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## The Effect of Performance Management Practice on Employee Performance of Public Institutions in Jimma Town, Ethiopia

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### **Abstract:**

*Performance management is one in every of the vital key activities performed by organizations to monitor the performance of their staffs. Organizations should often appraise the performance of their staff so as to know their current and future skills. The main objective of the study was to see the effect of performance management practice on employee performance of public institutions in Jimma Town. The study used five performance management practices (performance planning, performance training, performance appraisal, performance reward, and performance feedback) to see their influences on employee performance. The study adopted cross-sectional both descriptive and causal research design together with quantitative approach. Both primary and secondary data was collected using questionnaire and document analysis. The study targeted 431 permanent employees and managers from selected seven public institutions in Jimma town and 207 respondents were selected using simple random sampling technique. The study used both descriptive and inferential data analysis techniques to analyze the data obtained. Based on the analysis the study found that, a positive relationship of employee performance and performance planning, performance training, performance appraisal, performance reward, and performance feedback. Likewise, the findings reveal that performance training, and performance feedback has a significant relationship with employee performance. The study has both theoretical and practical implications for the selected public institutions view of the fact that it has highlighted the importance of performance management on employee performance. In the view of practical implication, it is recommended that, the management of the selected public institutions in Jimma town should integrate their performance management practices with their organizational goals and objectives while applying performance management.*

**Keywords:** Appraisal, employee performance, feedback, planning, public institutions, reward, training

### **1. Introduction**

In the current business world humans are thought as the success issue for any business. For this reason, acknowledged business companies are attempting to acquire the most effective human resource that's obtainable within the market in order that the companies will maintain its image and goodwill within the future in addition. However, having capable human resource on board isn't a straightforward task for the firm and for the accomplishment of this objective. The big companies have a separate department called human resource management. Armstrong (2001) [5] has explicit that the crucial objective of HRM is to perform four very important functions like coaching and development (T&D), accomplishment and selection (R&S), performance management (PM) and reward management (RM).

Performance management could be a method for guaranteeing staff specialize in their add ways that contribute to achieving the organization's mission is indispensable for a business organization. Actually, performance management includes numerous varieties or system. Performance management system could be a quite performance management forms. Supervisors and managers are chargeable for managing the performance of their staff. Every organization's policy ought to specify however the performance management systems are meted out. Organizations ought to adopt performance management practices that are per the necessities of this policy which best match the character of the work performed and also the mission of the organization.

According to Chan & Lynn (1991) the structure performance criteria ought to embody profit, productivity, promoting effectiveness, client satisfaction, however additionally worker morale. During this perspective, worker performance is tightly associated with structure performance, effective and economical worker performance can completely influence structure performance. On the other side, Millar (2007) developed a framework of talent management that consists of coming up with, recruiting, performance, learning, career development, succession coming up with, compensation, and measure and reportage. In order to arrange a corporation effectively, firms should rethink however they rent, train and reward their employees; so, the staff can be inspired to be competitive. Beyond question, there's a vital issue is human in organizations. One of the most management methods of the organizations is to speculate in staff. Organizations are seeking to develop, inspire and increase the performance of their employees during a form of

human resources applications Gungor, (2011). Thus, performance management ought to be a vital step within the organization's HRM system and influences worker performance then to structure performance.

Study conducted by Abel (2016) & Melat (2014) revealed that the existing performance management practices are not living up to the expectations. Furthermore, the effectiveness of performance management practice in an organization is still under ambiguity, as the effectiveness of implementation depends on variety of factors that are interrelated to the implementation success in organizations. The majority of local studies on performance management Tegene, ( 2008) mainly focused on its practice, effectiveness, outcomes, equity perception, association with organizational commitment, evaluation of business firms' implementation of performance management system, association between employees' rewards and performance management in business organizations (e.g. banking industry) with different leadership and management styles, strategic plan preparation modalities (e.g. Balanced Score Card [BSC]), performance based monitoring and evaluation (M & E) system, results-based M & E system, institutional change tools, organizational cultures and/or contexts at micro levels using either quantitative research methods, qualitative research methods or mixed methods research. This is because performance management is different in various organizations, cultures, leadership and management styles, contexts, etc. at different levels in a given country, particularly in developing countries.

Many scholars have examined the effect of performance management in the employee performance. [32] Found on their study as performance management has significant effect on employee productivity in the Nigeria banking industry. Also, [39]; [8] found significant relationship between performance management and employee performance as well as between performance management and organizational performance. From performance management process: performance appraisal system, training and development and reward system affects employee productivity significantly [19]. On the other hand, found that the performance management system has a positive but insignificant relationship with employee performance [45].

If performance management have a significant impact on employee performance according to [32] [39] [8], and if some found [45] insignificant impact of performance management on employee performance, much must be done to mitigate this controversy. When we come to the local findings [] [28] [40] almost the majority of the studies without exception, conducted from the perspective of existence of performance management practice, employee's perception towards performance management practice, and its effectiveness. Therefore, it's necessary that this analysis is conducted, to know the effect of performance management and appraisal system on employee performance in order that a completed and comprehensive performance system can be suggested. Moreover, it's necessary for workers and managers to know that performance management and performance management systems are the key determinants of an organization's long success or failure. If employees aren't happy or don't believe the performance management system, they are possible to be unwilling to require a full of life half within the method as a result of they are doing not see any worth of it. As a result, the structure performance and productivity would decrease due to the inefficient worker performance. Also, understanding HRM practices influence worker performance may facilitate organizations fixing a much better management system, and eventually improve worker performance and structure performance. Thus, this study was aimed at to investigate the effect of performance management practice on employee performance of public institution in Jimma town.

## 2. Related Literature Review

### 2.1. Concepts and Definition of Performance and Performance Management

In a simple way performance can be regarded as a record of an outcome or accomplishment achieved by a person or a team, Armstrong (2009). Performance can also be defined as 'the act or process of performing a task or an action that involve a lot of effort' (Oxford Advanced Learner" Dictionary 2006, p 1080). It is the accomplishment or outputs/outcomes of a task undertaken but also states that performance is about doing the work effectively so as to achieve the desired goals. Performance can also be perceived as a non-job specific behavior such as cooperation, dedication, enthusiasm and persistence that develop the effectiveness of the organization to enhance the working culture and climate of the organization.

In most cases performance management system and performance appraisal are interlinked with each other. However, performance management system is the broader one which identifies measure, manage and develop performance of the human resource in an organization whereas performance appraisal is the sub set of performance management system in which we use it for evaluating the competence of employee's (Robert N. and John R. 2013).

Performance management is a process of improving the performance of an organization by helping individuals and team to develop their capacity to reach the intended destination (Armstrong 2006).

Performance management as it is a 'continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization' James Smither and London (2009).

Armstrong and Baron (1998) define performance management as a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in team and by developing the capabilities of teams and individual contributors. Organization is responsible to enhance team and individual capacities so that it can achieve its objectives. Armstrong & Baron (2005) state that performance management is a natural process of management contributes to the effective management of individuals and teams to achieve high levels of organizational performance. As such, it establishes shared understanding about what is to be achieved and an approach to leading and developing people which will ensure that it is achieved. As Aguinis (2007) defines the performance management 'a continuous process of identifying, measuring and developing the performance of individuals'.

He further adds that this continuous capacity building needs clear objectives, observing and measuring performance and giving regular feedback. PM primarily focuses on its employees to develop their capabilities. It does not only do capacity building but 'Performance management helps managers to sense earlier and respond more quickly to uncertain changes' Cokins, (2004). Performance management is the process of directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organization. It refers that aligning human resource with that of the organizational objectives, Walters M (1995). According to Lockett (2002), performance management is the involvements of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organization which supports and encourages their achievement. Also, it helps to promote a sense of shared expectations among all employees and contribute to achieve higher organizational performances.

Performance management is the set of interconnected practices which ensure that a person's overall capabilities and potential are appraised, so that relevant goals can be set for work and development and, through assessment, data on work behavior and performance can be collected and reviewed Bratton and Gold, (2007). All authors here who wrote about performance management system concern on human resource to manage performance through planned and agreed performance management system in an organization and meet the overall organizational goals. Their differences base on the approach to execute performance management system in the organization. Some stress on enhancing the capacity of individuals and groups and creating shared vision in order to perform the best. Others deal about setting standards and measurement tools and creating participative environment of 10 individuals to undertake performance management system in any organization.

#### 2.1.1. Characteristics of Performance Management

Performance management is planned process whose five primary elements are agreement, measurement, feedback, positive reinforcement and dialogue. It deals with measuring outcomes in the form of performance against expectations. It is characterized by setting for ongoing dialogues about performance. It is continuous and flexible process that involves managers and those whom they manage acting as partners within a framework. It relies on consensus and cooperation rather than control or coercion. Performance planning and improvement and personal development. It enhances teams and individual capacities Armstrong, (2009).

#### *2.2. Why Implement a Performance Management?*

The purpose of PM differs from organization to organization depending on the objective to be achieved. However, Aguinis H. (2009) explained the following six purposes of performance management. Strategic: It is the process of aligning organization's goals with individual goals so that it can successfully attain its goals.

Performance management is most useful when it aligns individual objectives with business goals and helps individuals to understand the contribution they are making and how their role fits into overall strategic business objectives. Here the basic question is how to align organization's goals with individual goals. If individual objectives and organizational objectives are in conflict, they hinder the performance of the organization. Administrative: It helps managers as a source of information for making sound decisions about employees, including salary adjustments, promotions, employee retention or termination, recognition of superior performance, identification of poor performers, layoffs, and merit increases. Information recorded through the execution of performance management practice and free from bias helps the organization to make sound decision about administrative issues.

Communication: It provides full information for employees how well they are doing, to receive information on specific areas that may need improvement, and to learn about the organizations and the supervisor's expectations and what aspects of work the supervisor 11 believes are most important. Performance management promotes openness, transparent and smooth flow of information among employees. Communication also plays an important role in the review or feedback meeting. A performance management system which is established and communicated for employees and supervisors in the organization helps to correct errors immediately by devising the right solution.

Developmental: It provides feedback that help managers to train employees and help them to improve their performance in continuous basis. Therefore, performance management helps to increase higher productivity, improve work quality, increased motivation and commitment and higher moral by providing different training for employees. Developing employees continuously will help the organization to maximize performance and it is the strength of effective performance management system. Organizational maintenance: performance management plays a great role in providing information of current employees to be used in workforce planning as well as assessing future training needs, evaluating performance achievements at the organizational level, and evaluating the effectiveness of human resource interventions. In other words, information gained through performance management system helps the organization to fill the gap in knowledge, skill and attitude of the employee and sustain high performance. Documentation: Performance management helps to maintain documents mainly for legal issues. It provides data that can be used to review the critical accuracy of newly projected selection instruments. Documentation of every report about employees can assist the organization to deal with legal issues which could arise. Generally, the above-mentioned purpose of performance management help both employees and managers to perform their activities as intended in line with organizations mission, strategic objectives and goals. Therefore, it makes both employees and the work performance.

### 2.3. Performance Planning

Performance planning process is a step by which the manager and individual get together to discuss upon what the employee will achieve over the next period (the key responsibilities of the persons 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. performance planning is the stage were the supervisor and the employee meet to discuss, and agree on, what needs to be done and how it should be done, Smither & London, (2009). Therefore, there should be a discussion gone with the employee and the manager. Performance planning typically involves a meeting between an appraiser and an appraise. The agenda for this meeting includes four major activities: Coming to agreement on the individual's key job responsibilities; developing a common understanding of the goals and objectives that need to be achieved; identifying the most important competencies that the individual must display in doing the job; and creating an appropriate individual development plan Grote, (2002).

In performance planning stage employees should have clear knowledge of the performance management system, Aguinis (2009). The supervisor and the employee should reach on consensus on what needs to be done and how it should be done. The performance planning cycle of performance management system is the first stages where employees will be enabled to have a clear knowledge about the system. It is the first cycle where supervisor and employee meet to discuss and agree on what is to be done and how it is to be done by combining the result, behavior and development plan, Smither and London (2009). By results we mean the outcomes that an employee must perform quality products and services with time in accordance to personal accountabilities. On the other hand, behavior is an important measure of 14 results on how employees do their job by discussing on competencies, which are measurable clusters of knowledge, skills, and attitudes that are critical in determining how results will be achieved. The third component of a planning phase is development plan. It is identifying areas of improvement) Performance planning is a discussion between supervisor and employee with the agenda of coming to agreement on individual's key job responsibilities, developing a common understanding of the goal and objective that needs to be achieved, identifying the most important competencies and creating an appropriate individual development plan, Dick Grote (2002). While conducting the performance planning cycle, there are some responsibilities which will be expected both from the supervisor and the employee before the discussion and during the discussion. The responsibilities of the supervisor before the meeting are first to review the organization's mission, vision and values statement and department's goal, the second one is reading the individuals job description and thinking about the goals and objectives which the employees is expected to achieve in the appraisal period. The third and the fourth responsibilities of the supervisor is identifying the most important competencies and determining what consideration should be taken to the successfulness of performance in each area respectively. In addition to these during the meeting the supervisor will be responsible to discuss and come to an agreement with the individual on the most important competencies, key position responsibilities and goals and also, he/she is responsible to come to an agreement on the development plan of an employee. On the other hand, the employee has also the same responsibilities while conducting the performance planning stage in order to make the performance management system effective and successful.

Similarly, the responsibilities of the employees in performance planning include: Review the organization's mission statement and their department's goals; review their job description and determine their critical responsibilities; think about their job and identify the most important goals they should accomplish in the upcoming appraisal period; think about what they consider to be fully successful performance in each area; discusses and come to agreement with their appraiser on the most important competencies for their job, key position responsibilities and goals; discuss and come to agreement on their personal development plan; make full notes on a working copy of the performance appraisal form. Keep the original of the form and give a copy to the appraiser. This performance planning includes a consideration of results; behaviors and development plan Cascio & Aguinis (2008).

### 2.4. Performance Training

In the real world, organizational growth and development is affected by a number of factors. In light with the present research during the development of organizations, employee training plays a vital role in improving performance as well as increasing productivity. This in turn leads to placing organizations in the better positions to face competition and stay at the top. This therefore implies an existence of a significant difference between the organizations that train their employees and organizations that do not. Existing literature presents evidence of an existence of obvious effects of training and development on employee performance. Some studies have proceeded by looking at performance in terms of employee performance in particular Purcell et al (2003) Harrison (2000) while others have extended to a general outlook of organizational performance Guest (1997); Swart et al. (2005). In one way or another, the two are related in the sense that employee performance is a function of organizational performance since employee performance influences general organizational performance.

### 2.5. Performance Appraisal

Before defining performance appraisal, one has to know what Performance management is. Therefore, Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams, Armstrong (2009). It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. Performance management is concerned with: aligning individual objectives to organizational objectives and encouraging individuals to uphold corporate core values; enabling expectations to be defined and agreed in terms of role

responsibilities and accountabilities (expected to do), skills (expected to have) and behaviors (expected to be); providing opportunities for individuals to identify their own goals and develop their skills and competencies, Armstrong (2009).

Encouraging development of all employees including supervisors and managers is necessary to prepare organizations for future challenges. Career planning identifies paths and activities for individual employees as they develop within the organization. Assessing how well employees are doing their jobs is the focus of performance appraisal, Mathis and Jackson (1997).

### *2.6. Performance Reward*

A system of performance management will not succeed in bringing about high performance against objectives unless employees consciously act in ways seen as being most likely to achieve the objectives. Expectancy theory and goal-setting theory both emphasize the importance of ensuring that employees make this decision, but each takes a different route in describing what causes this to be made. Expectancy theory specifies the need to tie performance outcomes to rewards which are valued by employees of the goals per se, so that motivation is more intrinsically based, Mabey, et. al. (1999).

Reward helps to attract and retain the high-quality people the organization needs. It provides motivation for people and obtains their engagement and commitment; besides it develops a high-performance culture. Motivated people do their best to meet the goals of the organization and this helps to achieve high performance. Reward provides the right things to convey the right message about what is important in terms of behaviors and outcomes, Greer (2001). Since work groups are part of the larger organizational system, employee's behavior will be influenced by how the organization evaluates performance and what behaviors are rewarded, Robbins (1996). In addition to this motivating people working in any organization helps them to understand the organization's vision, mission and strategic goals and generate their maximum energy to attain them.

Rewarding performance happens on the end of performance period. The main activities include evaluating employee's accomplishments and skills; discussing evaluation with employees, McAfee and Champagne, (1993). It evaluates the effectiveness of the whole process and its contribution to overall organizational performance to allow changes and improvements to be made, and also provides the feedback to the organization and to individual staff about their actual performance.

### *2.7. Performance Feedback*

Performance Feedback may be qualitative or quantitative. Qualitative comments are descriptive and in contrast, quantitative feedback is based on numerical figures. Performance improved substantially in a number of settings when workers were given specific goals to achieve and received performance feedback, Mahapatro (2010).

### *2.8. Employee Performance*

Employee performance is defined as the outcome or contribution of employees to make them attain goals, Herbert et al (2000) cited by Nassazi (2013). Performance as the achievement of specific tasks measured against predetermined or identified standards of accuracy, completeness, cost and speed. Employee performance can be manifested in improvement in production, easiness in using the new technology, highly motivated workers. Employee performance is the important factor and the building block which increases the performance of overall organization. Employee performance depends on many factors like job satisfaction, knowledge and management but the most important factor of employee performance is training and development, Fakha rand Khan, (2008).

Employee performance is normally looked at in terms of outcomes. However, it can also be looked at in terms of behavior Armstrong (2000). Employee's performance is measured against the performance standards set by the organization, Kenney et al. (1992). There are a number of measures that can be taken into consideration when measuring performance for example using of productivity, efficiency, effectiveness, quality and profitability measures, Ahuja (1992) as briefly explained hereafter. Profitability is the ability to earn profits consistently over a period of time. It is expressed as the ratio of gross profit to sales or return on capital employed, Wood & Stangster (2002).

### *2.9. Empirical Review*

Theoretical literature dictates the positive relationship between the performance management and employee performance. Empirical literatures from different time are also summarized as follow: Research has broadly analyzed the impact of the social context of performance appraisals on employee reactions to these appraisals Pichler (2012). For instance, employees' satisfaction with the performance appraisal process as a whole, the performance appraisal feedback, or employees' evaluations of the perceived quality, justice, and fairness of the performance appraisal regime Greenberg(1986); Sommer & Kulkarni,(2012) Gupta & Kumar, (2013). Furthermore, employee participation in the performance appraisal process is positively related to the satisfaction with the performance appraisal system, perceived fairness, and acceptance of such a practice Cawley (1998). Studies reached different conclusion with regard to the relationship between job satisfaction and organizational commitment. For Benkhoff (1997) job satisfaction and organizational commitment have been shown to be positively related to performance. On the other hand, Mathieu & Zajac (1990) concluded that an employee's orientation towards a specific job precede his or her orientation towards the entire organization. Also, Lincoln & Kalleberg (1990), and Meyer, J. & Allen, N. (1997) highlighted satisfaction as a cause of commitment.

### 2.10. Conceptual Framework

In this research the dependent variable is employee performance and the independent variable is performance planning, performance training, performance appraisal, and performance reward and performance feedback. From the literature review, five indicators will lead to effective performance practices. And in order to measure employee performance effective practices. The researcher takes organizational commitment as measurement of employee performance conceptual framework of the study.

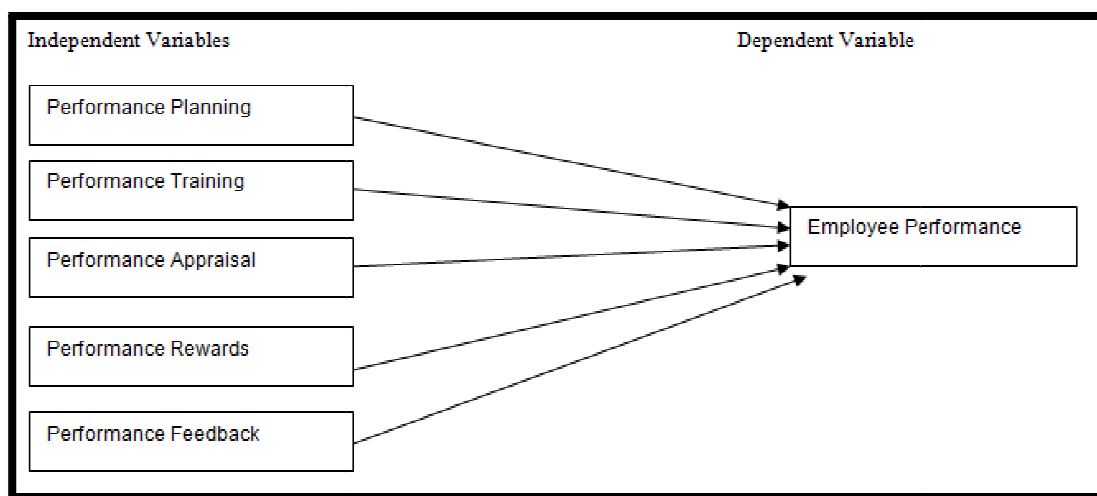


Figure 1: Conceptual Framework  
Source: Developed Based on the Review of Literatures

### 3. Materials and Methods

This study used quantitative research approaches. According to Creswell (2005), quantitative research is a type of research in which the researcher decides what to study, asks specific narrow questions, collects numeric (numbered) data from participants and analyzes these numbers using statistics, and conducts the inquiry in an unbiased, objective manner. To achieve the aforementioned objectives, therefore, the study adopts a quantitative research approach, as the methodology to provide a quantifiable statistical analysis of the responses to the study. The study targeted 431 permanent employees and managers selected seven public institutions of Jimma town from which 207 respondents were selected based stratified simple random sampling. To decide on sample respondents from the total study population, probability sampling specifically simple random sampling technique were employed since it avoids biases and helps to generalize data gained from sample respondents and avoiding an error that could arise from sampling. Questionnaire was used to collect the primary data about study variables. Validity and reliability were conducted to assess the internal and external validity. The validity was examined through the analysis of theoretical and empirical literatures. In addition, the questionnaire used in the study was tested for consistency, using Cronbach alpha. According to Nunnally (1998) alpha values which are greater than 0.7 is used as a threshold to measure the reliability of the questionnaire. Hence, the test result is presented in table 1 below, the alpha result for all variables is above the expected value 0.7 and as result, it is accepted.

Variables	Cronbach's Alpha	Number of Items	Comments
Performance planning	0.7794	4	Accepted
Performance training	0.8438	4	Accepted
Performance appraisal,	0.8377	10	Accepted
Performance reward,	0.8870	11	Accepted
Performance feedback	0.8697	15	Accepted
Employee performance	0.7627	5	Accepted

Table 1: Reliability Test

In order to analyze the collected data, the study was used both descriptive analyses to assess the existing phenomena of performance management practice and level of employee performance and inferential statistics to examine the effect of performance management practices on employee performance. Before using the collected data, data management activities such as data editing and reduction were conducted to make the data ready for analysis. Data editing were performed to clean the collected data from possible errors and mistakes. In addition, data reduction was conducted to make the collected data in manageable form.

### 4. Results and Discussion

#### 4.1. Descriptive Statistics

The performance management practices under study were, performance planning, performance training, performance appraisal, performance reward, and performance feedback. With this regard respondents were asked to

indicate their level of agreement on each of five performance management practices on their organization. For instance, performance planning was measured by four statements or questions describing the state of performance planning in the organization, performance training was measured by four statements or questions describing the state of performance training in the organization. On the other hand, performance appraisal, performance reward, and performance feedback were measured by ten, eleven, and fourteen respectively by statements or questions describing the state of each practice in the organization.

In addition, if we have several Likert-scored items that make up a scale, as it is recommended by scholars to calculate the mean score on the scale, rather than concentrating on the individual items for the reasons that as the scale is more reliable than the individual items, the mean of the items were computed by summing items, and then dividing by the number of items. Accordingly, the mean results of each performance management practices are summarized in table 4.1 below.

Variables	Obs	Mean	Std. Dev.	Min	Max
Performance planning	201	3.504975	.9542537	1	5
Performance training	201	3.435323	1.016819	1.5	5
Performance appraisal,	201	3.381592	.7971257	1.4	4.6
Performance reward,	201	3.556309	.8420051	1.636364	4.909091
Performance feedback	201	3.573134	.7076465	1.733333	4.666667

Table 2: Descriptive Statics of Each Variable

Source: Survey Result, 2020

To interpret the result the researcher used the mean range values by Al-sayaad et al (2006) as a rule of thumb to describe the study variables developed as indicated table 4.2 below.

No	Mean Range	Response Option
1.	[1.00 -1.80]	Strongly Disagree
2.	[1.90 -2.60]	Disagree
3.	[2.70 -3.40]	Neutral
4.	[3.50 -4.20]	Agree
5.	[4.30 -5.00]	Strongly Agree

Table 3: Mean Range Table (Rule of Thumb)

Source: Al- Sayaadet al., 2006

Accordingly, as it is evident from the table 4.1 above, the mean value of each measuring variable is 3.5 of performance planning, 3.44 of performance training, 3.38 of performance appraisal, 3.57 of performance reward, and 3.57 of performance feedback respectively. From this result based on the rule created in table 3, it can be understood that the selected performance management practices are useful in prediction of employee performance since the majorities of the variables responses fall under agree and neutral. Also, from the same table of the standard deviation column, we can see or understand that as the dispersions of data is normal since the data fall under one standard deviation.

#### 4.2. Inferential Statistics

The results of inferential statistics are presented by correlation coefficient and regression analysis for the purpose of assessing the objectives of the study. Correlation matrix of each independent variable (performance planning, performance training, performance appraisal, performance reward, and performance feedback) against the dependent variable (employee performance) was performed and the result is seen in the table below.

	Employee Performance	Performance Planning	Performance Training	Performance Appraisal	Performance Reward	Performance Feedback
employee performance	1.0000					
performance planning	0.4681	1.0000				
performance training	0.5968	0.7662	1.0000			
performance appraisal	0.5998	0.6693	0.7500	1.0000		
performance reward	0.6124	0.7248	0.7919	0.7746	1.0000	
performance feedback	0.6551	0.6633	0.7442	0.7933	0.7932	1.0000

Table 4: Correlation Result

Source (Survey Result, 2020)

As the correlation analysis enable us to have an idea about the degree and direction of the relationship between the independent variables and dependent variable under study. From the analysis result table 4.3 above, it can be understood that all the independent variable under the study have a positive and strong relationship with the dependent variable. As it seen in the table relation between employee performance and performance training, performance appraisal, performance reward, and performance feedback show that strong positive correlation with  $r$  values of 0.5968, 0.5998, 0.6124 and 0.6551 respectively. Whereas, employee performance and performance planning have a moderate relationship with  $r$  values of 0.4681.

The regression analysis is also conducted to know by how much the independent variable explains the dependent variable. It is also used to understand by how much each independent (performance planning, performance training, performance appraisal, performance reward, and performance feedback) explains the dependent variable that is over all employee performance. The results of the regression analysis are the following.

Source	SS	df	MS	Number of obs	=	201
Model	1968.99169	5	393.798337	F(5, 195)	=	34.83
Residual	2204.48095	195	11.3050305	Prob > F	=	0.0000
				R-squared	=	0.4718
				Adj R-squared	=	0.4582
				Root MSE	=	3.3623
employeeperformance	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
performanceplanning	-.1534131	.1022755	-1.50	0.135	-.3551212	.0482951
performancetraining	.2366032	.1132976	2.09	0.038	.0131571	.4600493
performanceappraisal	.0641082	.0551386	1.16	0.246	-.0446363	.1728528
performancereward	.0791567	.051158	1.55	0.123	-.0217373	.1800506
performancefeedback	.1580875	.0422481	3.74	0.000	.0747657	.2414094
_cons	2.599954	1.260209	2.06	0.040	.1145639	5.085344

Table 5 Regression Analysis

Source: Survey Result 2020

#### 4.3. Checking Normality of Residuals

The normality of residuals is mainly required for valid hypothesis testing, that is, the normality assumption assures that the  $p$ -values for the  $t$ -tests and  $F$ -test will be valid.

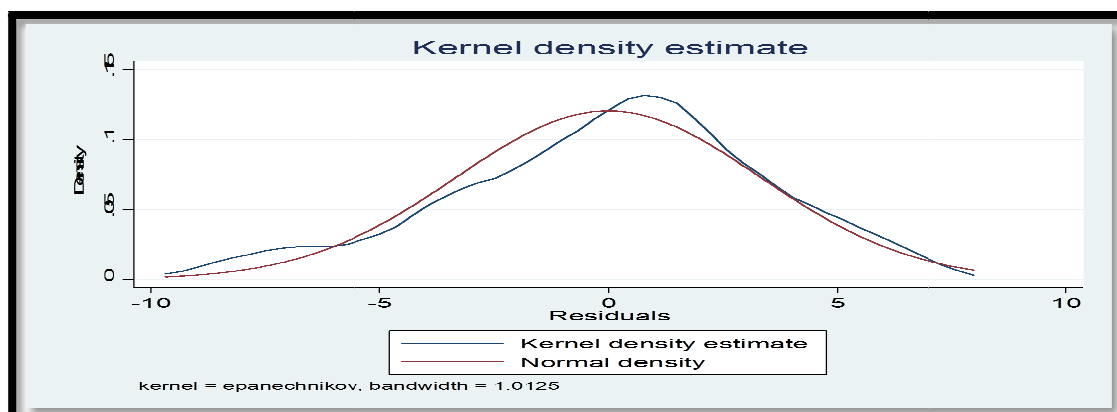


Figure 2: Normality of the Residuals

As it shown on the above figure estimates of kernel density, the residuals show signs the sign of normal distribution. Therefore, the residual does not have the issue normality.



#### 4.4. Checking for Homoscedasticity

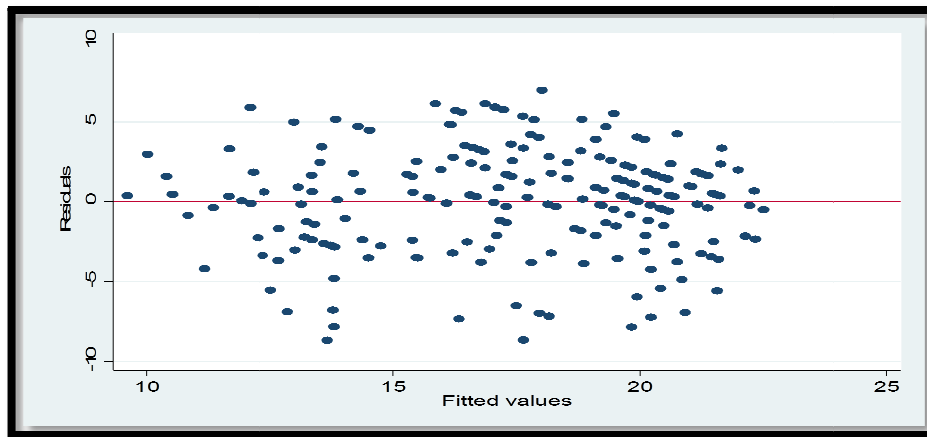


Figure 3: Homoscedasticity of Residuals

As we see that in the above figure the pattern of the data points is getting narrower towards the right end, which is not an indication of heteroscedasticity, because there are no values that indicate outliers of the data.

#### 4.5. Checking for Model Specification

The link test and ovtest performs a model specification. The thing to look for here is the non-significance of `_hat` for linktest and p-value of ovtest.

<code>. linktest</code>						
Source	SS	df	MS	Number of obs	=	201
Model	2005.12597	2	1002.56298	F(2, 198)	=	91.55
Residual	2168.34667	198	10.9512458	Prob > F	=	0.0000
Total	4173.47264	200	20.8673632	R-squared	=	0.4804
				Adj R-squared	=	0.4752
				Root MSE	=	3.3093
<code>employeepeve</code>	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
<code>_hat</code>	2.452985	.8033636	3.05	0.003	.8687379	4.037232
<code>_hatsq</code>	-.0435314	.0239648	-1.82	0.071	-.0907905	.0037277
<code>_cons</code>	-11.67353	6.560905	-1.78	0.077	-24.61175	1.264691

Table 6: Model Specification

From the above linktest, the test of `_hat` is significant (which is acceptable) and `_hatsq` is not significant. Therefore, it seems that there is no a specification error.

#### 4.6. Checking for Multicollinearity

Multicollinearity occurs when independent variables in the regression model are more highly correlated with each other than dependent variable when the independent variables in the regression model is highly correlated with each other; they are basically measuring the same thing. Multicollinearity does not exist among all the independent variables provided that the tolerance values of all the independent variables are greater than 0.1 and the VIF values of all the independent variables are also less than 10. As we can see from Table 7 below all the independent variables are greater than 0.1 and the VIF value of all the independent variables are also less than 10.

Variable	VIF	1/VIF
performance planning	3.97	0.251768
performance training	3.76	0.266191
performance appraisal	3.56	0.281069
performance reward	3.42	0.292602
performance feedback	2.70	0.370895
Mean VIF	3.48	

Table 7: Multicollinearity

As the test assumptions of CLRM completed and as all assumptions are correct, it is possible to interpret the coefficients of the regression results under table 5

As it shown in the F-ratio tests/ ANOVA F-statistics, the overall regression model is a good fit for the data. The output shows that the independent variables statistically significantly predict the dependent variable,  $F(5, 195) = 34.83$ ,  $p < .01$  (i.e., the regression model is a good fit of the data). The coefficient of determination measures how well the regression model explains about the variation of dependent variable Ghazali. (2013). The closer  $R^2$  value to 1, the better the independent variables can predict the dependent variables.

As it can be seen from the same table 5, the value of  $R^2 = 0.4718$ , i.e., the independent variables explain almost 47% of the variability of our dependent variable, employee performance. The adjusted R-squared (adj.  $R^2$ ) is 0.4582. It means that 46 percent of the total variability of the dependent variable (employee performance) is explained by the independent variables (performance planning, performance training, performance appraisal, performance reward, and performance feedback) whereas the constant is 2.59, and this can be interpreted as meaning that if all the performance practice predictor for this particular model were to be zero, the model predicts that the employee performance by nearly 2.6. The coefficient each independent variable on similar table 5 above shows which variables are individually significant predictors of the dependent variable and standardized Beta coefficient show the contribution of individual variables. The Beta Weight is the average amount the dependent variable increases when the independent variable increase by one standard deviation (all other independent variables are being held constant). From the table, it is seen that from the model, if consider 5% significance level is considered i.e.,  $p < .05$ , we can conclude that the coefficients of performance training and performance feedback are statistically significantly different to 0 (zero). However, the coefficients of performance planning, performance appraisal and performance feedback are non-significant.

When we interpret statistically significant coefficients of the regression results using unstandardized coefficients from the same table 4.4 above, for instance the effect of performance training is 0.2366. This means that after controlling for other factors, for a 1 percent increase in performance training, there is an increase in employee performance nearly by 24% on average. On the other hand, when we consider the effect of performance feedback, its unstandardized coefficient is 0.1580. This means that after controlling for other factors, for a 1 percent increase in performance feedback, there is an increase in employee performance nearly by 16% on average.

Hence, estimated model specification employee performance can be written including term ( $\epsilon$ ), in this form.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where,

$Y$  = Dependent Variable (employee performance).

$a$  = intercept

$B_1-4$  = slope

$X_1-4$  = independent variables

$\epsilon$  = error term

Taking into account to consideration the results from table 4.4, the regression equation for the study is as follows:

$$Y = 2.59 + .1534X_1 + .2366X_2 + .3064X_3 + .0791X_4 + .1580X_5 + 1.260$$

Where,  $X_1, X_2, X_3, X_4$ , &  $X_5$  are performance planning, performance training, performance appraisal, performance reward, and performance feedback respectively.

## 5. Summary of Major Findings

The main objective of the study was to see the effect of performance management practice on employee performance of public institutions in Jimma town. The study attempted to answer three basic research questions that include: what is the perception of employees on performance management in Jimma town? What is the current level of performance management practice in public institutions in Jimma town? ; What is the influence of performance management practice on employees' performance of public institutions in Jimma town? Also, the study used five (performance planning, performance training, performance appraisal, performance reward, and performance feedback) performance management practices to their influences on employee performance. The study used both descriptive and inferential analysis techniques to analyze the data obtained.

From the descriptive analysis, the study found that the mean values selected performance management practices were 3.5 of performance planning, 3.44 of for performance training, 3.38 of performance appraisal, 3.57 of performance reward, and 3.57 of performance feedback respectively. From the same analysis is found that as the selected performance management practices were a useful predictor of employee performance since the majorities of the variable's responses fall under agree based on created rule of thumb from the literature.

From the correlation analysis, the study found that as all the independent variable under the study has a positive relationship with dependent variable which of four has a strong relationship with the dependent variable with the  $r$  values of 0.5968, 0.5998, 0.6124 and 0.6551 for performance training, performance appraisal, performance reward, and performance feedback respectively. Whereas, employee performance and performance planning have a moderate relationship with  $r$  values of 0.4681. From the regression analysis, all of the independent variables statistically significantly predicted employee performance,  $F(5, 195) = 34.83$ ,  $p < .0005$ , adj.  $R^2 = 0.4582$ . Only two variables (performance training and performance feedback) were statistically significantly at,  $p < .05$ .

## 6. Conclusion

From the findings, the researcher concludes that, performance management practices have a significant and positive relationship with employee performance as it evident based on an empirical study conducted in public institutions in Jimma town. This finding concurs with [32] [39] [8]. This is because of the performance management practices such as, performance planning, performance training, performance appraisal, performance reward, and performance feedbacks which are the components of performance management practice was realized to have a significant relationship with the employee performance in public institutions. Therefore, it is important for the public organization to plan, train, apprise, give feedback, manage and reward the performance.

Though all the selected performance management practices have a positive relationship with the dependent variable, performance training and performance feedback were statistically significantly. Therefore, the study concludes that, performance training and performance feedback has a significant connection with employee performance. So, it obvious as performance training and performance feedback programs should be guided by companies' policies and manuals to ensure efficiency, knowledge and skills of employee

## 7. Recommendation/Future Scope

From the findings and conclusions, the following recommendations and direction are forwarded for the Jimma town public institutions management and policy makers.

### 7.1. For JimmaTown Public Institutions

As it is clear that performance management practice has a positive and significant relationship with employee performance, the management of Jimma town public institutions should integrate the employee performance with organizational goals and objectives while applying performance management practices their institutions.

Besides, as the findings revealed that some performance management practices seem to have more effect on employee performance this included, performance training and performance feedback the management of selected public institution should make center of attention while designing performance management.

### 7.2. For Policy Makers

As it is clearly articulated in the finding, performance management practice has a positive and significant relationship with employee performance, therefore the regional/ zonal policy makers in the area should come up with sound policy by incorporating the performance management practice to improve employee performance in public organizations.

### 7.3. Future Research

As the research finding implies that, it's important if other researchers to do further research by using addition variable such the effect of performance management on organizational performance or the mediating role of employee performance on organizational performance.

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