contributed to the conceptualization of the study, development of the research ideas, manuscript preparation, and communication and dissemination of the research findings. Nugusa Abajobir contributed to literature searching, data extraction, critical analysis, interpretation, mapping, and the overall research process. All authors contributed to reviewing, editing, and standardizing the manuscript and approved the final version for submission.

DECLARATION

Ethical Approval

The study was conducted in accordance with internationally recognized ethical standards, the ethical guidelines of the relevant institutional research committee, and the principles of the **1964** Helsinki Declaration and its subsequent amendments. Ethical approval was obtained from the Institutional Review Board (IRB) of Wollega University (Approval No. 209).

Consent to Participate

Written informed consent was obtained from all participants prior to their participation in the study. Participants were informed about the purpose of the study, the use and management of the information collected, and their right to participate voluntarily. They provided informed consent for the use of their data for research purposes. All participants were 16 years of age or older.

Clinical Trial Number: Not applicable.

Ethical Declaration

The study was conducted in accordance with internationally accepted ethical standards. All research procedures involving human participants followed the ethical guidelines of the relevant institutional and/or national research authorities, as well as the principles of the **1964 Helsinki Declaration and its subsequent amendments or equivalent ethical standards**. **Informed consent was obtained from all participants** before their involvement in the study.

List of abbreviation and Acronymy

- EPM – Employee Performance Management
- HRM – Human Resource Management
- CB – Commercial Bank
- CBE – Commercial Bank of Ethiopia
- PM – Performance Management
- HRD – Human Resource Development
- KPIs – Key Performance Indicators
- MBO – Management by Objectives
- SMART – Specific, Measurable, Achievable, Relevant, Time-bound
- BPR – Business Process Reengineering
- SWOT – Strengths, Weaknesses, Opportunities, Threats
- TQM – Total Quality Management
- L&D – Learning and Development
- R&R – Rewards and Recognition
- PMS – Performance Management System
- HRIS – Human Resource Information System

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