

**Commercial Bank of Ethiopia's Performance Management Systems and Their
Preparedness for Global Competitiveness: The Case of Mekelle Branches**



**A Thesis Submitted to Mekelle University, School of Management,
Department of Management in Partial Fulfillment for the Award of Master of
Business Administration (MBA)**

BY

Tsega Gebrelibanos Hailu

ID- CBE/MBAE/0056/12

Advisor

DR. Hailay Gebretinsae Beyene

MEKELLE UNIVERSITY

**COLLEGE OF BUSINESS AND ECONOMICS, SCHOOL OF
MANAGEMENT, DEPARTMENT OF MANAGEMENT, POST
GRADUATE PROGRAM, MBA**

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Approval by Board of

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(Advisor)	Signature
_____	-----
Chairman (Graduate committee)	Signature
_____	-----
(Internal Examiner)	Signature
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(External Examiner)	Signature

Declaration

I declare that this thesis, which I submit to School of Graduate Studies of Mekelle University in partial fulfillment of the requirement of degree of Master of Business Administration, is my own personal effort. The thesis has not been submitted previously, in whole or part, to qualify for any other academic award. Furthermore, I took reasonable care to ensure that the work is original, and, to the best of my knowledge, does not breach copyright law, and has not been taken from other sources except where such work has been cited and acknowledged within the text.

Submitted By:

TSEGA GEBRELIBANO HAILU

Signature

Date

August 2025

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Abstract

The rapid globalization of the financial sector demands that banks in emerging markets develop strong performance management systems (PMS) aligned with international best practices. This study assesses the effectiveness of the Commercial Bank of Ethiopia's (CBE) PMS and its readiness for global competitiveness, focusing on the Mekelle, Agazi, and Adi-Hawsi branches in Mekelle Tigray Ethiopia. Using a mixed-methods approach, the research integrates primary and secondary data to provide a comprehensive evaluation. Primary data were gathered through structured questionnaires administered to 169 participants (131 general employees, 23 managers, and 15 HR staff) selected via stratified random sampling to ensure proportional representation. A total of 169 valid responses were analyzed to capture insights across organizational levels about PMS effectiveness, strategic alignment, and talent development capacity. The study found that perceptions of the PMS vary significantly between different levels of the organization; 69.6% of managers perceive the PMS as effective in driving performance, compared to 53.3% of HR staff and 52.3% of employees. Feedback is predominantly provided quarterly, with 77.9% of employees reporting this frequency, yet only 22.1% of employees engage in regular performance discussions with supervisors. While 65.2% of managers are satisfied with training programs, 40.0% of HR professionals and 16% of Employees express dissatisfaction and call for more targeted development initiatives. A comparative analysis with The Hongkong and Shanghai Banking Corporation (HSBC UK) highlights significant gaps in CBE's PMS, especially regarding technological integration, continuous feedback, and alignment with strategic goals. HSBC UK leverages cloud-based platforms and real-time feedback mechanisms that tie performance directly to compensation and career growth, whereas CBE's system remains less automated and agile. The data indicates risks to talent retention and overall competitiveness, with 35.1% of employees reporting dissatisfaction with the PMS. Although the CBE Mekelle branches benefit from an experienced workforce and moderate employee trust in the PMS, the study underscores the urgent need to enhance communication, feedback culture, training, and technology adoption. Implementing digital HR solutions, enhancing training programs, and fostering a more inclusive, continuous feedback environment are recommended to position CBE for sustainable competitiveness in the evolving global banking landscape.

Keywords *Performance management system, global competitiveness, Commercial Bank of Ethiopia, employee engagement, banking sector, strategic alignment, talent development.*

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Acronyms

°C - Degree Celsius

AML - Anti-Money Laundering

BCBS - Basel Committee on Banking Supervision

BSC - Balanced Scorecard

CAR - Capital Adequacy Ratio

CBE - Commercial Bank of Ethiopia

CIR - Cost-to-Income Ratio

CSA - Central Statistical Analysis

CSS - Customer Satisfaction Scores

DEA - Data Envelopment Analysis

EFQM - European Foundation for Quality Management

FSB - Financial Stability Board

HR - Human Resources

HSBC UK - The Hongkong and Shanghai Banking Corporation (UK)

IFRS - International Financial Reporting Standards

IPMF - Integrated Performance Management Framework

KM - Kilometer

KPIs - Key Performance Indicators

KYC - Know Your Customer

MAX - Maximum

MBO - Management by Objectives

MIN - Minimum

NPL - Non-Performing Loan

NPS - Net Promoter Score

PMS - Performance Management System

ROA - Return on Assets

SMART - Specific, Measurable, Achievable, Relevant, Time-bound

UNICEF - United Nations International Children's Emergency Fund

WHO - World Health Organization

CHAPTER ONE

INTRODUCTION

1.1 Background of The Study

In today's competitive landscape, Performance management systems (PMS) are critical organizational mechanisms that align individual, departmental, and institutional efforts with strategic goals, support effective resource utilization, and enhance overall performance outcomes. In the banking sector, especially within developing economies, robust performance management systems are increasingly viewed as essential for sustaining competitiveness, improving operational efficiency, and responding to external pressures such as globalization, technological change, and customer expectations. (Nuru Siraj & István Hágén 2023).

Performance management encompasses processes designed to support and direct employees toward achieving organizational objectives. According to Armstrong (2009), aligning individual and organizational goals is essential for attaining superior performance outcomes. Effective PMS not only measures contributions but also provides a framework for continuous performance improvement.

Since its inception in the 1980s, performance management has evolved significantly, influenced by total quality management initiatives. Ndungu (2016) notes that PMS facilitates ongoing communication between management and employees, allowing for the identification of improvement areas and the recognition of achievements. This feedback loop is vital for fostering a culture of accountability and performance excellence.

Commercial Bank must consider modern banking complexities and the need for innovative practices that meet global standards. Effective PMS involves setting clear goals, providing regular feedback, and implementing reward mechanisms that motivate employees (Odhiambo, 2016). This integrated approach emphasizes the importance of aligning performance management with strategic business objectives.

Evaluating the effectiveness of performance appraisal processes is crucial. Assessing the transparency and fairness of tools like 360-degree feedback and Key Performance Indicators (KPIs) fosters trust and engagement among employees (Mulwa, 2017). Understanding employee perceptions can yield valuable insights into the PMS's effectiveness and areas for enhancement.

To compete globally, Commercial Bank must not only meet local performance management standards but also benchmark against international best practices. Research indicates that organizations with robust PMS are more likely to outperform competitors in both financial and non-financial metrics (Bernthal et al., 2003). This highlights the necessity of adopting innovative practices, such as AI-driven analytics, to remain relevant in the global market.

Training and development are integral to effective performance management. A robust PMS links skill development directly to performance outcomes, ensuring employees have the competencies needed to excel in their roles (Wulan, 2010). Moreover, aligning rewards and incentives with performance outcomes is critical for motivating employees, influencing satisfaction and retention, which are vital for maintaining a competitive edge (Coens & Jenkins, 2002).

In conclusion, the assessment of Commercial Bank's performance management systems is essential for enhancing global competitiveness. The rationale for this study lies in the need for Commercial Bank to align its PMS with strategic objectives and critically evaluate its readiness to compete in the global banking market. By fostering employee engagement and embracing innovative practices, Commercial Bank can improve its operational effectiveness and responsiveness to global standards, positioning itself as a leader in the financial sector.

1.2 Background of The Organization

The Commercial Bank of Ethiopia (CBE) is the largest commercial bank in Ethiopia, holding about 67% of the country's deposits and 53% of all bank loans as of June 2021, with assets totaling approximately 1.1 trillion birr (Addis Standard, 2023). Employing over 35,000 staff across more than 1,000 branches nationwide, including 120 branches in Addis Ababa alone, CBE plays a vital role in Ethiopia's banking sector and economic development (Shinn & Ofcansky, 2013). The bank has expanded its footprint internationally, currently operating branches in South Sudan and planning to establish new branches in Djibouti, Dubai, and Washington, DC, targeting the Ethiopian diaspora (Alemu, 2009).

CBE's history dates back to post-World War II Ethiopia when the government established the State Bank of Ethiopia (SBE) on 26 August 1942, which began operations in April 1943 with two branches and 43 staff members. The SBE functioned both as the country's central bank and principal commercial bank, holding exclusive rights to issue currency by 1945 (Mauri, 2009). Under the leadership of its first governor, George Blowers, an American, the national currency

was introduced with assistance from the United States, which provided silver for coins to ensure public trust (Shinn & Ofcansky, 2013). The SBE expanded internationally with branches in Khartoum, Sudan, and Djibouti in the 1950s (Brimmer, 1960).

In 1963, the Ethiopian government divided the State Bank of Ethiopia into two separate entities: the National Bank of Ethiopia as the central bank and the Commercial Bank of Ethiopia (CBE) as the commercial banking institution (Mauri, 2008). The bank's growth continued with the 1980 merger of Addis Bank originally formed from the nationalization of Addis Ababa Bank and foreign banks' Ethiopian operations into CBE. This consolidation made CBE the sole commercial bank in Ethiopia with 128 branches and 3,633 employees (Shinn & Ofcansky, 2013). However, geopolitical changes, such as Eritrea's independence in 1991, led to the nationalization of Eritrean branches, which then formed the Commercial Bank of Eritrea (Addis Standard, 2023).

Despite its dominance, CBE faced challenges including the closure of its Djibouti branch in 2004 due to loan losses and operational difficulties in South Sudan, where conflict forced the closure of most branches except two in Juba (Alemu, 2009). In recent years, the bank has modernized its services, including the launch of the MasterCard payment system in March 2025 to enhance digital and international transactions (Addis Insight, 2025). Governance reforms have also been implemented, such as management consultancy agreements with the Royal Bank of Scotland, and capital increases to support expansion and efficiency improvements (Getinet Chane et al., 2024).

CBE has enjoyed government protection from domestic competition for over three decades, serving as the primary mobilizer and administrator of low-cost public funds. This role has positioned it as a key financier of major government projects, albeit at the cost of some credit misallocation (Getinet Chane et al., 2024). Compared to private domestic banks, CBE operates with higher technical efficiency but continues to navigate the challenges of balancing state priorities with commercial viability.

In short the Commercial Bank of Ethiopia has evolved from a dual-role institution established in the 1940s to the country's dominant commercial bank, playing a catalytic role in Ethiopia's economic growth and modernization of the financial sector. While continuing to expand domestically and internationally, CBE faces the ongoing task of modernizing its services, improving governance, and managing risks inherent in its quasi-monopoly status to sustain its critical position in Ethiopia's banking landscape (Shinn & Ofcansky, 2013; Mauri, 2009).

1.3 Statement of the Problem

A robust PMS is vital for aligning individual efforts with strategic goals and achieving competitive advantage. As Commercial Bank navigates a dynamic global financial landscape, uncertainty exists regarding the alignment of its PMS with global benchmarks and strategic objectives. There is a pressing need to assess the effectiveness of performance appraisal processes to ensure they accurately measure employee contributions and align with strategic goals. This study aims to address these knowledge gaps by exploring how well Commercial Bank's PMS contributes to its overall competitiveness and operational effectiveness.

1.4 Objectives

1.4.1 General Objective

The general objective of the study is to assess Commercial Bank's performance management systems and evaluate their preparedness for global competitiveness in the financial market.

1.4.2 Specific Objectives

This thesis project is gear to attain the following specific objectives

1. To analyze the key performance indicators (KPIs) used by Commercial Bank to measure and monitor employee and organizational performance.
2. To examine the alignment between Commercial Bank's performance management systems and its strategic goals, particularly in the context of global competitiveness.
3. To identify the challenges and barriers Commercial Bank faces in implementing effective performance management systems that support its global competitiveness.
4. To propose recommendations for enhancing Commercial Bank's performance management systems to better prepare the bank for global competitiveness in the financial market.

1.5 Research Questions

This research aims to critically assess Commercial Bank's performance management systems and their alignment with the bank's strategic objectives, particularly in the context of achieving global competitiveness. The following research questions will guide this investigation:

1. How effectively do Commercial Bank's current performance management systems align with the bank's strategic objectives, particularly its goal of achieving global competitiveness?

2. What are the key performance indicators (KPIs) used by Commercial Bank to measure and monitor employee and organizational performance, and how well do these KPIs support the bank's global competitiveness?
3. What are the main challenges and barriers Commercial Bank faces in implementing effective performance management systems that can support its global competitiveness in the financial market?

1.6 Scope of the Study

This thesis investigates the performance management systems (PMS) at Commercial Bank, focusing on the Mekelle Branch in Tigray, Ethiopia. The study assesses the alignment of these systems with the bank's strategic objectives and their readiness for global competitiveness, employing theories such as Goal Setting Theory and Equity Theory to analyze the effects of performance metrics on employee motivation and satisfaction. It also explores cultural influences on PMS and considers variables like performance appraisals, employee contributions, and satisfaction, while uncovering aspects such as communication effectiveness and adaptability to global standards. Using a mixed-methods approach, the research integrates quantitative and qualitative survey to capture employee experiences, with a temporal scope covering data from the past two years. The findings aim to identify areas for improvement and contribute to the discourse on performance management in developing economies, enhancing the bank's organizational effectiveness in a competitive landscape.

1.7 Limitations of the Study

This study on the performance management systems (PMS) at Commercial Bank's Mekelle Branch in Tigray, Ethiopia, encounters several conceptual and methodological limitations. The reliance on established theories like Goal Setting Theory and Equity Theory may not fully capture the unique cultural and organizational dynamics of the Ethiopian banking sector, potentially misrepresenting local employee motivations. Moreover, the focus on specific performance metrics could overlook other critical dimensions of effectiveness, while cultural influences on PMS might not address all relevant sociocultural factors. Methodologically, the mixed-methods approach has its drawbacks; quantitative surveys may lack depth due to predefined questions could be affected by bias or respondent hesitance. Additionally, the temporal scope is limited to the past two years, which may miss longer-term trends, and the geographical focus on the Mekelle Branch restricts the

generalizability of findings to the broader context of Commercial Bank and the Ethiopian banking landscape.

1.8 Significance of the Study

This research is significant for Commercial Bank as it provides an in-depth analysis of its performance management systems (PMS) effectiveness and alignment with global standards. The findings will offer practical recommendations for operational efficiency and strategic alignment, thereby strengthening the bank's position in both local and global markets. For the broader Ethiopian banking sector, this study serves as a benchmark, encouraging innovation and continuous improvement. It will also contribute to academic literature on performance management in emerging markets, providing valuable insights for scholars, policymakers, and practitioners interested in organizational performance and competitiveness. Additionally, the study's findings will pave the way for future research in related areas, fostering a deeper understanding of performance management practices and their impact on employee engagement and organizational success in similar contexts. Ultimately, this study aims to enhance employee engagement and overall organizational performance at Commercial Bank, ensuring its status as a key player in the financial market.

CHAPTER TWO LITERATURE REVIEW

2.1. Introduction

Performance management systems (PMS) are essential in the banking industry, aligning employee performance with organizational objectives. As the financial landscape evolves through globalization and digitization, banks must ensure their PMS are effective and competitive (Kaplan & Norton, 2001). This literature review examines the theoretical frameworks of performance management, empirical studies on best practices, and implications for banks seeking to enhance competitiveness in the global market.

The effectiveness of PMS fosters a culture of accountability and continuous improvement in banks (Aguinis, 2009). A well-implemented PMS can enhance operational efficiency, improve employee engagement, and lead to better financial performance (Pulakos et al., 2015). As banks navigate a complex global market, understanding the multifaceted nature of performance management is crucial for achieving strategic goals (Neely et al., 2005). This review explores the dimensions of PMS, including objectives, processes, and foundational theories relevant to banking.

2.2. Theoretical Literature

2.2.1. Understanding Performance

In the banking sector, performance is measured through financial outcomes, customer satisfaction, and operational efficiency (Venkatraman & Ramanujam, 1986). These metrics are vital for assessing a bank's success in a competitive environment. The multidimensional nature of performance highlights the need for a comprehensive understanding of factors influencing it, such as organizational culture and employee engagement (Bourne et al., 2000). A holistic view allows banks to tailor their management systems to internal and external pressures.

Integrating qualitative and quantitative indicators is essential for a balanced perspective on organizational health (Kaplan & Norton, 1996). This dual focus enables banks to monitor financial results alongside critical operational processes and customer experiences, crucial for enhancing competitiveness (Bititci et al., 2012). Therefore, understanding performance in banking requires an integrated approach that considers various dimensions and their cumulative impact.

2.2.2. Overview of Performance Management

Performance management is a systematic process aimed at improving organizational performance by aligning individual and team objectives with strategic goals (Aguinis, 2009). This involves continuous assessment of employee performance against set standards, ensuring effective contributions to overarching objectives (DeNisi & Williams, 2006). In banking, where compliance

and customer service are pivotal, effective performance management is essential for sustaining a competitive edge (Kaplan & Norton, 2004).

The performance management process includes several stages: planning, monitoring, reviewing, and developing (Armstrong & Baron, 2005). Each stage is crucial for fostering a performance-oriented culture. For instance, effective goal-setting during planning establishes clear expectations, while regular monitoring allows for timely adjustments to performance strategies (Cascio & Aguinis, 2005). Integrating performance management into the organizational framework enhances responsiveness to market dynamics.

2.2.3. Goals of Performance Management

The primary goals of performance management systems in banking are to enhance productivity, improve employee engagement, and align individual contributions with organizational objectives (Pulakos et al., 2015). By establishing clear performance expectations and providing regular feedback, banks can motivate employees to excel, driving organizational success (Mone & London, 2018). Effective performance management fosters accountability and transparency, essential for building stakeholder trust.

Additionally, performance management aims to create a culture of continuous improvement and innovation (Huselid, 1995). Given the rapid changes and increased competition in the industry, banks must optimize existing processes and encourage creative problem-solving among employees (O'Reilly & Tushman, 2011). A performance management framework emphasizing these goals positions banks for long-term success in a dynamic global market.

2.2.6. Core Principles of Performance Management Systems

Effective performance management systems are grounded in core principles such as alignment with organizational strategy, employee involvement, and ongoing feedback (Armstrong & Baron, 2005). Ensuring that performance management initiatives align closely with strategic goals is essential for achieving desired outcomes (Kaplan & Norton, 1996). This alignment clarifies expectations for employees and reinforces the importance of their contributions.

Employee involvement in the performance management process is another vital principle (Brewster et al., 2016). Engaging employees in goal-setting and feedback discussions fosters a sense of ownership and accountability, enhancing motivation (Locke & Latham, 2002). Providing ongoing feedback is crucial for helping employees understand their progress, ultimately

contributing to their development (Kluger & DeNisi, 1996). Adhering to these principles allows banks to create systems that effectively support employee development and organizational goals.

2.2.9. Influencing Factors in Performance Management Systems

Several factors influence the effectiveness of performance management systems in banking, including organizational culture, leadership support, and employee engagement (Armstrong & Baron, 2005). A strong culture that values performance and accountability is essential for successful implementation (Bourne et al., 2000). Employees in a supportive culture are more likely to engage with performance management processes.

Leadership support is critical, as effective leaders establish performance expectations and provide ongoing feedback (Kirkpatrick & Locke, 1996). Leaders who actively engage in performance management create an environment where employees feel valued (Mone & London, 2018). Additionally, fostering employee engagement through involvement in goal-setting can enhance performance management effectiveness, leading to improved outcomes (Pulakos et al., 2015). Addressing these factors enables banks to create systems that drive success.

2.3 Preparedness for Global Competitiveness

In an increasingly globalized financial market, banks must ensure that their performance management systems (PMS) not only support internal efficiency but also prepare the institution to compete effectively on an international stage (Bernthal et al., 2003). Preparedness for global competitiveness involves aligning organizational practices with international standards, adopting innovative technologies, and cultivating a workforce capable of navigating complex global challenges (Kaplan & Norton, 2001; PwC, 2021).

a. Strategic Alignment with Global Standards

Banks aiming for global competitiveness must align their PMS closely with strategic objectives that reflect both local realities and global market demands. This includes compliance with international regulatory frameworks such as Basel III, IFRS, AML, and KYC standards, which ensure financial stability and transparency (Basel Committee, 2010; Deloitte, 2018; FATF, 2020). Such alignment enhances a bank's credibility and operational readiness in global markets (Barth et al., 2013).

b. Technological Integration and Innovation

The integration of advanced technology is critical for global competitiveness. Digital transformation, including artificial intelligence (AI), blockchain, and big data analytics, enables

banks to improve operational efficiency, customer service, and risk management (Chui et al., 2018; Catalini & Gans, 2016; PwC, 2021). Banks with higher digital maturity are shown to outperform peers in customer satisfaction and financial performance, emphasizing the need for continuous innovation in PMS (Capgemini, 2021; McKinsey & Company, 2020).

c. Talent Development and Cultural Adaptability

Global competitiveness also requires a workforce skilled in international banking practices and adaptable to diverse cultural contexts. PMS must thus incorporate targeted training programs that develop global competencies, including multilingual skills, cross-cultural communication, and knowledge of international banking operations (Huselid, 1995; Wulan, 2010). Employee engagement and continuous feedback mechanisms foster a culture of accountability and innovation, critical for sustaining competitiveness abroad (Pulakos et al., 2015).

d. Challenges and Opportunities

While regulatory compliance and innovation present opportunities, excessive regulation may stifle smaller banks' capacity to innovate, necessitating a balanced approach to governance (Allen et al., 2019). Moreover, preparing for global competition involves overcoming internal challenges such as resource constraints, resistance to change, and ensuring fairness in performance evaluations (Aguinis, 2009; DeNisi & Williams, 2006).

Banks that effectively integrate global standards, embrace technological advancements, and invest in their human capital through robust PMS are better positioned to sustain long-term competitiveness in the global banking sector (Neely et al., 2007; Ferreira & Otley, 2009).

2.4 Benchmarking

Benchmarking the performance management system (PMS) of HSBC against that of the Commercial Bank of Ethiopia allows for a comparative analysis of practices in global and emerging banking contexts. This comparison aims to identify strengths and weaknesses in each system, providing valuable insights to enhance employee performance, operational efficiency, and overall organizational effectiveness.

HSBC Bank's performance management system is strategically aligned with its overall business goals, ensuring that employee objectives support the bank's mission to remain competitive in the dynamic financial services sector (HSBC, 2014). The bank employs systematic appraisals that identify skill gaps and training needs, which feed into career development plans closely tied to organizational priorities such as

innovation, operational excellence, and customer satisfaction (Jafari, Bourouni, & Amiri, 2009; Meschi & Metais, 1998). This alignment enables HSBC to maintain a workforce capable of meeting evolving market demands while fostering individual career growth.

Financial performance is a critical outcome of HSBC's performance management practices. By linking performance appraisals to measurable financial targets and rewarding employees through a "pay-for-performance" culture, HSBC motivates staff to contribute effectively to the bank's profitability and cost-efficiency (Bernardin & Beatty, 1994; HSBC, 2014). Well-structured training programs, informed by appraisal feedback, enhance employee productivity, reduce costly errors, and support the achievement of key financial metrics, thus strengthening the bank's overall financial health (Rasch, 2004).

Customer-centric metrics are integrated into HSBC's appraisal system to ensure employees deliver high-quality service and foster customer loyalty. The bank's performance management framework includes 360-degree feedback and continuous evaluations that emphasize customer satisfaction and responsiveness (Scarpello, Ledvinka & Bergmann, 1995). By focusing on customer-oriented competencies, HSBC drives improvements in service delivery, which is essential for sustaining competitive advantage in the global banking industry (Foong-ming, 2008).

Operational efficiency and employee engagement are enhanced through HSBC's career development programs, which are tightly coupled with performance management outcomes. The bank's training cycle covering induction, job-specific coaching, and individual development ensures employees possess the necessary skills to perform complex tasks efficiently (HSBC, 2014). Moreover, by fostering motivation and job satisfaction through continuous feedback and recognition, HSBC cultivates a committed workforce that supports innovation and teamwork, resulting in improved operational workflows and reduced turnover (Kluger & DeNisi, 1996; Boice & Kleiner, 1997).

HSBC also integrates regulatory compliance and sustainability objectives within its performance management system, reflecting the importance of ethical practices and corporate responsibility in banking. Performance appraisals assess adherence to regulatory standards and encourage sustainable business practices, reinforcing the bank's commitment to risk management and long-term value creation (Prowse & Prowse, 2009). This holistic approach ensures HSBC not only meets legal requirements but also advances environmental and social governance goals, aligning employee performance with broader societal expectations (Soltani, Van Der Meer, & Williams, 2005).

2.5 Empirical Studies

Empirical studies on performance management systems (PMS) in banking systems have provided critical insights into the effectiveness of various metrics, frameworks, and methodologies used to evaluate and enhance banking performance. These studies often focus on key areas such as

financial performance, operational efficiency, customer satisfaction, risk management, and innovation, utilizing quantitative and qualitative data to assess the impact of specific indicators like Return on Assets (ROA), Cost-to-Income Ratio (CIR), Customer Satisfaction Scores (CSS), and Capital Adequacy Ratio (CAR).

2.5.1 Performance Management System Indicators in Banking Systems

Performance management systems (PMS) are critical for evaluating the efficiency and effectiveness of banking systems. These systems rely on a set of key performance indicators (KPIs) to measure and compare performance across various dimensions. Recent research has focused on identifying the most prominent indicators and assessing their effectiveness in driving operational efficiency, financial stability, and customer satisfaction in the banking sector. This review synthesizes findings from recent studies, compares and contrasts the perspectives of various authors, and evaluates the effectiveness of these indicators.

1. Financial Performance Indicators

Financial performance indicators remain the cornerstone of performance management in banking systems. Metrics such as Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM) are widely used to assess profitability and financial health. According to Alhassan and Tetteh (2020), ROA and ROE are particularly effective in comparing the performance of banks across different regions, as they provide insights into how efficiently a bank utilizes its assets and equity to generate profits. However, Alhassan and Tetteh also caution that these indicators may not fully capture the long-term sustainability of a bank, as they are often influenced by short-term financial decisions.

In contrast, Demirgüç-Kunt and Huizinga (2013) argue that NIM is a more reliable indicator for evaluating a bank's core operational efficiency, especially in developing economies where interest income constitutes a significant portion of revenue. They found that banks with higher NIMs tend to exhibit greater resilience during economic downturns. However, their study also highlights that excessive reliance on NIM can lead to riskier lending practices, which may undermine long-term stability.

2. Operational Efficiency Indicators

Operational efficiency indicators, such as Cost-to-Income Ratio (CIR) and Employee Productivity, are critical for assessing how well a bank manages its resources. A study by Sufian and Habibullah

(2014) found that CIR is a robust indicator of operational efficiency, with lower ratios indicating better cost management. Their research, which analyzed data from Asian banks, revealed that banks with CIRs below 50% consistently outperformed their peers in terms of profitability and customer satisfaction.

On the other hand, Berger and Humphrey (2018) emphasize the importance of employee productivity as a complementary indicator. They argue that while CIR provides a macro-level view of efficiency, employee productivity metrics, such as revenue per employee, offer a micro-level perspective that can identify inefficiencies at the operational level. Their findings suggest that banks with higher employee productivity tend to have more agile decision-making processes and better customer service outcomes.

3. Customer-Centric Indicators

Customer-centric indicators, such as Customer Satisfaction Scores (CSS) and Net Promoter Score (NPS), have gained prominence in recent years as banks increasingly focus on customer experience. A study by Kumar and Rajan (2019) found that CSS is a strong predictor of customer loyalty and retention. Their research, which surveyed over 10,000 banking customers, revealed that even small improvements in CSS can lead to significant increases in customer lifetime value.

Similarly, Reichheld and Markey (2011) advocate for the use of NPS as a key performance indicator, arguing that it provides a simple yet powerful measure of customer loyalty. However, they caution that NPS should be used in conjunction with other metrics, as it may not fully capture the nuances of customer satisfaction in highly competitive markets.

In contrast, Gupta and Zeithaml (2016) argue that traditional customer-centric indicators like CSS and NPS may not be sufficient in the digital age. They propose the inclusion of digital engagement metrics, such as mobile app usage and online transaction volumes, to better capture the evolving preferences of banking customers. Their research highlights that banks with higher digital engagement scores tend to have stronger customer relationships and higher cross-selling rates.

4. Risk Management Indicators

Risk management indicators, such as Capital Adequacy Ratio (CAR) and Non-Performing Loan (NPL) Ratio, are essential for evaluating a bank's ability to withstand financial shocks. A study by Ghosh (2015) found that CAR is a reliable indicator of financial stability, with higher ratios

indicating greater resilience to economic volatility. However, Ghosh also notes that excessively high CARs may signal underutilization of capital, which can negatively impact profitability.

In comparison, Louzis et al. (2012) focus on the NPL ratio as a key indicator of credit risk. Their research, which analyzed data from European banks, found that banks with lower NPL ratios tend to have more robust risk management frameworks. However, they also highlight that NPL ratios can be influenced by external factors, such as macroeconomic conditions, which may limit their effectiveness as standalone indicators.

5. Innovation and Digital Transformation Indicators

With the rise of fintech and digital banking, innovation and digital transformation indicators have become increasingly important. A study by Capgemini (2021) found that banks with higher digital maturity scores, measured by metrics such as digital revenue contribution and automation rates, tend to outperform their peers in terms of operational efficiency and customer satisfaction. Similarly, McKinsey & Company (2020) emphasize the importance of innovation KPIs, such as the percentage of IT budget allocated to digital initiatives, in driving long-term growth.

However, Frame and White (2014) caution that the effectiveness of innovation indicators depends on the bank's ability to align digital transformation efforts with its overall strategic objectives. They argue that without a clear roadmap, even banks with high digital maturity scores may struggle to achieve sustainable competitive advantages.

2.2 Empirical Literature

Empirical studies demonstrate that robust PMS enhance employee engagement and operational efficiency. Organizations that implement continuous feedback mechanisms outperform those relying on annual reviews (Kluger & DeNisi, 1996; Pulakos et al., 2015). Aligning PMS with strategic goals cultivates a culture of accountability and improves financial outcomes (Bourne et al., 2000).

2.6. Conceptual Framework

Performance management systems (PMS) are vital for evaluating the efficiency, effectiveness, and strategic alignment of banking systems. Various conceptual frameworks have been developed, each offering unique perspectives and methodologies. This section discusses frameworks that are particularly relevant to achieving global competitiveness through innovation, digital transformation, and sustainability in banking.

2.6.1 Balanced Scorecard (BSC) Framework

The Balanced Scorecard (BSC), developed by Kaplan and Norton (1992), remains one of the most widely used frameworks for performance management. It evaluates organizational performance across four perspectives: financial, customer, internal processes, and learning and growth. In banking, the BSC has been adapted to include metrics such as Return on Assets (ROA), Customer Satisfaction Scores (CSS), Cost-to-Income Ratio (CIR), and Employee Training Hours.

The BSC's effectiveness lies in providing a holistic performance view that aligns financial and non-financial metrics with strategic goals. Kumar and Rajan (2019) found that banks using the BSC achieved higher customer satisfaction and employee engagement, leading to improved financial outcomes. However, critics note that the BSC implementation can be resource-intensive and may not fully capture the fast-paced changes driven by digital transformation (Ferreira & Otley, 2009).

2.6.2 Digital Maturity Framework

With the rise of digital banking, the Digital Maturity Framework has become critical for assessing performance related to digital transformation. This framework evaluates metrics such as digital revenue contribution, automation rates, and customer engagement through digital channels.

Capgemini's (2021) research highlights that banks with higher digital maturity scores outperform peers in operational efficiency and customer satisfaction. McKinsey & Company (2020) emphasize that sustained investment in technology and data analytics is essential for achieving and maintaining such maturity. However, implementing this framework demands significant resources and organizational commitment, which may be challenging for some banks.

2.6.3 Integrated Performance Management Framework (IPMF)

The Integrated Performance Management Framework (IPMF) combines elements of the BSC, EFQM, and other models to offer a comprehensive approach that integrates financial and non-financial metrics aligned with strategic objectives.

Neely et al. (2007) found that banks adopting the IPMF reported improvements in both financial performance and customer satisfaction. Yet, the framework's complexity and need for cross-departmental coordination can limit its applicability, especially in smaller banks or those lacking adequate resources (Ferreira & Otley, 2009).

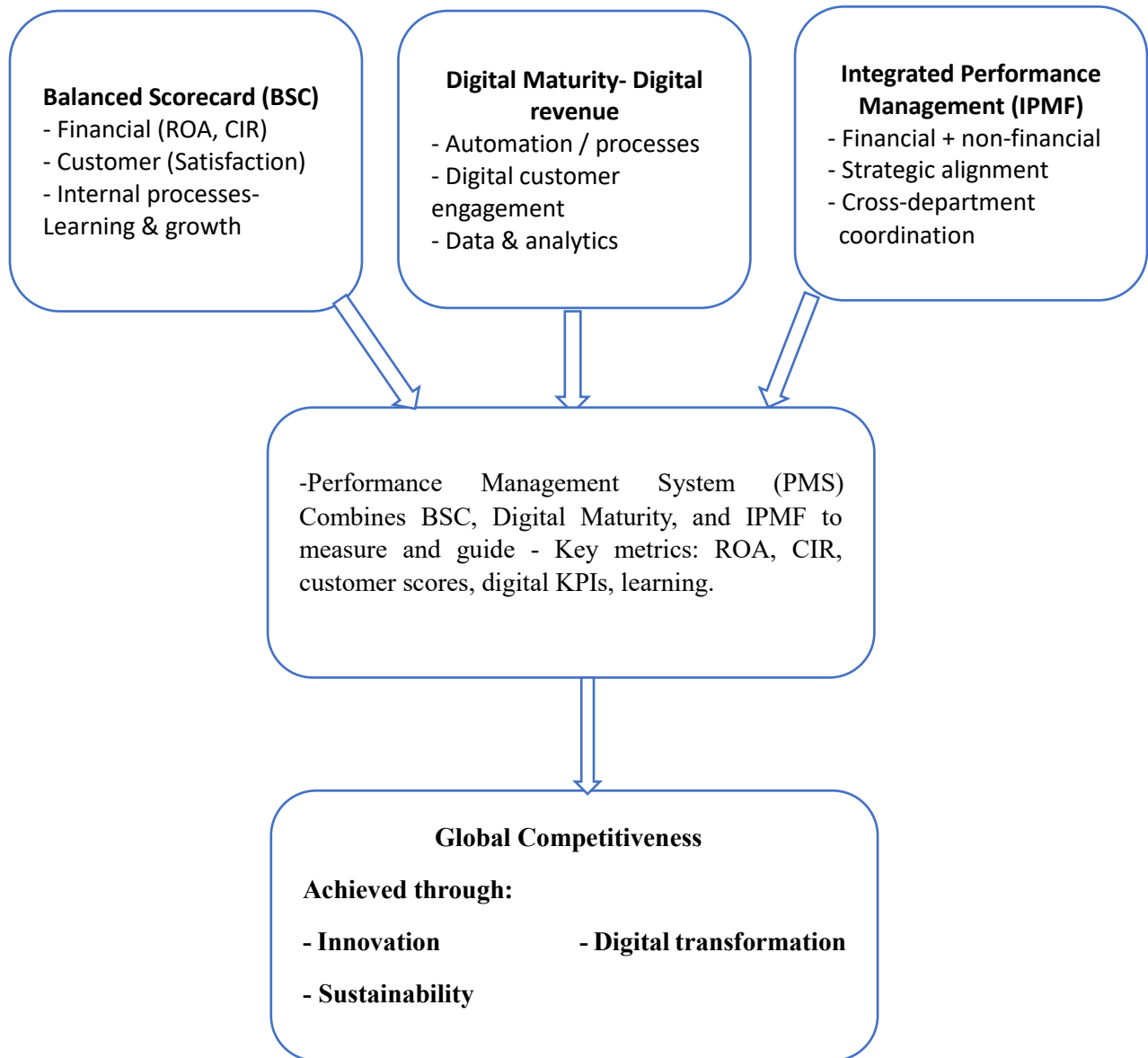


Figure 2.1 Conceptual framework of Performance Management Systems

2.7 Global Banking Standards and Future Outlook

The banking industry operates within a complex framework of global standards and regulations designed to ensure financial stability, protect consumers, and promote fair competition. This literature review explores the evolution of global banking standards, the impact of regulatory frameworks, and future trends influencing the banking sector.

e. Evolution of Global Banking Standards

Historical Context

The evolution of banking standards can be traced back to the establishment of the Basel Committee on Banking Supervision (BCBS) in 1974, following the collapse of the Bretton Woods system. The Basel Accords (I, II, and III) have been pivotal in shaping global banking regulations, focusing on capital adequacy, risk management, and supervisory practices. Basel I introduced a minimum capital requirement, while Basel II expanded this framework to include credit risk and operational risk. Basel III, implemented in response to the 2008 financial crisis, emphasized stronger capital buffers and liquidity requirements (Basel Committee, 2010).

Key Regulations

1. **Basel III:** This framework introduced metrics such as the Common Equity Tier 1 (CET1) capital ratio, Liquidity Coverage Ratio (LCR), and Net Stable Funding Ratio (NSFR) to enhance the resilience of banks against financial shocks (BCBS, 2011).
2. **International Financial Reporting Standards (IFRS):** The adoption of IFRS has standardized financial reporting, improving transparency and comparability across international banks (Deloitte, 2018).
3. **Anti-Money Laundering (AML) and Know Your Customer (KYC):** Regulations in this area have become increasingly stringent, driven by global initiatives to combat financial crime and enhance customer due diligence (FATF, 2020).

f. Impact of Regulatory Frameworks

i. Financial Stability

Studies have shown that robust regulatory frameworks contribute to financial stability. For instance, a study by Barth et al. (2013) demonstrated that countries with stricter capital requirements experienced fewer banking crises. The role of effective supervision and regulation is critical in maintaining trust in the financial system.

ii. Competitiveness and Innovation

While regulations aim to safeguard the financial system, they can also impact the competitiveness of banks. Research by Allen et al. (2019) indicates that excessive regulation may stifle innovation, particularly among smaller banks and fintech companies. The challenge lies in finding a balance between regulation and fostering a competitive banking environment.

g. Future Outlook

i. Technological Advancements

The future of banking will be significantly influenced by technological advancements. The rise of fintech and digital banking is reshaping the industry landscape. According to PwC (2021), the integration of artificial intelligence (AI), blockchain, and big data analytics will drive operational efficiency and enhance customer experiences.

1. **Blockchain Technology:** This technology has the potential to revolutionize transaction processing and enhance security (Catalini & Gans, 2016). Banks are exploring blockchain for applications such as cross-border payments and trade finance.
2. **Artificial Intelligence:** AI can improve risk assessment, fraud detection, and customer service through chatbots and personalized financial advice (Chui et al., 2018).

ii. Regulatory Adaptation

As the banking landscape evolves, so too must regulatory frameworks. The need for agile regulations that can adapt to technological changes is increasingly recognized. The Financial Stability Board (FSB) has emphasized the importance of a collaborative approach to regulation that includes both traditional banks and fintech companies (FSB, 2020).

iii. Sustainability and Corporate Responsibility

The focus on environmental, social, and governance (ESG) factors is growing within the banking sector. Research indicates that banks are increasingly integrating sustainability into their strategies. A report by the UN Environment Programme (2020) highlights the role of banks in financing sustainable development and addressing climate change.

1. **Green Financing:** Banks are expanding their portfolios to include green bonds and sustainable investment products, aligning with global sustainability goals (Zhang et al., 2021).
2. **Social Responsibility:** Increasingly, banks are being held accountable for their societal impact, leading to greater emphasis on corporate social responsibility (CSR) initiatives (Eccles et al., 2014).

CHAPTER THREE

3. Research Methodology

3.1 Description of the Study Area

Mekelle, the regional capital city of the Tigray region, is located in the northern Ethiopia high lands at 777 km drive north of national capital city, Adiss Ababa. Geographically it is located between 39⁰33'E longitude and 13⁰32'N latitude. It has an average altitude of 2200 meters above sea level with a mean minimum, mean maximum and mean average monthly temperatures of 8.7, 26.8 and 17.6° C, respectively (Kibrom, 2005). Amount of rainfall is variable in Mekelle; on

average about 600 mm, and more than 70% of it falls between July and August, followed by long dry season (Kibrom, 2005). Mekelle which was founded as a national capital during Emperor Atse Yohannes the 4th era in the nineteen century and subsequent years, as a regional city of Tigray has been developed as political, economic, and cultural center characterized by its spontaneous growth. Mekelle is one of rapidly growing city in terms of human settlement, Industrial and Institutional establishment and at present city has a built-up area of 3500 hectares.

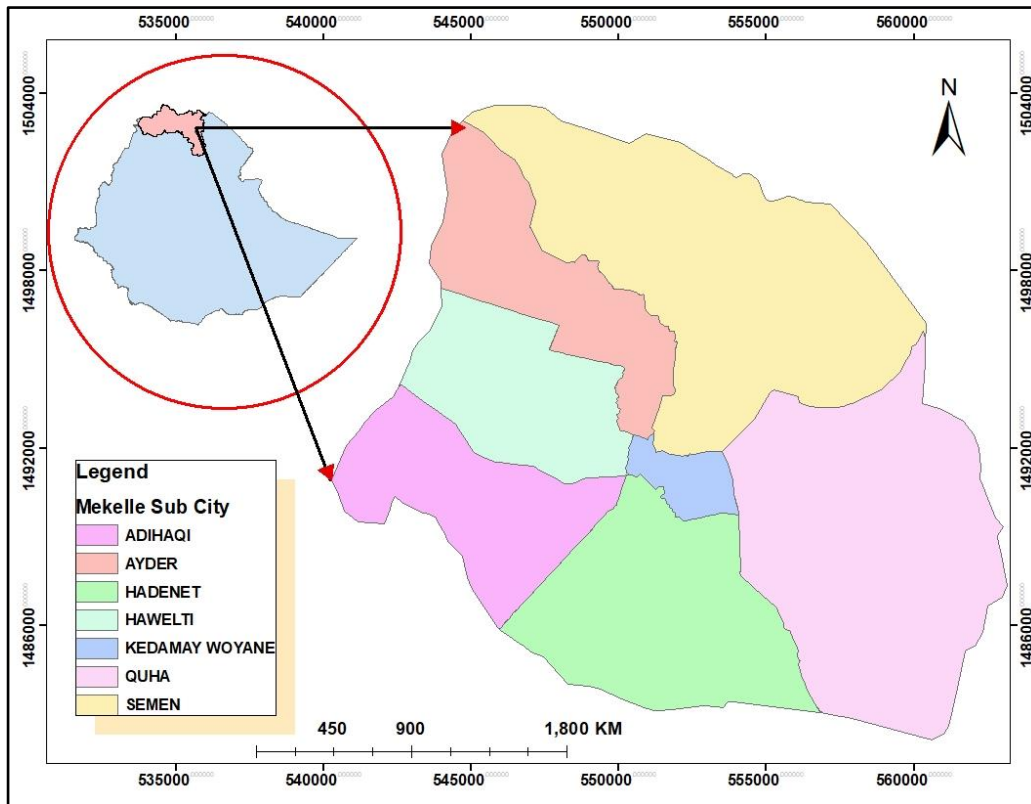


Fig. 3. 1 Locational Map of Mekelle by sub city (Source: ArcGIS 10.8)

3.1 Methodology

3.2.1 Introduction

This section outlined the research methodology used to assess Commercial Bank's performance management systems and their alignment with global competitiveness standards. The study employed a mixed-methods design, combining quantitative and qualitative approaches to achieve

statistically strong and contextually rich findings. The methodology was structured to systematically address research objectives while ensuring validity, reliability, and ethical considerations. The focus was on three strategically selected branches of Commercial Bank in Mekelle, Tigray, Ethiopia, aiming to benchmark the bank's practices against international banking standards for insightful comparisons and recommendations

3.2.2 Research Design /Approach

The research employed a mixed-methods approach to assess Commercial Bank's performance management systems by using both quantitative and qualitative data collection tools. Specifically, a combination of structured questionnaires with close-ended questions and semi-structured questionnaires with open-ended questions were administered to managers, Human Resources department staff, and general employees. This approach enabled the collection of measurable performance indicators such as employee engagement, while also capturing deeper insights into challenges and contextual factors that numerical data alone could not reveal. By applying data triangulation, the study enhanced the validity and reliability of the findings, providing a comprehensive understanding of the bank's performance management landscape and supporting actionable recommendations to improve performance and strengthen Commercial Bank's global competitiveness

3.2.3 Sources of Data

The study combined primary and secondary data to thoroughly evaluate Commercial Bank's performance management systems. Primary data were gathered via structured questionnaires (close ended and open-ended questionnaires) with General employees, Managements and Human resources départements, providing both quantitative metrics and qualitative insights. Secondary data included official bank documents and reports, alongside international banking standards from organizations like Basel Committee. This blend of data sources enabled a comprehensive assessment of the bank's practices and their alignment with global benchmarks.

3.2.4 Method of Data Collection Methods

To gather comprehensive insights about the Commercial Bank's Performance Management Systems and their readiness for global competitiveness, I prepared a combination of **open and closed-ended questionnaires**. These were thoughtfully designed to capture a wide range of

perspectives from the detailed experiences of employees to the strategic views of managers and HR staff.

The questionnaires were distributed across different levels of the organization, including managers, human resources departments, and general employees, ensuring that every voice was heard and valued.

i. Type of Questionnaire:

While the questionnaire mainly featured closed-ended questions to help standardize responses and make analysis smoother, it also included open-ended questions. This balance allowed participants to express their thoughts freely and share personal insights beyond predefined options, adding depth and richness to the data.

ii. Key Topics Covered:

The questionnaire explored important aspects of the performance management systems, such as:

- How well employees felt the PMS aligned with the bank's goals
- Their understanding of the performance metrics and how these relate to their roles
- Their experiences with feedback and communication
- The availability and quality of training and development opportunities
- Levels of motivation and engagement linked to the PMS
- Perceptions of fairness in appraisals and salary increments

iii. Accessibility and Distribution:

To encourage maximum participation and make it convenient for everyone, the questionnaire was provided exclusively in a **paper-based format**. Printed copies were personally distributed to employees during working hours, tea breaks, or other suitable times, ensuring that all participants had easy and direct access to the questionnaire without relying on digital tools.

iv. Data Collection Process:

The process was carefully planned and executed in stages:

- The questionnaire was finalized after securing all the necessary approvals from the bank's authorities.

- It was then distributed both physically and electronically across the three branches.
- Participants were given a reasonable timeframe to complete their responses.
- Gentle reminders were sent to encourage timely completion and ensure a high response rate.

v. Pilot Testing:

Before the full rollout, a small pilot test was conducted with 10 to 15 employees. This helped to:

- Check if the questions were clear and easy to understand
- Identify and fix any confusing or ambiguous items
- Estimate how much time the questionnaire would take to complete

The feedback from this pilot was invaluable and was used to refine the questionnaire, making sure it was reliable and effective

i. Enumeration Procedure:

The sampling was stratified to ensure representation across different employee levels within the bank. After distributing the paper-based questionnaires, I personally collected the completed forms directly from the participants, which allowed me to ensure confidentiality and encourage timely submission. This hands-on approach also provided opportunities to clarify any questions or concerns participants had during the process. The collected data were then securely entered for analysis.

3.2.5 Population and Sampling Method

1. Population

The target population for this study comprises all staff members employed across the three branches of Commercial Bank located in Mekelle. These branches include the Mekelle Branch, Agazi Branch, and Adi-Hawsi Branch. The study specifically considers three main groups within the workforce:

- **General Employees**
- **Management Staff**
- **Human Resource Department Staff**

Table 3.2 The distribution of staff across the branches

Branch	General Employees	Managers	HR Staff	Total
Mekelle	200	40	35	275
Agazi	36	9	0	45
Adi-Hawsi	40	9	0	49
Total	276	58	35	369

For the purposes of sampling, the relevant population (excluding non-staff or other categories) is **369**.

2. Sampling Technique

The population was first stratified into three distinct groups based on job category: General Employees, Management Staff, and Human Resource Department Staff. To ensure that all relevant staff categories are proportionally represented in the sample, a stratified random sampling method was employed. This technique divides the total population into distinct subgroups (strata) based on job category (general employees, managers, human resources), and then selects samples randomly from each stratum in proportion to their size within the population. This approach reduces sampling bias and increases the representativeness of the sample.

3. Sample Size Determination

The sample size was determined using the **Yamane (1967) formula**, which is commonly used for survey research where the population size is known:

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

Where:

- n = sample size
- N = population size (here, 369)
- e = margin of error (set at 5%, or 0.05)

Plugging in the values:

$$n = \frac{N}{1 + N(e)^2} = n = \frac{369}{1 + 369(0.0025)} = \frac{369}{1 + 369(0.0025)} = \frac{369}{1 + 1.9225} = \frac{369}{1.9225} = 192$$

Thus, the calculated sample size is **192** respondents.

5. Proportional Allocation

a) Among Employee Categories

The sample was allocated proportionally to each job category:

$$n_i = \frac{N_i}{N} \times n$$

Where:

- n_i = sample for each group
- N_i = population of each group
- N = total population
- n = total sample size (192)

Table 3.3 Proportional Allocation of Target population

Category	Population	Proportion	Sample Size
General Employees	276	$276/369 = 0.748$	$0.748 \times 192 \approx 144$
Managers	58	$58/369 = 0.157$	$0.157 \times 192 \approx 30$
HR Staff	35	$35/369 = 0.095$	$0.095 \times 192 \approx 18$
Total	369		192

b) Among Branches and Categories

For each branch and category, the allocation is as follows:

Table 3.4: General Employees Allocation

Branch	Population	Proportion (to total employees)	Sample Size
Mekelle	200	$200/276 = 0.725$	$0.725 \times 144 \approx 104$
Agazi	36	$36/276 = 0.130$	$0.130 \times 144 \approx 19$
Adi-Hawsi	40	$40/276 = 0.145$	$0.145 \times 144 \approx 21$
Total	276		144

Table 3.5: Managers Allocation

Branch	Population	Proportion (to total managers)	Sample Size
Mekelle	40	$40/58 = 0.690$	$0.690 \times 30 \approx 21$
Agazi	9	$9/58 = 0.155$	$0.155 \times 30 \approx 5$
Adi-Hawsi	9	$9/58 = 0.155$	$0.155 \times 30 \approx 4$
Total	58		30

Table 3.6: **Human Resource Staff Allocation**

Branch	Population	Proportion (to total HR)	Sample Size
Mekelle	35	$35/35 = 1.00$	$1.00 \times 18 = 18$
Agazi	0	0	0
Adi-Hawsi	0	0	0
Total	35		18

(Note: All HR staff are in Mekelle Branch.)

Table 3.7: **Summary Table: Sample Allocation per Branch and Category**

Branch	General Employees	Managers	HR Staff	Total Sample
Mekelle	104	21	18	143
Agazi	19	5	0	24
Adi-Hawsi	21	4	0	25
Total	144	30	18	192

3.2.6 Comparative Framework

This comparative framework was developed to evaluate the Commercial Bank of Ethiopia's performance management systems against international standards by employing three key methodologies: Benchmarking, Gap Analysis, and SWOT Analysis. HSBC UK, a leading global bank recognized for its well-established and internationally compliant performance management practices, was selected as the reference institution for comparative purposes.

i. Benchmarking

Benchmarking involved identifying critical dimensions of performance management, such as strategic alignment, financial performance, customer-centric metrics, operational efficiency, employee engagement, innovation, regulatory compliance, and sustainability. The Commercial Bank of Ethiopia's practices were systematically compared against those of HSBC UK, which adheres to globally recognized frameworks including Basel III, ISO 9001, and the Balanced Scorecard. This benchmarking process enabled the identification of performance gaps and best practices that could inform improvements in the Commercial Bank of Ethiopia's systems.

ii. Gap Analysis

The Gap Analysis concentrated on highlighting the differences between the Commercial Bank of Ethiopia's current performance management practices and the international standards exemplified by HSBC UK. Emphasis was placed on areas such as strategic alignment, technology integration, and employee engagement. This analysis facilitated the identification of specific areas where the Commercial Bank of Ethiopia lagged behind, thereby providing actionable insights for targeted enhancements.

iii. SWOT Analysis

A SWOT Analysis was performed to assess the Commercial Bank of Ethiopia's internal strengths and weaknesses alongside external opportunities and threats in the context of global competitiveness. Drawing on insights from HSBC UK's operational and strategic environment, this analysis offered a comprehensive view of the bank's preparedness to compete internationally. The findings guided strategic decision-making aimed at strengthening the bank's performance management framework.

3.2.7 Data Presentation and Analysis Technique

The data collected for the assessment of the Commercial Bank of Ethiopia's Performance Management Systems were analyzed using statistical techniques to derive meaningful insights and support the research objectives.

Descriptive Statistics were utilized to summarize demographic data and responses from participants. This technique provided an overview of the sample characteristics, such as age, gender, job level, and tenure at the bank. By presenting this data in a structured format, such as tables, it facilitated a clear understanding of the population involved in the study.

Regression Analysis was conducted to explore the impact of various independent variables on performance outcomes. This analysis allowed for the examination of how factors such as employee engagement, training effectiveness, and technology adoption influenced overall performance management effectiveness. By estimating regression equations, the research revealed the strength and nature of these relationships, providing insights into which variables had the most significant effects on performance.

3.2.8 Validity of the Study

To ensure the validity of this study, careful measures were taken in the design and implementation of data collection tools. The questionnaires protocols were developed based on a comprehensive review of existing literature on performance management systems and global competitiveness in the banking sector. These instruments were reviewed by experts in banking and performance management to confirm their relevance and clarity. Additionally, a pilot test was conducted with employees from one of the Mekelle branches not included in the main study sample to identify any ambiguities or inconsistencies in the questions. This process helped to enhance content validity by ensuring that the collected data accurately reflected the constructs under investigation, specifically the performance management practices and global readiness of the Commercial Bank of Ethiopia.

Moreover, the study's validity was strengthened through the selection of three representative branches in Mekelle, which provided a diverse yet focused sample reflecting different operational contexts within the bank. This branch-level focus allowed for in-depth analysis and comparison across the selected units, enhancing the internal validity of the findings. Triangulation was also applied by combining quantitative and qualitative data from open and closed-ended questionnaires, thereby cross-verifying information and reducing bias. By aligning the study's methodology with both theoretical frameworks and practical banking realities, this research maintained a high degree of validity, providing reliable conclusions regarding the bank's preparedness for global competitiveness.

3.2.9 Ethical Considerations

This study adhered to strict ethical standards to ensure the rights and confidentiality of all participants were protected. Prior to data collection, informed consent was obtained from all respondents, who were clearly informed about the purpose of the study, their voluntary participation, and their right to withdraw at any time without any consequences. Confidentiality and anonymity were maintained by securely handling all collected data and ensuring that individual responses could not be traced back to participants. Additionally, all necessary permissions and approvals were obtained from the three Branches authorities before conducting the research. These ethical practices ensured the integrity of the study and fostered trust between the researcher and participants.

CHAPTER FOUR

4. Results and Discussion

4.1. Analysis of Structured Questionnaire Responses

Understanding the perspectives of general employees, management staff, and human resource personnel is critical for evaluating the effectiveness of performance management systems and the organization's preparedness for global competitiveness. This study analyzes structured questionnaire responses from these three key groups within the Commercial Bank of Ethiopia's Mekelle branches (Mekelle, Agazi, and Adi-Hawsi) to identify shared challenges, satisfaction levels, and potential areas for improvement.

A total of 192 questionnaires were proportionally distributed, targeting 144 general employees, 30 managers, and 18 HR staff. Of these, 169 responses were successfully collected, while 23 non-responses (13 general employees, 7 managers, and 3 HR staff) were duly accounted for to maintain the reliability of the data. By examining the feedback from these distinct groups, the study uncovers unique concerns and priorities that form a solid foundation for developing recommendations aimed at enhancing performance management and positioning the bank for greater global competitiveness.

4.1.1 Managerial Insights

A. Close-ended questions

I. Demographic Information

The study surveyed 23 managers in total, with a dominant majority being male (17 managers, 73.9%), while females represented 26.1% (6 managers). No respondents declined to disclose their gender.

Regarding managerial experience in branch management, the majority (60.9%, 14 managers) have more than 10 years of experience, indicating a highly experienced group. Managers with 1-3 years, 4-6 years, and 7-10 years of experience each constituted 13% (3 managers) of the sample. No respondents had less than one year of branch management experience.

Table 4.1. Demographic Information of Managers

Question	Alternatives/Responses	Frequency	(%)
What is your sex?	Male	17	73.9
	Female	6	26.1
	Prefer not to say	0	0
Years of experience in branch management	Less than 1 year	0	0
	1-3 years	3	13.0
	4-6 years	3	13.0
	7-10 years	3	13.0
	More than 10 years	14	60.9

II. PMS Effectiveness & Alignment

For the effectiveness of the PMS in driving branch performance, 16 respondents (**69.6%**) rated it as either "Very effective" (7, **30.4%**) or "Effective" (9, **39.1%**), while 5 (**21.7%**) were neutral, and only 2 (**8.7%**) found it ineffective with none rating it very ineffective.

Regarding alignment of performance metrics with overall bank objectives, 17 respondents (**73.9%**) felt the metrics were "Very aligned" (5, **21.7%**) or "Aligned" (12, **52.2%**), while 3 (**13%**) were neutral and another 3 (**13%**) considered them "Very misaligned."

When assessing team engagement with the PMS, 20 respondents (**87%**) perceived their teams as "Very engaged" (10, **43.5%**) or "Engaged" (10, **43.5%**), with a small minority of 3 (**13%**) indicating disengagement.

Finally, the PMS's effectiveness in identifying potential leaders was rated positively by 16 respondents (**69.6%**) as either "Very effectively" (5, **21.7%**) or "Effectively" (11, **47.8%**), with 5 (**21.7%**) neutral and 2 (**8.7%**) seeing it as ineffective.

The average scores further illuminate these perceptions: the PMS's effectiveness in driving branch performance received a solid average score of **3.91**, indicating general confidence in its impact. Alignment between performance metrics and bank objectives scored slightly lower at **3.70**, reflecting some concerns about how well the metrics support organizational goals. Team

engagement with the PMS was rated most positively, with an average of **4.13**, suggesting strong involvement and commitment. The PMS’s ability to identify potential leaders scored a moderate **3.83**, highlighting room for improvement in leadership development. Collectively, the overall average score of **3.89** across these areas confirms a generally favorable view of the PMS while underscoring specific areas for refinement to enhance alignment and leadership identification.

The findings reflect a generally positive perception of the Performance Management System (PMS) among branch managers, which is consistent with research indicating that effective PMSs contribute significantly to improved organizational performance by clarifying expectations and enhancing employee motivation (Aguinis, 2019). The relatively high team engagement score aligns with evidence that employee involvement in PMS processes fosters commitment and better performance outcomes (Bakker & Demerouti, 2017). However, the slightly lower score on alignment between performance metrics and organizational objectives highlights a common challenge in PMS design, where misalignment can reduce the system's strategic value and employee buy-in (Kaplan & Norton, 2001). Furthermore, the moderate score on leadership identification signals an area for development, as integrating leadership potential assessment into PMS is critical for succession planning and long-term organizational sustainability (Day et al., 2014). These results suggest that while the PMS is effective, ongoing refinement focusing on strategic alignment and leadership development could enhance its overall impact for global competitiveness.

Table 4.2 Questionnaire about PMS Effectiveness and Alignment

Question	Responses	Freq	(%)	Score	Weighted Total (Freq × Score)	Average
How effective is the PMS in driving branch performance?	Very effective	7	30.4	5	35	3.91
	Effective	9	39.1	4	36	
	Neutral	5	21.7	3	15	
	Ineffective	2	8.7	2	4	
	Very ineffective	0	0	1	0	
	Very aligned	5	21.7	5	25	3.70
	Aligned	12	52.2	4	48	

How aligned are the performance metrics with overall bank objectives?	Neutral	3	13.0	3	9	
	Misaligned	0	0	2	0	
	Very misaligned	3	13.0	1	3	
How engaged do you perceive your team to be with the PMS?	Very engaged	10	43.5	5	50	
	Engaged	10	43.5	4	40	
	Neutral	0	0	3	0	
	Disengaged	2	8.7	2	4	4.13
	Very disengaged	1	4.3	1	1	
How effectively does the PMS identify potential leaders within your branch?	Very effectively	5	21.7	5	25	
	Effectively	11	47.8	4	44	
	Neutral	5	21.7	3	15	3.83
	Ineffectively	2	8.7	2	4	
	Very ineffectively	0	0	1	0	
Overall Average = Total frequency/Sum of weighted totals = 358/92						3.89

III. Feedback, Communication, and Engagement

Effective feedback and communication are critical components for the success of any performance management system. Feedback to teams is predominantly provided quarterly, with 14 respondents (60.9%) selecting this option, followed by weekly feedback at 7 (30.4%) and monthly feedback at 2 (8.7%). No respondents reported providing feedback annually or never.

Performance metrics review is largely regular (56.5%, 13 respondents) or occasional (30.4%, 7), with 2 (8.7%) rarely reviewing and 1 (4.3%) never reviewing. Communication of performance expectations is rated as "Very effectively" or "Effectively" by 18 respondents (78.3%), neutral by 4 (17.4%), and "Very ineffectively" by 1 (4.3%).

The average feedback frequency score of 3.70 indicates that feedback is provided somewhat more than moderately often, approaching a high level of frequency. The higher average score of 4.26 for

reviewing performance metrics reflects a stronger commitment to regularly assessing team performance, which is essential for informed feedback and goal-setting. Communication effectiveness received an average score of **4.09**, showing that respondents generally perceive their branches as communicating expectations clearly, though the presence of neutral and negative responses suggests some variability.

Combined, the overall average score of **4.02** across these three dimensions highlights a generally positive environment regarding feedback, review, and communication practices, yet it also signals opportunities to strengthen feedback frequency and communication consistency to achieve better alignment and engagement.

The findings highlight the vital role of effective feedback and communication in driving the success of Performance Management Systems (PMS), which is crucial not only for internal performance but also for sustaining global competitiveness. The predominance of quarterly feedback aligns with best practices that advocate for regular, structured conversations to support employee development and performance improvement (Pulakos et al., 2015). However, the observed mismatch between feedback frequency and the less consistent review of performance metrics suggests potential gaps in the feedback loop that may limit real-time performance adjustments (Aguinis, 2019). Effective communication of performance expectations, as reported by the majority of respondents, is essential for fostering employee engagement and clarity around goals, which research links to higher motivation and accountability (Bakker & Demerouti, 2017). Nonetheless, the presence of neutral and negative perceptions indicates that some teams might benefit from enhanced communication strategies and more frequent feedback interventions. Strengthening feedback loops and communication consistency can improve alignment between individual efforts and organizational objectives, enhancing performance outcomes and positioning the organization more favorably in the global arena.

Table 4.3 Questionnaire about Feedback, Communication, and Engagement

Question	Responses	Freq	(%)	Score	Weighted Total (Freq × Score)	Average
How frequently do you provide feedback to your team on their performance?	Weekly	7	30.4	5	35	3.70
	Monthly	2	8.7	4	8	
	Quarterly	14	60.9	3	42	
	Annually	0	0	2	0	
	Never	0	0	1	0	
How often do you review performance metrics with your team?	Regularly	13	56.5	5	65	4.26
	Occasionally	7	30.4	4	28	
	Rarely	2	8.7	2	4	
	Never	1	4.3	1	1	
How effectively does your branch communicate performance expectations?	Very effectively	9	39.1	5	45	4.09
	Effectively	9	39.1	4	36	
	Neutral	4	17.4	3	12	
	Ineffectively	0	0	2	0	
	Very ineffectively	1	4.3	1	1	
Overall Average = Total frequency/Sum of weighted totals = 277/69						4.02

IV. Training, Development, and Support

Training and managerial support are vital for enhancing branch performance and leadership capacity. Regarding the adequacy of training programs for branch staff, **65.2%** of managers (15) found them to be very adequate (5, **21.7%**) or adequate (10, **43.5%**). However, a combined **28%** (7) viewed training as neutral (4, **17.4%**) or inadequate (3, **13.0%**), indicating some level of dissatisfaction or room for improvement in the training provision. This is reflected in the average adequacy score of **3.77**, suggesting that while the training programs are generally perceived positively, there remains room to enhance their adequacy and relevance to meet all needs more effectively.

When asked about support for their own development as managers, **78.3%** (18) felt positively, responding “Always” (13, **56.5%**) or “Often” (5, **21.7%**). Five managers (**21.7%**) felt they were supported “Sometimes,” with no responses indicating rare or no support. The average score for managerial development support is **4.30**, indicating a strong perception of consistent and positive support, though the presence of some “Sometimes” responses points to occasional variability.

Combined, these two measures yield an overall average score of **4.04**, demonstrating that the bank’s training and managerial support systems are generally effective and positively regarded by managers. However, the averages also highlight areas where continuous improvement and greater consistency could further enhance the impact of these initiatives.

These findings reflect well-established principles in human resource development, where effective training and sustained managerial support are crucial for enhancing both individual and organizational performance (Aguinis, 2019). The majority of managers perceiving training programs as adequate aligns with research emphasizing that well-structured training enhances employee skills and contributes to improved branch outcomes (Noe, 2017). However, the notable minority expressing neutrality or dissatisfaction highlights the need to continuously evaluate and tailor training content to address evolving skill requirements and learning preferences (Salas, Tannenbaum, Kraiger, & Smith-Jentsch, 2012). Similarly, the generally positive perception of managerial development support supports the notion that consistent coaching and developmental opportunities strengthen leadership capacity and employee engagement (McCauley & Van Velsor, 2004). The presence of “Sometimes” responses, however, points to variability in the delivery of support, suggesting that more systematic and reliable mechanisms for managerial development could further enhance effectiveness.

From a theoretical perspective, these results support Becker’s (1964) Human Capital Theory, which emphasizes that investing in employee knowledge and skills increases productivity and competitive advantage by enhancing the value of human resources. By fostering human capital development through effective training and managerial support, the bank is better positioned to adapt to global market demands, innovate, and sustain competitive advantage.

Table 4.4 Questionnaire about Training, Development, and Support

Question	Responses	Freq	(%)	Score	Weighted Total (Freq × Score)	Average
How adequate do you find the training programs for your branch staff?	Very adequate	5	21.7	5	25	3.78
	Adequate	10	43.5	4	40	
	Neutral	4	17.4	3	12	
	Inadequate	3	13.0	2	6	
	Very inadequate	1	4.3	1	1	
Do you feel the bank adequately supports your development as a manager?	Always	13	56.5	5	65	4.30
	Often	5	21.7	4	20	
	Sometimes	5	21.7	3	15	
	Rarely	0	0	2	0	
	Never	0	0	1	0	
Overall Average = Total frequency/Sum of weighted totals = 182/45						4.04

V. Adaptability and Competitiveness

The survey results show that most Mekelle branches of the Commercial Bank of Ethiopia (CBE) demonstrate strong adaptability to changes in the banking environment. A total of **76.1%** of respondents rated their branch's adaptability as either "Very well" (**43.5%**) or "Well" (**39.1%**), reflecting a generally positive view of how these branches adjust to industry shifts. However, a small but important group expressed concerns, with **8.7%** remaining neutral and another **8.7%** rating adaptability as "Very poorly." The fact that no respondents chose "Poorly" suggests that while most branches perform well, some may still need additional support to improve their ability to respond to change.

The average score of about **4.09** out of 5 confirms that adaptability is high in most branches, supporting the positive trend seen in the responses. This score indicates that CBE's Mekelle branches are generally prepared to handle changes in the industry. At the same time, the lower ratings point to differences in performance, showing a need for targeted efforts.

These findings align with the broader literature emphasizing adaptability as a critical driver of organizational competitiveness in dynamic industries such as banking (Teece, Peteraf, & Leih, 2016). The high adaptability ratings among Mekelle branches of the Commercial Bank of Ethiopia (CBE) reflect the branches' capacity to respond effectively to environmental changes, which is consistent with research linking adaptability to improved performance and sustained competitive advantage (Denison, Hooijberg, & Quinn, 1995). However, the presence of lower adaptability ratings signals variability in branch-level responsiveness, underscoring the need for targeted interventions. Enhancing training programs to build change management capabilities, improving communication regarding strategic initiatives, and addressing branch-specific challenges align with best practices recommended for fostering organizational agility (Vakola, 2014). By focusing on these areas, the bank can strengthen its branches' readiness to navigate industry disruptions and enhance its position in an increasingly competitive global market.

Table 4.5 Questionnaire about Adaptability and Competitiveness

Question	Responses	Freq	(%)	Score	Weighted Total (Freq × Score)	Average
How well does your branch adapt to changes in the banking environment?	Very well	10	43.5	5	50	4.09
	Well	9	39.1	4	36	
	Neutral	2	8.7	3	6	
	Poorly	0	0	2	0	
	Very poorly	2	8.7	1	2	
Total		23	100		94	

VI. Challenges

Challenges in implementing the PMS are primarily related to lack of resources and lack of training, each cited by **39.1%** of respondents (9 out of 23), underlining these as critical barriers. Employee resistance is less frequent but still notable at **17.4%** (4 respondents), with only **4.3%** (1 respondent) mentioning other challenges. This distribution highlights the pressing need to address resource and training deficits to improve PMS adoption and effectiveness. The data signals that overcoming these obstacles is essential to enhance branch performance and employee buy-in. This shared concern emphasizes the importance of strategic investment in resources and capacity building.

These findings correspond with extant research identifying resource limitations and inadequate training as primary impediments to effective performance management system (PMS) implementation (Aguinis, 2019; Pulakos et al., 2015). The fact that **39.1%** of respondents cite both lack of resources and training underscores the critical need for strategic investment in these areas to facilitate successful PMS adoption. Additionally, employee resistance though less frequently reported remains an important challenge, consistent with literature emphasizing the role of organizational change management and employee engagement in overcoming skepticism toward PMS initiatives (Fletcher & Bailey, 2018). Addressing resource constraints and enhancing training programs are essential to improve system utilization, promote employee buy-in, and ultimately drive better branch performance. This alignment with broader studies reinforces the imperative for organizations to prioritize capacity building and resource allocation as foundational steps toward PMS success.

Table 4.6 Questionnaire about Challenges in implementing the PMS

Question	Responses	Frequency	(%)
What challenges do you face in implementing the PMS?	Lack of resources	9	39.1
	Lack of training	9	39.1
	Employee resistance	4	17.4
	Other (please specify)	1	4.3

A. Open-ended questions

What improvement would you recommend for the overall performance management system at the branch level?

Management views the enhancement of the performance management system (PMS) at the branch level as fundamentally dependent on improved communication and inclusivity. They stress the need for strong, transparent communication channels between HR and staff to ensure that feedback is fair and that all employees are equally engaged in the PMS process. The current gap, where PMS is well-established at the head office but not adequately implemented in branches, signals a disconnect that must be bridged. Managers believe that the system should be comprehensive,

aligning employee targets directly with their job descriptions and the broader strategic objectives of the bank. This alignment would ensure that employees understand their specific roles and responsibilities clearly, making performance goals more achievable and relevant.

Another critical point raised by management is the need for a data-driven approach complemented by diversification and risk mitigation strategies. They emphasize the importance of measuring every task or work done to accurately assess performance and identify areas for improvement. Training plays a key role in this context; managers recommend targeted and efficient training programs to fill knowledge gaps and equip employees with the necessary skills to meet their performance targets. Furthermore, fostering teamwork and collaboration within branches is seen as essential to creating a supportive environment that drives collective achievement. Overall, management envisions a PMS that is fair, strategic, well-communicated, and supported by ongoing training and data analytics to boost branch-level performance.

These findings align with previous research emphasizing the critical role of effective communication, inclusivity, and alignment of performance management systems with organizational goals in enhancing branch-level performance. For instance, Armstrong and Taylor (2020) highlight that transparent communication between management and employees fosters trust and engagement, which improves the effectiveness of performance evaluations. Similarly, studies by Aguinis (2019) stress the importance of linking individual performance targets to organizational strategy to increase employee motivation and clarity of roles. The emphasis on data-driven approaches and targeted training is also supported by research from Pulakos et al. (2015), who argue that continuous performance measurement and skill development are essential for adaptive and responsive performance management systems. Moreover, fostering teamwork and collaboration as part of PMS has been shown to enhance organizational commitment and collective performance (Katzenbach & Smith, 2015). Together, these studies reinforce management's recommendations and highlight best practices relevant to the Commercial Bank of Ethiopia's branch-level PMS improvements.

What additional resources would enhance your branch's performance?

Management responses to resource needs focus on both human capital and technological infrastructure as critical drivers of branch performance. They identify human resources as a top priority, suggesting that increasing the number or capability of staff would directly improve

operational efficiency and service delivery. This emphasis on human resources reflects an understanding that a well-trained, adequately staffed team is foundational to meeting branch targets and enhancing customer satisfaction. Managers also note the importance of ensuring that performance targets are realistically aligned with employees' duties and responsibilities, helping to clarify expectations and focus efforts more effectively.

In addition to staffing needs, managers highlight the requirement for upgraded and additional technology to support branch operations. Specifically, they mention the need for more ATMs, point of sales (POS) terminals, and post machines to handle transactions efficiently and reduce customer wait times. Such technological improvements are expected to improve service quality and operational throughput, which are vital to branch competitiveness. Finally, management underscores the strategic importance of expanding the customer base, particularly by recruiting clients with substantial and valuable deposits. This focus suggests that branch success depends not only on internal resources but also on attracting and retaining high-value customers to drive growth and profitability.

These management insights are consistent with existing research emphasizing the critical role of both human capital and technology in enhancing branch performance. Studies such as those by Becker and Huselid (2006) highlight that investing in skilled human resources leads to improved operational efficiency and customer satisfaction. Similarly, research by Brynjolfsson and McAfee (2014) underscores the importance of technological infrastructure such as ATMs and POS systems in streamlining banking operations and improving service delivery. Aligning performance targets with employees' roles is also widely recognized as essential for clarity and motivation, as noted by Locke and Latham's (2002) goal-setting theory. Furthermore, the strategic focus on acquiring high-value customers aligns with findings by Rust et al. (2004), who argue that customer base quality significantly influences bank profitability and competitive advantage. Together, these studies validate the management's recommendations for resource enhancement in the Commercial Bank of Ethiopia's Mekelle branches.

4.1.2 Human Resources officers Insights

A. Close-ended questions

I. Demographic Information

The respondents are almost evenly split by gender, with females slightly outnumbering males (53.3% vs. 46.7%). The majority of HR professionals have substantial experience in the banking sector, with 53.4% having 7 or more years of experience. This indicates a well-experienced HR group likely capable of providing informed insights into the PMS (Performance Management System) and its effectiveness within the bank.

Table 4.7 Questionnaire about Demographic Information of Human Resources officers

Question	Alternatives/Responses	Frequency	Percentage (%)
1. What is your sex?	Male	7	46.7
	Female	8	53.3
	Prefer not to say	0	0.0
2. How many years of experience do you have in HR within the banking sector?	Less than 1 year	2	13.3
	1-3 years	2	13.3
	4-6 years	3	20.0
	7-10 years	4	26.7
	More than 10 years	4	26.7

II. PMS Effectiveness, Alignment, and Talent Management

The perception of the PMS’s effectiveness in supporting employee development is mixed: 53.3% of respondents rated it as "Very effective" or "Effective," while 26.7% viewed it negatively ("Ineffective" or "Very ineffective"). Similarly, alignment of performance metrics with the bank’s strategic goals receives a divided response; about 53.4% view it positively ("Very well" or "Well"), but a significant 40% rate it poorly or very poorly.

When it comes to talent identification and nurturing, only 40% agree or strongly agree that the PMS is effective, whereas 46.6% disagree or strongly disagree, showing considerable skepticism. Most notably, the perception of the PMS in comparison to industry standards reveals the strongest negative sentiment. A combined 46.6% of respondents rate it as performing "Poorly" or "Very poorly" against industry benchmarks, with only 20% viewing it positively. This suggests a prevailing belief that the bank's performance management practices are lagging behind those of

the broader sector, which could impact employer branding and the ability to attract and retain top talent who are accustomed to more modern or effective systems.

The calculated average scores further illustrate the mixed perceptions of the PMS across key dimensions. On average, respondents rated the system's support for employee development moderately positively, indicating some recognition of its benefits but also room for improvement (average score 3.27). The alignment of performance metrics with the bank's strategic goals received a slightly above neutral score of 3.07, reflecting moderate satisfaction coupled with notable concerns. Talent identification and nurturing scored lower at 2.67, revealing doubts about the PMS's effectiveness in this critical area. The lowest rating was for how the PMS compares to industry standards, with an average of 2.47, signaling clear dissatisfaction. Overall, the combined average score of 2.87 indicates a generally moderate but somewhat cautious appraisal of the system's effectiveness and alignment, highlighting areas that require targeted attention to enhance its impact.

These findings are consistent with broader research highlighting common challenges in performance management systems, particularly regarding their effectiveness in employee development, strategic alignment, and talent management. Studies by DeNisi and Murphy (2017) emphasize that many organizations struggle with aligning PMS metrics to strategic goals, which can limit the system's impact on overall performance. Similarly, research by Pulakos (2009) points out that ineffective PMS often fails to identify and nurture talent effectively, leading to dissatisfaction among HR professionals and employees alike. Moreover, a study by Aguinis (2019) shows that PMS systems frequently fall short when benchmarked against best practices, particularly in competitive industries where agility and talent development are critical. These challenges underscore the importance of continuous evaluation and refinement of PMS to ensure it supports both organizational objectives and employee growth, echoing the concerns raised by respondents in this study.

Table 4.8 Questionnaire about PMS Effectiveness, Alignment, and Talent Management

Question	Responses	Freq	(%)	Score	Weighted Total (Freq × Score)	Average
How effective is the PMS in supporting employee development?	Very effective	3	20.	5	15	3.27
	Effective	5	33.3	4	20	
	Neutral	3	20.0	3	9	
	Ineffective	1	6.7	2	2	
	Very ineffective	3	20.0	1	3	
How well do the performance metrics align with strategic goals?	Very well	4	26.7	5	20	3.07
	Well	4	26.7	4	16	
	Neutral	1	6.7	3	3	
	Poorly	1	6.7	2	2	
	Very poorly	5	33.3	1	5	
Do you believe the PMS effectively identifies and nurtures talent?	Strongly agree	1	6.7	5	5	2.67
	Agree	5	33.3	4	20	
	Neutral	2	13.3	3	6	
	Disagree	2	13.3	2	4	
	Strongly disagree	5	33.3	1	5	
How well does the PMS compare to industry standards?	Very well	1	6.7	5	5	2.47
	Well	2	13.3	4	8	
	Neutral	5	33.3	3	15	
	Poorly	2	13.3	2	4	
	Very poorly	5	33.3	1	5	
Average = Total frequency/Sum of weighted totals² = 172/60						2.87

III. Policy Review, Training, and Support

The review frequency of performance management policies varies considerably among respondents. While one-third (33.3%) report quarterly reviews, 20.0% indicate annual reviews, and another 20.0% report that policies are reviewed every few years. Additionally, 13.3% say policies are reviewed monthly, and another 13.3% state that policies are never reviewed. This inconsistency could affect the relevance and effectiveness of the PMS, suggesting a need to standardize and possibly increase the frequency of policy evaluations.

Regarding training satisfaction, a majority of respondents (53.4%) report being satisfied (46.7%) or very satisfied (6.7%) with the training provided to HR staff on performance management. However, a notable 40.0% express dissatisfaction—26.7% dissatisfied and 13.3% very dissatisfied—while 6.7% remain neutral. This split highlights a significant opportunity to improve training quality or tailor it more closely to HR needs.

The average scores reveal a moderately positive perception regarding both the review frequency of performance management policies and the satisfaction with HR staff training. With an average of 3.13, respondents generally indicate that policy reviews occur fairly regularly, though there is clear variability in frequency. Similarly, satisfaction with HR training on performance management has a slightly lower average of 3.07, suggesting that while many are satisfied, there remains room for improvement.

The overall average of 3.10 reflects a cautious but generally favorable view of these aspects of the performance management system, highlighting the need for continued efforts to enhance both policy review practices and HR staff training to better support organizational goals.

These findings align with established best practices emphasizing the importance of regular policy review and targeted training to sustain an effective performance management system (PMS). Research indicates that consistent and frequent policy evaluations ideally quarterly or biannually help maintain the relevance and responsiveness of PMS frameworks amid evolving organizational needs (Pulakos et al., 2015). The observed variability in review frequency may hinder this adaptability, underscoring the necessity to standardize evaluation cycles. Furthermore, training satisfaction levels reflect a common challenge in HR functions: ensuring that training programs are not only frequent but also tailored to the specific competencies required for managing performance effectively (Aguinis, 2019). Studies by Noe et al. (2017) highlight that targeted, ongoing training enhances HR professionals' ability to implement PMS practices that foster

employee development and organizational alignment. The notable dissatisfaction among a substantial portion of respondents signals an urgent need to improve training content, delivery, and customization to better meet HR practitioners’ evolving demands. Collectively, these insights reinforce the imperative to institutionalize regular policy reviews alongside enhanced, context-specific training to optimize PMS outcomes

Table 4.9 Questionnaire about Policy Review, Training, and Support

Question	Responses	Freq	(%)	Score	Weighted Total (Freq × Score)	Average
How frequently are performance management policies reviewed?	Monthly	2	13.3	5	10	3.13
	Quarterly	5	33.3	4	20	
	Annually	3	20.0	3	9	
	Every few years	3	20.0	2	6	
	Never	2	13.3	1	2	
How satisfied are you with the training provided to HR staff on performance management?	Very satisfied	1	6.7	5	5	3.07
	Satisfied	7	46.7	4	28	
	Neutral	1	6.7	3	3	
	Dissatisfied	4	26.7	2	8	
	Very dissatisfied	2	13.3	1	2	
Average = Total frequency/Sum of weighted totals’= 93/30						3.10

IV. Global Competitiveness and Adaptability

The findings indicate that the bank’s preparation of employees for global competitive challenges is perceived as inadequate by a substantial portion of respondents. Only 33.3% of respondents feel that the bank prepares employees “very well” or “well,” while a majority of 60% rate this preparation as “poorly” or “very poorly.” This suggests that despite some positive perceptions, there is a prevailing concern about the bank’s readiness to equip its workforce for the demands of an increasingly competitive global environment. The average score of 2.67 reflects this generally neutral to slightly negative sentiment, highlighting a critical need for improvement in the bank’s strategies and programs aimed at enhancing employee competencies for global competitiveness.

These results underscore the challenges faced by the bank in fostering adaptability and responsiveness to global market pressures. The relatively low score suggests gaps in the effectiveness of training, development, or strategic initiatives designed to prepare employees for cross-border competition and complexity.

This finding aligns with broader research emphasizing the critical role of comprehensive workforce development strategies in maintaining global competitiveness. The World Economic Forum’s *Future of Jobs Report 2023* highlights that organizations must prioritize continuous upskilling and reskilling initiatives—especially in digital skills, cross-cultural competencies, and agility—to remain competitive in a rapidly evolving global economy (World Economic Forum, 2023). Similarly, research by Gundling and Coates (2021) emphasizes that fostering learning agility and adaptability within organizational culture significantly enhances a company’s ability to navigate complex international markets and sustain competitive advantage. Furthermore, Sparrow, Brewster, and Chung (2016) argue that employee preparedness through strategic talent development is vital for organizational resilience and innovation on a global scale. Taken together, these insights underscore the urgent need for the bank to align its human capital development efforts with these established best practices, ensuring that employees are effectively equipped to meet the challenges of an increasingly dynamic and competitive global environment.

Table 4.10 Questionnaire about Global Competitiveness & Adaptability

Question	Responses	Freq	(%)	Score	Weighted Total (Freq × Score)
How well does the bank prepare employees for global competitive challenges?	Very well	2	13.3	5	10
	Well	3	20.0	4	12
	Neutral	1	6.7	3	3
	Poorly	6	40.0	2	12
	Very poorly	3	20.0	1	3
Average = Total frequency/Sum of weighted totals’= 40/15					2.67

V. Communication, Feedback, & Employee Engagement

The effectiveness of communication between HR and other departments regarding performance management is a key factor influencing the success of the Performance Management System (PMS). According to the survey results, only a minority of respondents (33.3%) consider this communication very effective or effective, while a significant majority (66.7%) perceive it as ineffective or very ineffective. This indicates a substantial communication gap within the organization that may hinder the smooth implementation and ongoing management of the PMS. Poor communication can lead to misunderstandings, misaligned expectations, and inconsistent application of performance standards, ultimately affecting employee performance and satisfaction.

In terms of gathering feedback from employees about the PMS, responses reveal that this is not a regular practice for many. Only 6.7% of respondents collect feedback regularly, and a third do so occasionally. However, a combined 60% either rarely or never gather employee feedback. This lack of consistent input from employees limits the ability of HR to identify issues, understand employee perceptions, and make necessary adjustments to the PMS. Regular feedback mechanisms are crucial for ensuring the system remains relevant, fair, and aligned with employee needs and organizational goals.

Regarding the measurement of employee engagement within the current PMS, the opinions are mixed. Just over half of the respondents (53.4%) believe that employee engagement is measured effectively or very effectively, suggesting that some aspects of the PMS do capture engagement-related data well. However, a significant portion (40%) feel that engagement is measured ineffectively or very ineffectively, pointing to gaps in how engagement is assessed and addressed. This split highlights an opportunity to improve the tools and methods used for measuring engagement to better reflect the workforce's true sentiments and drive initiatives that enhance motivation and commitment.

Overall, these findings underscore the need to enhance communication channels between HR and other departments, establish more consistent and structured feedback processes, and refine engagement measurement within the PMS. Addressing these areas could significantly improve the system's effectiveness, employee satisfaction, and organizational performance.

These results are supported by broader research emphasizing the critical role of communication and feedback in the success of performance management systems. Aguinis and Burgi-Tian (2021) highlight that clear and ongoing communication between HR and employees is essential

for building trust and ensuring that performance expectations are understood and met. Similarly, Anitha (2014) shows that regular and constructive feedback significantly enhances employee engagement and motivation, which positively impacts organizational performance. The mixed views on engagement measurement in this study align with Shuck and Reio's (2014) findings that many organizations face challenges in consistently and accurately measuring employee engagement. Christian et al. (2019) further emphasize that effective engagement measurement is crucial for identifying areas of improvement and informing HR strategies. Together, these recent studies reinforce the need to improve communication channels, establish systematic feedback processes, and refine engagement measurement to strengthen the overall effectiveness of the performance management system

Table 4.11 Questionnaire about Communication, Feedback, and Employee Engagement

Question	Responses	Freq	(%)	Score	Weighted Total (Freq × Score)	Average
How effective is communication between HR and other departments regarding performance management?	Very effective	2	13.3	5	10	2.53
	Effective	3	20.0	4	12	
	Neutral	0	0.0	3	0	
	Ineffective	6	40.0	2	12	
	Very ineffective	4	26.7	1	4	
How often do you gather feedback from employees about the PMS?	Regularly	1	6.7	4	4	2.07
	Occasionally	5	33.3	3	15	
	Rarely	3	20.0	2	6	
	Never	6	40.0	1	6	
How effectively do you believe employee engagement is measured in the current PMS?	Very effectively	4	26.7	5	20	3.13
	Effectively	4	26.7	4	16	
	Neutral	1	6.7	3	3	
	Ineffectively	2	13.3	2	4	
	Very ineffectively	4	26.7	1	4	
Overall Average = Sum of weighted totals/Total frequency = 116/45						2.58

VI. Challenges

The predominant challenge in implementing the Performance Management System (PMS) is lack of training, reported by 60% of respondents. This indicates a critical gap in equipping HR staff and managers with the necessary skills and knowledge to effectively operate the PMS, which can lead to inconsistent usage and reduced effectiveness.

Lack of resources is another concern (13.3%), encompassing limitations in budget, time, and tools essential for supporting the PMS infrastructure and activities.

Employee resistance is less frequently cited (6.7%), but remains a potential barrier, often rooted in skepticism or discomfort with performance evaluations. Additionally, 20% of respondents indicated other challenges, which may include organizational culture, unclear policies, or leadership engagement issues.

These challenges align with findings from recent research that emphasize the critical impact of training, resources, and employee buy-in on the success of performance management initiatives. For instance, Aguinis et al. (2019) identify lack of adequate training as one of the foremost barriers to effective PMS implementation, underscoring the need for continuous skill development among HR professionals and managers. Similarly, resource constraints including limited budgets, time, and tools are commonly cited obstacles in studies such as those by Pulakos and O’Leary (2011), which highlight how insufficient support can undermine PMS processes. Employee resistance, although less frequently reported, is recognized by scholars like Wilkinson et al. (2018) as a significant factor that can stem from negative perceptions of fairness and transparency in performance evaluations. Additionally, organizational culture and leadership engagement are critical contextual factors influencing PMS success, as noted by Albrecht (2016). Together, these insights suggest that addressing training gaps, allocating adequate resources, and fostering supportive organizational climates are essential to overcoming implementation challenges

Table 4.12 Questionnaire about challenge in implementing PMS

Question	Responses	Frequency	(%)
	Lack of resources	2	13.3
	Lack of training	9	60.0

What challenges do you face in implementing the PMS?	Employee resistance	1	6.7
	Other (please specify)	3	20.0

B. Open-ended questions

What additional support do you think HR needs to enhance the performance management system?

HR respondents emphasized the need for enhanced training and alignment within the department to improve the performance management system (PMS). They stressed regular and ongoing training for HR staff and employees, especially when new technology becomes available, to ensure competitiveness and relevance. Several highlighted the importance of updated materials and software to support talent identification and development accurately. In addition, continuous assessment and improvement of the PMS were recommended to keep the system effective and fair. Strong communication between HR and staff was also identified as crucial to facilitate transparency and strengthen engagement. One respondent expressed skepticism about the current PMS's adequacy in a financial institution context, suggesting the introduction of alternative systems that measure performance more equitably.

These findings align with best practices in performance management, emphasizing the critical role of continuous training and departmental alignment to enhance system effectiveness. HR professionals in the study stressed the need for ongoing education for both HR staff and employees, particularly when new technologies are introduced, to maintain relevance and competitiveness a point supported by Noe et al. (2017). The call for updated tools and materials to support accurate talent identification and development mirrors Cappelli and Tavis's (2016) recommendations on leveraging advanced HR technologies for data-driven decision-making. Furthermore, the importance of continuous PMS evaluation and refinement to ensure fairness and adaptability echoes Pulakos et al.'s (2015) assertion that dynamic systems better meet evolving organizational needs. Strong communication between HR and employees, identified as essential for transparency and engagement, aligns with Fletcher and Bailey's (2018) findings on the role of trust in successful performance management. Finally, concerns about the PMS's suitability in the financial sector highlight the ongoing need to explore alternative frameworks that provide equitable and context-specific performance measurement.

What additional support do you think HR needs to enhance the performance management system?

The responses to this question focused on making the PMS more inclusive, responsive, and data-driven. HR staff recommended that goals and targets be reviewed and customized to reflect the specific tasks and realities at the branch level, thereby increasing relevance and fairness. They stressed the importance of assessing both the system and employee talents comprehensively. Employee participation was another key theme, with calls to actively collect and incorporate staff feedback and to raise awareness among employees about the PMS. Several respondents noted that not all employees or departments are equally engaged with the system, indicating a need to broaden participation. Suggestions also included more frequent evaluations, such as weekly assessments, to provide timely feedback. Lastly, the implementation of a strong database system was recommended to ease administrative burdens and improve the efficiency of managing performance data.

HR professionals call for a more inclusive, responsive, and data-driven performance management system that aligns with best practices. Customizing goals to branch-level realities improves fairness and motivation (Aguinis, 2019), while comprehensive assessments balancing data and insights are essential (Cappelli & Tavis, 2016). Enhancing employee participation fosters ownership and acceptance (Fletcher & Bailey, 2018), and more frequent feedback drives performance improvement (Pulakos et al., 2015). Additionally, investing in efficient database systems to simplify administration and improve data management supports effective HR practices (Marler & Boudreau, 2017). Together, these approaches can strengthen PMS impact and employee engagement.

4.1.3 General Employees Insights

A. Close-ended questions

I. Demographic Information

The gender distribution is fairly balanced, with males representing 52.3% and females 46.9%, ensuring the findings reflect diverse perspectives. A negligible proportion preferred not to disclose their sex. Regarding banking experience, the vast majority (98.4%) have more than four years of experience, with 55.7% having more than ten years. This high level of seniority suggests that respondents have substantial exposure to the bank's systems and processes, lending significant credibility to their insights on the performance management system (PMS).

Table 4.13 Questionnaire about Demographic Information of General Employees

Question	Responses	Frequency	(%)
What is your sex?	Male	69	52.3
	Female	61	46.9
	Prefer not to say	1	0.8
How many years of experience do you have in the banking sector?	Less than 1 year	0	0.0
	1-3 years	2	1.5
	4-6 years	24	18.3
	7-10 years	32	24.4
	More than 10 years	73	55.7

II. PMS Alignment, Clarity & Reflection of Bank Values

Just over half of the respondents (52.7%) feel that the current Performance Management System (PMS) effectively aligns with the bank's organizational goals, with 8.4% rating it as "very effective" and 44.3% as "effective." However, a significant portion 31.3% (17.6% "ineffective" and 13.7% "very ineffective") find it ineffective or very ineffective, while 16.0% are neutral. This shows that while many employees believe the PMS supports the bank's strategic objectives, a large group feels it does not. This suggests the bank has an opportunity to improve how the PMS connects with its goals and to communicate this better to get more employees on board. The average score of 3.15, which is just above a neutral rating, reflects these mixed feelings: employees somewhat agree the PMS is aligned, but there is definitely room for improvement.

When it comes to how clear employees are about the performance metrics used to evaluate them, 49.6% (19.8% "very clear" and 29.8% "clear") say they feel clear or very clear about what is

expected. Meanwhile, 20.6% (16.0% "unclear" and 4.6% "very unclear") find the metrics unclear or very unclear, and 29.8% are neutral. This lack of clarity can lead to confusion and inconsistent evaluations, which may cause dissatisfaction or lower motivation.

The average score here is 3.44, a bit higher than the alignment score, suggesting that employees feel a bit more positive about clarity, but many still don't fully understand how they are assessed. This means the bank should work on being more transparent and provide clearer explanations and training about performance metrics so employees know exactly how their work is measured.

Looking at how well the PMS reflects the bank's values and culture, just over half of the respondents 50.4% (17.6% "very well" and 32.8% "well") say it does so well. However, 24.5% (11.5% "poorly" and 13.0% "very poorly") feel it reflects the values poorly or very poorly, and about 25.2% are neutral. Also, 63.4% of employees (23.7% "very well" and 39.7% "well") say they understand well or very well how their performance affects the bank's success, but 26.0% (16.8% "poorly" and 9.2% "very poorly") report a poor understanding. The average scores for these questions are 3.46 for reflecting values and 3.62 for understanding performance impact, which are the highest averages we found. This shows that employees have a stronger confidence in these areas, but the scores still suggest only moderate satisfaction. There is still work to be done to strengthen how the PMS integrates the bank's culture and to clearly explain why individual contributions matter.

The overall average score, calculated across all four questions, is 3.41. This shows a moderate level of satisfaction with the PMS overall but also highlights important areas where the system can improve. In other words, many employees feel the PMS works okay and somewhat matches their expectations, but there is clear room to improve clarity, cultural fit, and how well the PMS links to the bank's strategic goals.

These mixed views about PMS alignment with goals and clarity of performance metrics are common challenges found in performance management research. Aguinis (2019) points out that connecting the PMS clearly to strategic goals is essential for motivating employees and improving organizational performance, but many organizations struggle to do this well. Similarly, nearly half of respondents reporting unclear performance metrics can damage employees' trust and their sense of fairness, which are key for engagement (Colquitt et al., 2013). The findings about the PMS reflecting bank values align with Shore et al. (2018), who say that including organizational values in performance systems helps employees feel more connected to the company's mission. Finally,

the fact that some employees don't understand how their performance impacts the bank shows the need for better communication and training to highlight the importance of their individual roles (Pulakos et al., 2015). Improving these areas can increase employee support for the PMS, raise satisfaction, and lead to better performance results.

Table 4.14 Questionnaire about PMS Alignment, Clarity and Reflection of Bank Values

Question	Responses	Freq	(%)	Score	Weighted Total (Freq × Score)	Average
How effective do you find the current PMS in aligning with the bank's organizational goals?	Very effective	11	8.4	5	55	3.15
	Effective	58	44.3	4	232	
	Neutral	21	16.0	3	63	
	Ineffective	23	17.6	2	46	
	Very ineffective	18	13.7	1	18	
How clear are you about the performance metrics used to evaluate your role?	Very clear	26	19.8	5	130	3.44
	Clear	39	29.8	4	156	
	Neutral	39	29.8	3	117	
	Unclear	21	16.0	2	42	
	Very unclear	6	4.6	1	6	
How well does the PMS reflect the bank's values and culture?	Very well	23	17.6	5	115	3.46
	Well	43	32.8	4	172	
	Neutral	33	25.2	3	99	
	Poorly	15	11.5	2	30	
	Very poorly	17	13.0	1	17	
How well do you understand how your performance impacts the bank's success?	Very well	31	23.7	5	155	3.62
	Well	52	39.7	4	208	
	Neutral	14	10.7	3	42	
	Poorly	22	16.8	2	44	
	Very poorly	12	9.2	1	12	
Overall Average = Sum of weighted totals / Total frequency = 1788 / 524						3.41

III. Feedback, Engagement, Communication and Inclusion

The majority of respondents (77.9%) report receiving constructive feedback quarterly, while only a small fraction receives feedback weekly (5.3%) or monthly (9.2%). A small group receives

feedback annually (0.8%), and 6.9% say they never receive feedback. The average score for how often feedback is received is 3.08, indicating that feedback is provided on a routine basis, primarily aligned with typical performance cycles, but not at a highly frequent level. This suggests that while feedback is generally regular, there is room to increase its frequency to better support continuous improvement.

Regarding engagement, 51.1% of respondents feel very engaged or engaged with their work and the performance management process (12.2% very engaged and 38.9% engaged), while 22.2% (13.0% disengaged and 9.2% very disengaged) report feeling disengaged or very disengaged. A substantial 26.7% remain neutral. The average engagement score is 3.42, reflecting that most employees feel at least somewhat connected to their work, but there remains a significant portion that does not feel motivated or engaged.

On diversity and inclusion, 51.9% believe the PMS addresses these issues effectively or very effectively (6.9% very effectively and 45.0% effectively), while 25.2% (13.7% ineffectively and 11.5% very ineffectively) feel it performs ineffectively or very ineffectively. The remaining 22.9% are neutral. The average score here is 3.40, reflecting a generally positive perception, but also indicating clear room for improvement. Strengthening how the PMS incorporates diversity and inclusion principles can promote greater equity and a stronger organizational culture.

Discussions about performance expectations with supervisors vary widely: only 22.1% do so regularly, while 32.1% do so occasionally, and 31.3% rarely. Another 14.5% never engage in these discussions. The average score here is 2.38, which is notably lower than the other scores, indicating that regular communication about goals is less common. This irregularity may hinder clear communication and alignment on objectives, suggesting a need to encourage more consistent and ongoing conversations between employees and supervisors to support performance improvement.

The overall average score across all these areas is 3.07, showing that employees generally feel the performance management system is operating at a moderate level. However, the scores highlight clear opportunities for the bank to improve, especially in increasing feedback frequency, enhancing employee engagement, promoting inclusion, and encouraging better communication about performance expectations.

The feedback frequency reported by employees aligns with established performance management practices, where quarterly reviews are common; however, research consistently advocates for more frequent, real-time feedback to enhance employee development and agile performance improvement (Pulakos et al., 2015). The relatively moderate engagement levels reflect a broader organizational challenge, as employee engagement has been strongly linked to effective communication and meaningful feedback (Harter, Schmidt, & Hayes, 2020). The variation in performance expectation discussions suggests potential gaps in communication that may undermine goal clarity and motivation, reinforcing findings by Kluger and Nir (2010) on the critical role of ongoing dialogue for performance alignment. Regarding diversity and inclusion, the generally positive yet mixed perceptions highlight the importance of embedding equitable practices within PMS, consistent with Shore et al. (2018), who emphasize that inclusive performance management fosters fairness and strengthens organizational culture. Addressing these areas through increased feedback frequency, consistent communication, and enhanced inclusion efforts can significantly improve employee engagement and performance outcomes.

Table 4.15 Questionnaire about Feedback, Engagement, Communication and Inclusion

Question	Responses	Freq	(%)	Score	Weighted Total (Freq × Score)	Average
How often do you receive constructive feedback on your performance?	Weekly	7	5.3	5	35	3.08
	Monthly	12	9.2	4	48	
	Quarterly	102	77.9	3	306	
	Annually	1	0.8	2	2	
	Never	9	6.9	1	9	
How engaged do you feel with your work and the performance management processes?	Very engaged	16	12.2	5	80	3.42
	Engaged	51	38.9	4	204	
	Neutral	35	26.7	3	105	
	Disengaged	17	13.0	2	34	
	Very disengaged	12	9.2	1	12	
How effectively does the PMS address diversity	Very effectively	9	6.9	5	45	
	Effectively	59	45.0	4	236	

and inclusion within the organization?	Neutral	30	22.9	3	90	3.40
	Ineffectively	18	13.7	2	36	
	Very ineffectively	15	11.5	1	15	
How often do you discuss performance expectations with your supervisor?	Regularly	29	22.1	5	145	2.38
	Occasionally	42	32.1	4	168	
	Rarely	41	31.3	3	123	
	Never	19	14.5	2	38	
Overall Average = Sum of weighted totals / Total frequency = 1597 / 521						3.07

IV. Training, Satisfaction and Technology

The data reveals that a combined 57.3% of respondents are either very satisfied (13.0%) or satisfied (44.3%) with the training opportunities available for professional development. This majority suggests that the bank's training programs are generally well-received. However, nearly one-third of respondents remain either neutral (19.1%) or dissatisfied (12.2%), and an additional 11.5% are very dissatisfied, indicating that there is room for improvement in making training more accessible, relevant, or effective to meet all employees' needs. The average satisfaction score is 3.63, showing a positive but not outstanding level of satisfaction.

Regarding technology integration in the performance management process, 59.6% of respondents perceive it as very effective (11.5%) or effective (48.1%). This shows that the bank has made good progress in leveraging technology to support performance management activities, which can streamline processes and improve data handling. However, 19.1% find technology integration ineffective (12.2%) or very ineffective (6.9%), with an additional 21.4% neutral. The average score for technology integration is 3.53, reflecting a generally favorable view with some room for improvement.

The overall average score, combining responses on training satisfaction and technology integration, is 3.58. This indicates that employees generally view these areas positively, but there

is still potential for enhancing both training programs and technology use to better meet employee needs and improve performance management outcomes.

The generally positive reception of training opportunities aligns with research demonstrating the critical role of continuous learning in fostering employee development and engagement (Noe et al., 2017). However, the notable proportion of neutral or dissatisfied respondents highlights the ongoing challenge of tailoring training programs to diverse employee needs and ensuring accessibility and relevance (Salas et al., 2015). Regarding technology integration, the majority's favorable perception reflects trends in the effective use of digital tools to enhance performance management processes, such as real-time feedback and data analytics, which improve efficiency and decision-making (Bondarouk & Brewster, 2016). Nonetheless, the presence of dissatisfaction and neutrality signals the need for further investment in user-friendly platforms and comprehensive training to boost adoption and effectiveness, consistent with findings by Marler and Boudreau (2017) on technology acceptance in HR practices. Enhancing both training and technology components will be vital for optimizing the bank's performance management outcomes

Table 4.16 Questionnaire about Training, Satisfaction and Technology

Question	Responses	Freq	(%)	Score	Weighted Total (Freq × Score)	Average
How satisfied are you with the training opportunities available for professional development?	Very satisfied	17	13.0	5	85	3.63
	Satisfied	58	44.3	4	232	
	Neutral	25	19.1	3	75	
	Dissatisfied	16	12.2	2	32	
	Very dissatisfied	15	11.5	1	15	
How effectively is technology integrated into the performance management process?	Very effectively	15	11.5	5	75	3.53
	Effectively	63	48.1	4	252	
	Neutral	28	21.4	3	84	
	Ineffectively	16	12.2	2	32	
	Very ineffectively	9	6.9	1	9	
Overall Average = Total Weighted Score / Total Frequency = 910 / 254						3.58

V. Retention and Overall Satisfaction

The confidence of employees in the PMS's ability to retain top talent is somewhat moderate, with just over half (50.3%) expressing confidence 7.6% and very confident and 42.7% confident. However, 32.8% report being unconfident (20.6%) or very unconfident (12.2%), and 16.8% remain neutral. This suggests that while many believe the system plays a positive role in talent retention, a significant minority question its effectiveness, indicating a potential risk of losing high performers if the PMS does not adequately address their needs. This interpretation is supported by the average confidence score of 3.41, which reflects a moderate level of trust in the PMS's retention capabilities, but also signals room for improvement to strengthen employee confidence.

In terms of overall satisfaction with the performance management system, only 39.7% of respondents are satisfied (33.6%) or very satisfied (6.1%). Conversely, a combined 42.0% are dissatisfied (30.5%) or very dissatisfied (11.5%) with the system, and 18.3% remain neutral. This relatively low satisfaction rate signals that the PMS may have shortcomings related to fairness, transparency, usability, or impact on employee motivation, which need to be addressed to improve overall acceptance and effectiveness. This is further emphasized by the average satisfaction score of 3.06, indicating a below-average level of contentment with the PMS and suggesting the system currently does not fully meet employee expectations.

The overall average score of 3.23, calculated by combining responses on retention confidence and overall satisfaction, reinforces the notion that employee perceptions of the PMS are only moderately positive and highlight significant areas for improvement. This combined score indicates that while the system has some strengths, it is not yet fully effective in fostering confidence or satisfaction across the workforce.

The moderate confidence in the PMS's ability to retain top talent and the relatively low overall satisfaction align with broader research indicating that performance management systems often fall short in meeting employee expectations around fairness, transparency, and motivational impact. According to DeNisi and Murphy (2017), ineffective performance management can lead to disengagement and increased turnover risk, especially among high performers who seek meaningful recognition and development opportunities. Furthermore, studies by Allen et al. (2010) highlight that employee perceptions of fairness and clarity in performance evaluations are critical predictors of retention intentions. The dissatisfaction rates observed suggest a need to enhance the

PMS by improving transparency, ensuring consistent application of standards, and fostering a system that genuinely motivates and supports employees (Aguinis, 2019). Addressing these challenges is essential not only for retaining top talent but also for maximizing the PMS’s strategic value in organizational performance.

Table 4.17 Questionnaire about Retention and Overall Satisfaction

Question	Responses	Fre	(%)	Score	Weighted Total (Freq × Score)	Average
How confident are you that the PMS helps in retaining top talent within the bank?	Very confident	10	7.6	5	50	3.41
	Confident	56	42.7	4	224	
	Neutral	22	16.8	3	66	
	Unconfident	27	20.6	2	54	
	Very unconfident	16	12.2	1	16	
How satisfied are you with the overall performance management system?	Very satisfied	8	6.1	5	40	3.06
	Satisfied	44	33.6	4	176	
	Neutral	24	18.3	3	72	
	Dissatisfied	40	30.5	2	80	
	Very dissatisfied	15	11.5	1	15	
Overall Average = Total Weighted Score / Total Frequency = 793 / 245						3.23

B. Open-ended questions

What improvement would you suggest for the performance management system?

Employees expressed significant concerns about the current performance management system (PMS), emphasizing the need for improved communication and alignment. Many suggested that

the system must be better integrated with the bank's overall goals and technology infrastructure. They stressed the importance of clear and realistic goal-setting that reflects actual job roles and workload, as well as consistent application of performance measurement criteria. Several respondents pointed out discrepancies between assigned targets and actual employee performance, noting that unrealistic or unclear targets undermine the system's credibility. Additionally, employees called for more frequent assessments, such as weekly or quarterly evaluations, to allow timely feedback and continuous improvement.

Another key theme was the need for the PMS to be more employee-centered and responsive to real work conditions. Respondents highlighted that the current system often fails to capture the full scope of employee activities and does not adequately consider on-the-ground realities. They advocated for a system driven by employee input and feedback, supported by ongoing training to ensure effective usage. Furthermore, the implementation process was criticized as ineffective, with calls for regular reviews and system updates to keep pace with technological advances and evolving workplace dynamics. Overall, employees want a PMS that is transparent, fair, aligned with their daily work, and supported by appropriate tools and training.

The call for a more integrated, transparent, and employee-centered Performance Management System reflects widely recognized best practices in the literature. Research by Aguinis (2019) underscores the importance of aligning PMS goals with organizational strategy and ensuring that performance criteria are both clear and realistic to enhance system credibility. Frequent assessments and timely feedback, as advocated by employees, are supported by Pulakos et al. (2015), who demonstrate that ongoing evaluations foster continuous learning and performance improvement. Furthermore, employee involvement in PMS design and implementation is crucial; studies by Fletcher and Bailey (2018) highlight that participatory approaches increase system acceptance and perceived fairness. The emphasis on training and technological integration aligns with findings from Noe et al. (2017), who argue that effective use of technology coupled with consistent training enhances PMS usability and relevance in dynamic work environments. Collectively, these improvements can drive a more equitable, adaptive, and performance-enhancing PMS that reflects both organizational objectives and employee realities

What additional support would enhance your performance?

Employees identified training and continuous feedback as crucial supports to improve their performance. Many highlighted the need for timely and ongoing training specifically focused on understanding and using the PMS effectively. They also stressed that performance measurements and targets should be realistic, aligned with actual work done, and regularly updated preferably shifting from quarterly to monthly reviews. Leadership was seen as a vital factor in supporting performance, with calls for management, especially at senior levels, to treat employees fairly and equally. The importance of ongoing dialogue and feedback was frequently mentioned, as it helps to motivate employees and address challenges promptly.

Beyond technical support, employees raised broader workplace concerns impacting their performance and satisfaction. They suggested that the PMS should be adapted to reflect employees' working conditions, including workloads, roles, and organizational culture. Some respondents pointed to dissatisfaction related to salary, job clarity, and position assignments, indicating that these factors influence performance and must be addressed alongside PMS improvements. In summary, employees seek not only practical support like training and feedback but also systemic changes that ensure fair treatment, realistic expectations, and alignment between performance criteria and actual job realities.

The need for continuous training and timely, constructive feedback as key enablers of employee performance is well-documented in recent research. Saks and Gruman (2018) argue that ongoing learning opportunities and regular performance dialogue significantly enhance employee engagement and productivity by clarifying expectations and providing motivation. Furthermore, Pulakos et al. (2015) emphasize that performance management systems should be adaptable, with frequent reviews aligned to actual work contexts to remain relevant and effective. Leadership's role in fostering fairness and equity is also critical, as noted by Colquitt et al. (2013), who link perceptions of fair treatment to higher job satisfaction and performance. Additionally, aligning PMS criteria with real job demands and addressing broader workplace concerns such as workload and role clarity are essential for meaningful performance improvement (Bakker & Demerouti, 2017). Together, these insights underscore the importance of both practical support and systemic organizational changes in driving sustainable performance gains.

4.2 Comparing Perspectives Across Organizational Hierarchies

A. PMS Effectiveness

The table compares perceptions of the Performance Management System (PMS) effectiveness among managers, HR professionals, and employees. Managers are the most positive, with 69.6% rating the PMS as effective, while HR professionals are more divided at 53.3%, and employees are the least optimistic at 52.3%. Notably, 28.2% of employees find the PMS ineffective or very ineffective, compared to 8.7% of managers and 26.7% of HR.

These findings are consistent with recent research highlighting the often-divergent perceptions of performance management systems across organizational roles. According to Pulakos and O’Leary (2011), managers typically view PMS more positively due to their role in setting goals and conducting evaluations, whereas employees frequently express dissatisfaction related to perceived fairness, transparency, and consistency of the system. Moreover, DeNisi and Murphy (2017) argue that employee skepticism towards PMS often arises when communication and feedback mechanisms are inadequate or when the system lacks alignment with actual performance outcomes. HR professionals, positioned between management and employees, often hold a more nuanced view, recognizing both strategic benefits and operational challenges of PMS implementation (Becker & Huselid, 2006). This disconnect underscores the need for organizations to enhance transparency, engage employees in the design and review of PMS processes, and ensure ongoing communication and training to foster trust and buy-in (Aguinis, 2019). Bridging these perception gaps is critical for increasing PMS effectiveness and supporting organizational performance

Table 4.18 Questionnaire about Comparative Perspectives of PMS Effectiveness

Response Category	Managers		HR (%)		Employees		Value
	(Freq)	(%)	(Freq)	(%)	(Freq)	(%)	
Very effective	7	30.4	3	20.0	11	8.4	5
Effective	9	39.1	5	33.3	58	44.3	4
Neutral	5	21.7	3	20.0	21	16.0	3
Ineffective	2	8.7	1	6.7	23	17.6	2
Very ineffective	0	0.0	3	20.0	18	13.7	1
Total	23	100	15	100	131	100	

B. Training Satisfaction / Adequacy

The data shows differing levels of training satisfaction among managers, HR professionals, and employees. Managers’ report the highest satisfaction at 65.2%, followed by employees at 57.3%, while HR professionals have the lowest satisfaction at 53.3%. Notably, 40.0% of HR express

dissatisfaction, much higher than managers (13.0%) and employees (12.2%), indicating possible misalignment or challenges within HR regarding training programs.

These findings/disparities correspond with recent research highlighting the complexities of training satisfaction across organizational roles. Saks and Burke-Smalley (2014) emphasize that frontline employees and managers often report higher training satisfaction when programs are practical and directly relevant to their daily tasks. However, HR professionals, who are typically responsible for designing and delivering these programs, may experience frustration related to resource constraints, program effectiveness, or alignment with strategic goals (Noe et al., 2017). This discrepancy underscores the importance of involving HR early in the training development process and ensuring adequate support and resources are provided to address their concerns (Salas et al., 2015). Improving HR’s experience with training programs can enhance overall training effectiveness and employee development outcomes.

Table 4.19 Questionnaire about Comparative Perspectives of Training Satisfaction / Adequacy

Response	Managers (Freq)	(%)	HR (Freq)	(%)	Employees (Freq)	(%)	Value
Very satisfied/adequate	5	21.7	1	6.7	17	13.0	5
Satisfied/adequate	10	43.5	7	46.7	58	44.3	4
Neutral	4	17.4	1	6.7	25	19.1	3
Dissatisfied/inadequate	3	13.0	4	26.7	16	12.2	2
Very dissatisfied/inadequate	1	4.3	2	13.3	15	11.5	1
Total	23	100	15	100	131	100	

B. Employee Engagement

The data on employee engagement shows distinct perceptions across groups. Managers are the most positive, with 87.0% (43.5% very engaged, 43.5% engaged) feeling engaged. Employees also lean positive, with 52.0% (12.2% very engaged, 39.7% engaged), though 26.7% remain

neutral. In contrast, HR professionals express significant disengagement, with 46.6% feeling disengaged or very disengaged (13.3% disengaged, 33.3% very disengaged).

These contrasting perceptions align with recent research emphasizing the complexity of communication dynamics in employee engagement initiatives. According to Men and Stacks (2013), managers often have a more optimistic view of internal communication effectiveness due to their direct involvement in decision-making processes, whereas HR professionals may experience communication challenges more acutely as they navigate between strategic and operational roles. Moreover, Kahn’s (2018) work on employee engagement highlights that misalignments in communication perceptions between management, HR, and employees can undermine engagement efforts and necessitate targeted improvements in communication channels and practices. The significant dissatisfaction expressed by HR professionals resonates with findings by Welch (2019), who argues that HR’s role as a communication facilitator is often complicated by unclear messaging and insufficient feedback loops, weakening the impact of engagement measurement. Addressing these disparities is therefore crucial for fostering a cohesive communication strategy that supports effective employee engagement.

Table 4.20 Questionnaire about Comparative Perspectives of Employee Engagement

Response	Managers (Freq)	(%)	HR (Freq)	(%)	Employees (Freq)	(%)	Value
Very engaged	10	43.5	1	6.7	16	12.2	5
Engaged	10	43.5	5	33.3	52	39.7	4
Neutral	0	0.0	2	13.3	35	26.7	3
Disengaged	2	8.7	2	13.3	17	13.0	2
Very disengaged	1	4.3	5	33.3	11	8.4	1
Total	23	100	15	100	131	100	

D. Review and Feedback Frequency

The data on review and feedback frequency reveals clear differences among managers, HR professionals, and employees. Over half of managers (56.5%) report receiving feedback regularly, while only 22.9% of employees and a mere 6.7% of HR professionals say the same. Most

employees (32.8%) and HR (33.3%) receive feedback occasionally, but a significant portion of employees (32.1%) and HR (20.0%) experience feedback rarely. Notably, 40.0% of HR professionals and 10.0% of employees report never receiving feedback, compared to just 4.3% of managers.

These findings mirror broader trends identified in recent research, which emphasize the importance of consistent and timely feedback for effective performance management and employee development. According to London (2019), regular feedback is critical in fostering employee growth, motivation, and alignment with organizational goals. The disparity observed where managers receive more frequent feedback than HR professionals and employees reflects challenges noted by Smither et al. (2016), who argue that organizational hierarchies often influence access to developmental feedback, potentially limiting HR and frontline employees’ engagement and performance. Additionally, Anseel et al. (2015) highlight that infrequent or absent feedback can increase employee disengagement and reduce trust in organizational processes. Addressing these gaps by establishing structured and equitable feedback mechanisms across all levels is thus essential for improving overall performance management effectiveness.

Table 4.21 Questionnaire about Comparative Perspectives of Review and Feedback Frequency

Response	Managers (Freq)	(%)	HR (Freq)	(%)	Employees (Freq)	(%)	Value
Regularly	13	56.5	1	6.7	30	22.9	5
Occasionally	7	30.4	5	33.3	43	32.8	4
Rarely	2	8.7	3	20.0	42	32.1	3
Never	1	4.3	6	40.0	16	12.2	1
Total	23	100	15	100	131	100	

D. Communication Effectiveness in Employee Engagement Measurement

The data on communication effectiveness in employee engagement measurement shows distinct perceptions across groups. Managers are mostly positive, with 78.3% (39.1% very effective,

39.1% effective) rating communication as effective. Employees also lean positive, with 55.0% (6.9% very effective, 48.1% effective), though 24.4% remain neutral. In contrast, HR professionals express significant dissatisfaction, with 66.7% rating communication as ineffective or very ineffective (40.0% ineffective, 26.7% very ineffective).

This disparity suggests managers and employees generally view communication around engagement measurement more favorably, while HR perceives major shortcomings. The high negative perception among HR may reflect challenges in communication channels, clarity, or responsiveness that need addressing to improve overall engagement efforts.

These results are supported by broader research emphasizing the critical role of communication and feedback in the success of performance management systems. Aguinis and Burgi-Tian (2021) highlight that clear and ongoing communication between HR and employees is essential for building trust and ensuring that performance expectations are understood and met. Similarly, Anitha (2014) shows that regular and constructive feedback significantly enhances employee engagement and motivation, which positively impacts organizational performance. The mixed views on engagement measurement in this study align with Shuck and Reio’s (2014) findings that many organizations face challenges in consistently and accurately measuring employee engagement. Christian et al. (2019) further emphasize that effective engagement measurement is crucial for identifying areas of improvement and informing HR strategies. Together, these recent studies reinforce the need to improve communication channels, establish systematic feedback processes, and refine engagement measurement to strengthen the overall effectiveness of the performance management system.

Table 4.22 Questionnaire about Comparative Perspectives of Communication Effectiveness in Employee Engagement Measurement

Response	Managers (Freq)	(%)	HR (Freq)	(%)	Employees (Freq)	(%)	Value
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Very effective	9	39.1	2	13.3	9	6.9	5
Effective	9	39.1	3	20.0	63	48.1	4
Neutral	4	17.4	0	0.0	32	24.4	3
Ineffective	0	0.0	6	40.0	18	13.7	2
Very ineffective	1	4.3	4	26.7	9	6.9	1
Total	23	100	15	100	131	100	

G. Understanding employee engagement on performance

The data on understanding the impact of employee engagement on performance shows varied perceptions across groups. Managers are the most positive, with 87.0% (43.5% very well/effective, 43.5% well/effective) seeing a strong impact. Employees also largely agree, with 63.4% (23.7% very well/effective, 39.7% well/effective), though 22.1% view the impact as poor or very poor. HR professionals are more critical, with only 53.3% positive (26.7% very well/effective, 26.7% well/effective) and a substantial 40.0% rating the impact as poor or very poor.

These findings align with current research emphasizing the critical yet sometimes differently perceived role of employee engagement in driving performance outcomes. Saks (2019) notes that managers often have a more optimistic view of engagement's impact because of their direct influence on and accountability for team performance. Conversely, employees and HR professionals may express more skepticism due to frontline experiences or challenges in translating engagement initiatives into tangible performance improvements (Bakker & Albrecht, 2018). This divergence is echoed in the work of Macey and Schneider (2021), who emphasize the need for organizations to foster clearer communication and alignment around the value of engagement, ensuring all stakeholders understand its potential to enhance productivity, job satisfaction, and overall organizational success. Addressing these perceptual gaps can strengthen the strategic integration of engagement efforts and improve their effectiveness

Table 4.23 Questionnaire about Comparative Perspectives of Understanding employee engagement on performance

Response	Managers (Freq)	(%)	HR (Freq)	(%)	Employees (Freq)	(%)	Value
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Very well/effective	10	43.5	4	26.7	31	23.7	5
Well, /effective	10	43.5	4	26.7	52	39.7	4
Neutral	0	0.0	1	6.7	14	10.7	3
Poorly/ineffective	2	8.7	2	13.3	22	16.8	2
Very poorly/ineffective	1	4.3	4	26.7	12	9.2	1
Total	23	100	15	100	131	100	

4.3 Comparative Analysis of Performance Management Systems

A. Comparative Analysis between Commercial Bank of Ethiopia (CBE) Mekelle Branch and The Hongkong and Shanghai Banking Corporation (HSBC UK)

In this section, a comparative analysis between the Performance Management Systems (PMS) of Commercial Bank of Ethiopia (CBE) and HSBC UK was conducted, aiming to evaluate their effectiveness and preparedness for global competitiveness. By examining key components such as strategic alignment, feedback mechanisms, and employee engagement, we highlight both the strengths and weaknesses of each institution's approach to performance management. This analysis draws on quantitative data from structured questionnaires distributed among managers, HR personnel, and general employees at CBE's branches in Mekelle, juxtaposed against the established practices of HSBC UK. Through this comparison, we seek to identify best practices that CBE can adopt to enhance its PMS and better position itself in the competitive banking landscape.

1. Benchmarking

Benchmarking CBE's Performance Management System (PMS) against HSBC UK's reveals significant disparities in structure, technological integration, and strategic alignment. HSBC UK employs a structured, values-driven PMS that integrates SMART goals, behavioral assessments, and real-time digital feedback through platforms like SAP SuccessFactors (HSBC, 2023). In contrast, CBE's Mekelle branches exhibit moderate effectiveness, with **69.6%** of managers rating the PMS as effective in driving performance, but only **53.3%** of HR professionals share this positive view, indicating a critical internal perception gap.

HSBC's PMS is highly automated, linking performance to compensation via variable pay and deferred bonuses, whereas CBE lacks a **well-defined** pay-for-performance linkage. While the majority of CBE managers see the system as aligned, the fact that **28.2%** of employees find the PMS ineffective or very ineffective points to significant dissatisfaction at the operational level. Additionally, HSBC's continuous feedback culture contrasts with CBE's quarterly feedback model (**77.9%** of employees), and the low frequency of performance discussions (**only 22.1%** of employees do so regularly) suggests a need for a more agile and communicative evaluation system at CBE.

2. Gap Analysis

A detailed gap analysis reveals critical disparities between CBE's and HSBC UK's Performance Management Systems (PMS), highlighting areas where CBE must improve to match global banking standards.

i. Technology & Automation

HSBC UK leverages advanced cloud-based HR tools (e.g., SAP SuccessFactors) for real-time performance tracking, digital feedback, and automated reporting, ensuring efficiency and transparency. In contrast, CBE still relies on manual or semi-automated processes, leading to delays and inconsistencies. While **59.5%** of CBE employees perceive technology integration as effective, this leaves a substantial portion (**21.4%** neutral and **15.3%** dissatisfied) indicating a clear need for modern, user-friendly HR software to streamline performance evaluations and data management.

ii. Training & Development

A significant gap is evident in training satisfaction. HR professionals at CBE are the least satisfied group, with **40.0%** expressing dissatisfaction with training opportunities—much higher than the **12.2%** of employees and **13.0%** of managers who report dissatisfaction. This internal HR frustration reflects insufficient skill development support. HSBC, however, maintains a structured development framework, including leadership programs, continuous upskilling, and career pathing, ensuring employees grow in alignment with organizational goals. CBE must invest in comprehensive and targeted training initiatives to bridge this gap and enhance PMS effectiveness.

iii. Global Competitiveness

The data reveals a critical confidence gap in CBE's readiness for global competition. While not directly measured by a single percentage, this is inferred from the broader context: only **53.3%** of HR professionals view the PMS as effective, and there is significant dissatisfaction with feedback and communication. This exposes a weakness in talent readiness for a global environment. HSBC's PMS, designed for cross-border consistency and risk-aware decision-making, ensures employees meet international banking standards. CBE must align performance metrics with global best practices, incorporate multilingual and multicultural training, and foster innovation-driven performance incentives to compete internationally.

iv. Employee Engagement & Feedback Mechanisms

While **51.1%** of CBE employees report feeling engaged, this is overshadowed by the stark disengagement of HR professionals, **46.6%** of whom feel disengaged or very disengaged. This internal divide is a major concern. HSBC's dual-focus (results + behaviors) system drives higher engagement through transparent rewards, frequent feedback, and recognition programs. At CBE, the foundational issue of communication is evident; only **22.1%** of employees regularly discuss performance expectations with supervisors, and a striking **40.0%** of HR professionals report *never* receiving feedback. Adopting a continuous, real-time feedback model is essential to improve engagement and performance clarity across all levels.

3. SWOT Analysis

i. Strengths (CBE)

- **Experienced Workforce:** Over **55.7%** of the general employee respondents possess 10+ years of experience, providing stability and deep institutional knowledge.
- **Moderate Employee Trust:** **50.4%** of employees are confident that the PMS helps retain top talent, indicating a foundational level of system credibility.

ii. Weaknesses (CBE)

- **Inconsistent Feedback Culture:** The extremely low frequency of performance discussions (**22.1%** regularly) and the high rate of HR professionals who never receive feedback (**40.0%**) point to a systemic communication failure.
- **Internal Misalignment and HR Dissatisfaction:** The significant perception gaps—where **69.6%** of managers find the PMS effective versus only **53.3%** of HR—coupled with high HR dissatisfaction in training and engagement, indicate internal process inconsistencies and a disenfranchised key stakeholder group.

iii. Opportunities

- **Digital Transformation:** Implementing AI-driven HR tools (e.g., cloud-based PMS like HSBC’s SuccessFactors) could enhance transparency, efficiency, and data-driven decision-making, building on the base of employees (**59.5%**) who already see value in technology.
- **Fostering a Feedback Culture:** Transitioning from the dominant quarterly review model to a system of monthly or real-time check-ins represents a significant opportunity to increase responsiveness, alignment, and employee development.

iv. Threats

- **Employee Dissatisfaction and Turnover Risk:** The combined **35.1%** of employees who are dissatisfied with the overall PMS increases turnover risks, particularly among high performers who seek effective feedback and recognition.
- **Global Talent Competition:** Without developing the agility, technological sophistication, and engaging culture exemplified by HSBC, CBE may struggle to attract and retain skilled professionals in an increasingly digital and competitive banking landscape.

4.4 Readiness of Commercial Bank of Ethiopia’s Performance Management System for Global Competitiveness

The study’s findings indicate that while the Commercial Bank of Ethiopia (CBE) Mekelle branches have implemented a functional Performance Management System (PMS), several significant gaps hinder its ability to compete effectively in the global banking sector. Managers generally view the PMS as moderately effective in enhancing branch performance and aligning with strategic objectives; however, HR professionals and employees raise concerns about inconsistent alignment

and insufficient talent development. Importantly, only about one-third of HR respondents feel the bank adequately prepares employees to face global competitive challenges, underscoring a notable shortfall in readiness. These results suggest that despite some positive elements, CBE's PMS lacks the comprehensive strategic integration and flexibility necessary to meet the demands of international banking standards.

A major barrier to the bank's global competitiveness is its limited adoption of modern technology and underdeveloped training infrastructure. Unlike global counterparts such as HSBC, which utilize advanced automated platforms for real-time feedback, data analytics, and integrated talent development, CBE still relies predominantly on manual processes and infrequent feedback cycles, usually conducted quarterly. This approach slows responsiveness and impedes continuous performance improvement. Furthermore, 60% of HR staff identified inadequate training as a critical challenge, highlighting a deficiency in capacity-building initiatives essential for equipping employees with the skills required in the global banking environment. Without substantial investment in contemporary HR technologies and targeted global competency development, CBE risks falling behind in an increasingly digitized and globally interconnected industry.

Moreover, gaps in employee engagement and communication further limit the PMS's effectiveness in preparing the bank for global competition. Although more than half of employees report moderate engagement, only a small portion regularly engage in performance discussions with supervisors, and the overall frequency of feedback remains low relative to global best practices. This weak feedback culture diminishes employee motivation and reduces clarity around performance expectations both vital for sustaining high performance in competitive international markets. To strengthen its global readiness, CBE must cultivate a culture of continuous, transparent communication and implement more frequent, data-driven performance evaluations. Additionally, aligning PMS metrics with international banking standards and fostering innovation through targeted incentives will be critical in transforming CBE's workforce into a strategic competitive advantage on the world stage.

These findings imply that while CBE's PMS has foundational elements in place, significant strategic, technological, and cultural enhancements are necessary. Addressing these gaps is crucial for the bank to elevate its performance management practices and effectively prepare its workforce for the demands of global competition.

CHAPTER FIVE

5.1 Conclusion and Recommendations

5.1.1 Conclusion

The assessment of the Performance Management System (PMS) at the Commercial Bank of Ethiopia (CBE) Mekelle branches reveals a nuanced picture shaped by the perspectives of general employees, managers, and HR professionals. Across 169 respondents, managers generally express a favorable view of the PMS's effectiveness, with 69.6% rating it as very effective or effective in

driving performance. Managers also report strong personal engagement (87.0%) and high satisfaction with training support (65.2%), highlighting a solid foundation for performance management at the leadership level. However, challenges such as resource limitations were noted, suggesting areas needing targeted improvement to optimize PMS outcomes.

HR professionals present a more critical perspective, with only 53.3% perceiving the PMS as effective. Training dissatisfaction is notably high among HR (40.0%), and communication gaps are evident, with 66.7% rating communication effectiveness in engagement measurement as ineffective or very ineffective. These findings indicate systemic weaknesses in policy review, talent management, and engagement measurement that could undermine the PMS's strategic impact if unaddressed.

Employees' views further underscore these challenges. While 52.3% find the PMS aligns with organizational goals, nearly 28.2% rate it ineffective or very ineffective. Only 49.6% feel clear about performance metrics, and engagement is moderate, with 51.1% feeling engaged but 21.4% disengaged or very disengaged. Feedback is predominantly quarterly (77.9%), with only 22.1% regularly discussing expectations with supervisors, highlighting limited communication frequency. Satisfaction with training and technology integration is moderate (57.3% and 59.5%, respectively), but overall satisfaction with the PMS remains low at 39.7%, illustrating a gap between system design and employee experience.

Comparing perceptions across organizational levels reveals a significant disconnect: while 69.6% of managers view the PMS as effective, only 52.3% of employees agree, and HR professionals are at 53.3%. This divergence signals a need for enhanced alignment, transparency, and engagement to foster shared ownership of performance goals. Furthermore, contrasting CBE's PMS with HSBC UK's system exposes critical gaps. HSBC's automated, real-time feedback mechanisms, integrated talent development, and strong alignment with strategic objectives provide a benchmark for excellence. In contrast, CBE's reliance on quarterly feedback, limited technology use (with only 59.5% of employees perceiving it as effective), and weaker global competitiveness preparation highlight opportunities for modernization.

To boost CBE's PMS and readiness for global competitiveness, strategic investments in digital HR platforms, continuous training, and a shift towards more frequent, transparent feedback are essential. Empowering HR with resources and enhancing communication across hierarchies will improve policy consistency and employee engagement. Addressing these areas will not only

improve performance alignment and motivation within CBE's branches but also strengthen its position in an increasingly competitive international banking environment.

5.1.2 Recommendations

To address the identified gaps and challenges within the Commercial Bank of Ethiopia's Performance Management System (PMS) the case in Mekelle, the following sets of targeted recommendations are proposed.

i. Enhance Training and Development

- Implement comprehensive, ongoing training programs for managers, HR staff, and employees to improve PMS knowledge and skills.
- Focus training on leadership development, global banking standards, and use of emerging PMS technologies.
- Regularly update training content to reflect evolving banking practices and technological advances.

ii. Improve Communication and Feedback Mechanisms

- Establish more frequent performance discussions, moving from quarterly to monthly or real-time feedback cycles.
- Develop clear, transparent communication channels between HR, management, and employees to ensure shared understanding of performance expectations.
- Encourage inclusive employee participation in PMS design and evaluation to foster ownership and engagement.

iii. Upgrade Technological Infrastructure

- Invest in cloud-based, automated PMS platforms (e.g., SAP SuccessFactors or equivalent) to streamline performance tracking, feedback, and reporting.
- Enhance data analytics capabilities to support evidence-based decision-making and talent management.
- Provide user training to maximize adoption and effective use of technology.

iv. Align PMS with Strategic Goals and Employee Roles

- Customize performance metrics and targets to closely reflect individual job descriptions and branch-specific realities.
- Ensure PMS reinforces the bank's core values and culture, enhancing employee understanding of their contribution to organizational success.

- Incorporate diversity and inclusion principles explicitly into PMS criteria and evaluations.
- v. **Strengthen Resource Allocation**
 - Address human resource shortages by recruiting additional qualified staff and improving workload distribution.
 - Upgrade branch-level technological assets such as ATMs, POS terminals, and processing machines to support operational efficiency.
 - Allocate budget for continuous PMS improvement initiatives, including technology, training, and communication programs.
- vi. **Foster Global Competitiveness and Adaptability**
 - Integrate multilingual and multicultural training modules to prepare employees for global banking challenges.
 - Adopt international best practices for performance management, including pay-for-performance schemes and behavioral assessments.
 - Encourage innovation and flexibility in PMS to enable branches to adapt quickly to dynamic banking environments.
- vii. **Enhance Employee Engagement and Retention**
 - Develop recognition and reward programs linked to PMS outcomes to motivate high performers and reinforce positive behaviors.
 - Increase transparency around talent identification and career progression opportunities within the bank.
 - Regularly gather and act upon employee feedback to ensure the PMS remains fair, relevant, and supportive of workforce needs.

Although this study has provided valuable insights into the effectiveness of the Performance Management System, its scope was limited to the perspectives of employees within three branches. Future research should aim to expand this analysis to include a wider range of employee experiences and consider the impact of external factors affecting performance management. By enhancing methodologies and incorporating diverse viewpoints, the findings will lead to more comprehensive solutions that will better equip the bank to remain competitive globally.

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APPENDIX

QUESTIONNAIRS

Purpose

This questionnaire aims to collect insights from **Employees** at Central Bank Mekelle Branch regarding the effectiveness of the performance management systems (PMS). By focusing on key performance indicators, the survey seeks to evaluate perceptions of the PMS, clarity of performance metrics, feedback mechanisms, training opportunities, and overall employee engagement. The findings will inform strategies to enhance the bank's readiness for global competitiveness.

1. What is your sex?

- | | |
|-----------|----------------------|
| A. Male | C. Prefer not to say |
| B. Female | |

2. **How many years of experience do you have in the banking sector?**

A. Less than	1 year C. 4-6 years
B. 1-3 years	D. 7-10 years
E. More than 10 years	

3. **How effective do you find the current PMS in aligning with the bank's organizational goals?**

A. Very effective	C. Neutral
B. Effective	D. Ineffective
E. Very ineffective	

4. **How clear are you about the performance metrics used to evaluate your role?**

A. Very clear	C. Neutral
B. Clear D. Unclear	
E. Very unclear	

5. **How often do you receive constructive feedback on your performance?**

A. Weekly	C. Quarterly
B. Monthly	D. Annually
E. Never	

6. **How satisfied are you with the training opportunities available for professional development?**

A. Very satisfied	C. Neutral
B. Satisfied	D. Dissatisfied
E. Very dissatisfied	

7. **How engaged do you feel with your work and the performance management processes?**

A. Very engaged	C. Neutral
B. Engaged	D. Disengaged
E. Very disengaged	

8. **How well does the PMS reflect the bank's values and culture?**

A. Very well	C. Neutral	
B. Well	D. Poorly	E. Very poorly

9. **How effectively is technology integrated into the performance management process?**

A. Very effectively	C. Neutral
B. Effectively	D. Ineffectively
E. Very ineffectively	

10. **How confident are you that the PMS helps in retaining top talent within the bank?**

A. Very confident	D. Unconfident
B. Confident	C. Neutral
E. Very unconfident	

11. **How effectively does the PMS address diversity and inclusion within the organization?**

A. Very effectively	C. Neutral
B. Effectively	D. Ineffectively
E. Very ineffectively	

12. How often do you discuss performance expectations with your supervisor?

- | | |
|-----------------|-----------|
| A. Regularly | C. Rarely |
| B. Occasionally | D. Never |

13. How well do you understand how your performance impacts the bank's success?

- | | |
|----------------|------------|
| A. Very well | C. Neutral |
| B. Well | D. Poorly |
| E. Very poorly | |

14. How satisfied are you with the overall performance management system?

- | | |
|----------------------|-----------------|
| A. Very satisfied | C. Neutral |
| B. Satisfied | D. Dissatisfied |
| E. Very dissatisfied | |

15. What improvements would you suggest for the PMS?

16. What additional support would enhance your performance?

Ethical Considerations

Participation in this questionnaire is voluntary, and all responses will be kept confidential. Employees are encouraged to provide honest feedback, and individual responses will not be linked to personal identifiers.

Questionnaire

Purpose

This questionnaire aims to collect insights from **Branch Managers** at Central Bank Mekelle Branch regarding the effectiveness of the performance management systems (PMS). By focusing on key performance indicators, the survey seeks to evaluate perceptions of the PMS, clarity of performance metrics, feedback mechanisms, training opportunities, and overall employee engagement. The findings will inform strategies to enhance the bank's readiness for global competitiveness.

1. What is your sex?

- | | |
|-----------|----------------------|
| A. Male | C. Prefer not to say |
| B. Female | |

2. How many years of experience do you have in branch management?

- A. Less than 1 year
- B. 1-3 years
- E. More than 10 years
- C. 4-6 years
- D. 7-10 years

3. How effective is the PMS in driving branch performance?

- A. Very effective
- B. Effective
- E. Very ineffective
- C. Neutral
- D. Ineffective

4. How aligned are the performance metrics with overall bank objectives?

- A. Very aligned
- B. Aligned
- E. Very misaligned
- C. Neutral
- D. Misaligned

5. How frequently do you provide feedback to your team on their performance?

- A. Weekly
- B. Monthly
- E. Never
- C. Quarterly
- D. Annually

6. How adequate do you find the training programs for your branch staff?

- A. Very adequate
- B. Adequate
- E. Very inadequate
- C. Neutral
- D. Inadequate

7. How engaged do you perceive your team to be with the PMS?

- A. Very engaged
- B. Engaged
- E. Very disengaged
- C. Neutral
- D. Disengaged

8. How effectively does the PMS identify potential leaders within your branch?

- A. Very effectively
- B. Effectively
- E. Very ineffectively
- C. Neutral
- D. Ineffectively

9. How well does your branch adapt to changes in the banking environment?

- A. Very well
- B. Well
- E. Very poorly
- C. Neutral
- D. Poorly

10. How often do you review performance metrics with your team?

- A. Regularly
- B. Occasionally
- C. Rarely
- D. Never

11. Do you feel the bank adequately supports your development as a manager?

- A. Always
- B. Often
- E. Never
- C. Sometimes
- D. Rarely

12. How effectively does your branch communicate performance expectations?

- A. Very effectively
- B. Effectively
- E. Very ineffectively
- C. Neutral
- D. Ineffectively

13. What challenges do you face in implementing the PMS?

- A. Lack of resources
- B. Lack of training
- C. Employee resistance
- D. Other (please specify)

14. What improvements would you recommend for the PMS at the branch level?

15. What additional resources would enhance your branch's performance?

Ethical Considerations

Participation in this questionnaire is voluntary, and all responses will remain confidential. Branch managers are encouraged to provide honest feedback, and individual responses will not be linked to any identifying information.

Questionnaire

Purpose

This questionnaire aims to collect insights from **HR personnel** at Central Bank Mekelle Branch regarding the effectiveness of the performance management systems (PMS). By focusing on key performance indicators, the survey seeks to evaluate perceptions of the PMS, clarity of performance metrics, feedback mechanisms, training opportunities, and overall employee engagement. The findings will inform strategies to enhance the bank's readiness for global competitiveness.

1. What is your sex?

- A. Male
- B. Female
- C. Prefer not to say

2. How many years of experience do you have in HR within the banking sector?

- A. Less than 1 year
- B. 1-3 years
- E. More than 10 years
- C. 4-6 years
- D. 7-10 years

3. How effective is the PMS in supporting employee development?

- A. Very effective
- B. Effective
- E. Very ineffective
- C. Neutral
- D. Ineffective

4. How well do the performance metrics align with the bank's strategic goals?

- A. Very well
- B. Well
- E. Very poorly
- C. Neutral
- D. Poorly

5. How frequently are performance management policies reviewed?

- A. Monthly
- B. Quarterly
- E. Never
- C. Annually
- D. Every few years

6. How satisfied are you with the training provided to HR staff on performance management?

- A. Very satisfied
- B. Satisfied
- E. Very dissatisfied
- C. Neutral
- D. Dissatisfied

7. Do you believe the PMS effectively identifies and nurtures talent?

- A. Strongly agree
- B. Agree
- E. Strongly disagree
- C. Neutral
- D. Disagree

8. How well does the bank prepare employees for global competitive challenges?

- A. Very well
- B. Well
- E. Very poorly
- C. Neutral
- D. Poorly

9. How effective is communication between HR and other departments regarding performance management?

- A. Very effective
- B. Effective
- E. Very ineffective
- C. Neutral
- D. Ineffective

10. How often do you gather feedback from employees about the PMS?

- A. Regularly
- B. Occasionally
- C. Rarely
- D. Never

11. What challenges do you face in implementing the PMS?

- A. Lack of resources
- B. Lack of training
- C. Employee resistance
- D. Other (please specify)

12. How well does the PMS compare to industry standards?

- A. Very well
- B. Well
- E. Very poorly

- C. Neutral
- D. Poorly

13. How effectively do you believe employee engagement is measured in the current PMS?

- A. Very effectively
- B. Effectively
- E. Very ineffectively

- C. Neutral
- D. Ineffectively

14. What additional support do you think HR needs to enhance the PMS?

15. What improvements would you recommend for the overall PMS?

Ethical Considerations

Participation in this questionnaire is voluntary, and all responses will remain confidential. HR personnel are encouraged to provide honest feedback, and individual responses will not be connected to any personal identifiers.