Effects of Balanced Scorecard Implementation on Employee Performance Appraisal Practices, The Case of Ethio Telecom

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The Effects of the Implementation of Balanced Scorecard on Employee Performance Appraisal Practices,

The Case of Ethio Telecom

By Yared Tadesse

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DECLARATION

I, Yared Tadesse Worku, declare that this research paper entitled “The Effects of the Implementation of Balanced Scorecard on Employee Performance Appraisal Practices, the Case of Ethio Telecom” is my original work, and has not been presented for a degree or diploma in any other university and it is in partial fulfillment to the requirement of the program Masters of Art (MA) Degree in Human Resource Management.

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<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>BSC</td>
<td>Balanced Score Card</td>
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<tr>
<td>EPA</td>
<td>Employee Performance Appraisal</td>
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<tr>
<td>HRM</td>
<td>Human Resource Management</td>
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<tr>
<td>VAS</td>
<td>Value Added Services</td>
</tr>
<tr>
<td>ETS</td>
<td>Ethiopian Telecommunications Services</td>
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<tr>
<td>ETA</td>
<td>Ethiopian Telecommunications Authority</td>
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<tr>
<td>ETC)</td>
<td>Ethiopian Telecommunications Corporation</td>
</tr>
<tr>
<td>IBTE</td>
<td>Imperial Board of Telecommunications of Ethiopia</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Science</td>
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ABSTRACT

One of the most challenging components of Human Resource is performance appraisal (Williams, 1998). Organizations that employ BSC as change and strategic management system tend to fail to investigate the effects that it can bring on the efficiency of the employee appraisal practices. Etho telecom is not different in this regard. At first BSC implementation, the objectives were not properly cascaded to individual level, neither were there a mapping of the objectives along the four perspectives to show the value chain, no new template was created that show the different levels of perspectives introduced with the implementation of BSC, it created conflict between employees and their immediate supervisors as the targets were not agreed upon and employees were not made to buy into the new process, the targets were not put in a measurement criteria that is clear for everybody involved. The purpose of this paper is to examine the effect of BSC implementation (second time) on the overall employee performance appraisal, the case of Ethio Telecom. A seven point Likert scale questionnaire and a semi structured interview were used to gather data from 114 employees and managers of the commercial Divisions of Ethio Telecom. The type of research employed was causal research with a regression analysis to examine the relationship between the two variables (BSC implementation and Employee appraisal practices). The study shows that there is a positive relationship between BSC implementation and employee performance appraisal practices. It also confirmed that the link between the organizational strategy and individual goals is a good predictor (73%) of the overall practice of employee performance appraisal. On the other hand, the study did not provide sufficient evidence that the other three elements of BSC; objectivity, documentation and employee-supervisors relationship are good predictors to the overall practice of employee performance appraisal.

Keywords: Balanced Scorecard (BSC), Employee Performance Appraisal Practices, Ethio Telecom
CHAPTER ONE: INTRODUCTION

1.1. Background of the study

The Balanced Scorecard (BSC) is a system used strategically in business, industry, government and nonprofit organizations worldwide to align business activities to the vision and strategy of organizations. It is meant to improve internal and external communications and monitor organizations’ performance against strategic goals. The BSC tool has its origin from the works of Kaplan and Norton (Kaplan & Norton, 1992). The authors recognized that in the realm of knowledge-based competition, the ability of organizations to develop, nurture, and mobilize their intangible assets were critical for success (Kaplan & Norton, 2001).

One of the benefits of Balanced Scorecard is to align individual objectives to that of organizational objectives, which provides a platform for effective performance management. The Balanced Scorecard allows supervisors and managers to objectively analyze the employee’s performance and contribution to the organization. It prevents the problems associated with subjective evaluation by providing concrete metrics that can be applied equally to every employee (IBID).

Grubb (2007) says performance appraisal is a procedure to evaluate how individual personnel are performing and how they can improve their performance and contribute to overall organizational performance. Performance appraisal is the systematic evaluation of employees according to their job and potential development. There are a variety of methods for evaluating employees' performance. Obviously, no method can claim that it has an integrated approach in performance appraisal, however, one of the most important methods for the appraisal of employees' performance is the Balanced Scorecard (BSC) (Mohammad & Mahaudul, 2010)

The Balanced Scorecard concept has, in most countries, been preceded by traditional performance management systems. Ethio Telecom had been using different sets of performance appraisal systems which were basically subjective and a source of conflict between supervisors and their employees. The researcher will try to see the effects of the implementation of BSC on the employee appraisal practices in the organization. It tries to give insights into the nature of
organization’s performance appraisal practices, and how it is affected by the implementation of Balanced Scorecard.

1.2. **Background of the Organization**

Ethio Telecom is one of the biggest governmental infrastructures in Ethiopia. It is an integrated telecommunications solutions provider offering internet, data, VAS, International and voice services. Telecommunications Services started in Ethiopia in 1894, only seventeen years after its invention. It is reorganized in 1952 as Imperial Board of Telecommunications of Ethiopia (IBTE) and later changed to “Ethiopian Telecommunications Services” (ETS) after twenty years. Since then, it has evolved from “Ethiopian Telecommunications Authority” (ETA) in 1975 to “Ethiopian Telecommunications Corporation“(ETC) in 1996 (Ethio telecom website, 2014).

In 2010, the Ethiopian government had decided to transform the telecommunication infrastructure and services to world class standard, considering them as the main focus to the development of Ethiopia. The government outsourced the management to the then France Telecom (now is called just Orange telecom) as the existing organization was not able to meet the demands of the fast-growing country. Thus, Ethio Telecom is born from this ambition in order to bring about a paradigm shift in the development of the telecom sector to support the steady growth of the country.

Currently, Ethio Telecom has 12,124 (as of Nov, 2015) employees. It has an average annual revenue of over 20 Billion ETH birr. It has over 42 million subscribers throughout the country (Ethio telecom internal magazine, 2015). As per the contractual agreement with the Ethiopian government, France Telecom (Orange) was striving to improve and modernize the organizations overall business aspect through implementing better work process, human resource capacity building tasks as well as applying customer focused services with best customer handling practices. Since December 31, 2012 the two and half year management contract was completed and Ethiopian managers have taken over (Ethio telecom website, 2014).
As part of the government’s plan to implement Balanced Scorecard in all public organizations, Ethio Telecom started the process of introducing this practice in 2012/13 budget year with an aim of creating a more efficient and strategy-focused high performing organization.

1.3. Statement of the Problem

One of the most challenging components of Human Resource is performance appraisal. All involved parties supervisors, employees, and Human Resource managers typically are dissatisfied with their organization's performance management system and view the appraisal process as either a bureaucratic exercise or a destructive influence of the relationship between the employees and the supervisors. This is certainly true of most organizations, where surveys typically reveal widespread dissatisfaction with the appraisal process. Despite this outcome, managers are hesitant to abandon performance appraisal which they still regard as an essential tool of Human Resource management (Williams & Hubber, 1986).

Balanced Scorecard, in addition to its main objective, providing enterprise view of organization’s overall performance by integrating financial measures with other key performance indicators, can also contribute in providing a platform to implement an efficient performance appraisal practice in which employees will be evaluated based on clearly set goals that are linked to the mission and vision of the organization (Kaplan & Norton, 1992).

However, organizations that employ BSC as change and strategic management system tend to fail to investigate the effects that it can bring on the efficiency of the employee appraisal practices. Etho telecom is not different in this regard.

At the beginning of 2012/13 budget year, the organization’s decided to implement BSC by aligning all its strategic objectivities to BSC framework. The objectives and targets were clear at organization and sections level, but they were not properly cascaded to individual level. Neither were there a mapping of the objectives along the four perspectives to show the value chain. Performance appraisal was conducted using the old templates used before the implementation
of BSC. No new template was created that show the different levels of perspectives introduced with the implementation of BSC. It created conflict between employees and their immediate supervisors as the targets are not agreed upon and employees were not made to buy into the new process. The targets were not put in a measurement criteria that is clear for everybody involved.

Having recognized the problems that are caused by not implementing BSC with its full processes, Ethio Telecom re-launched BSC again during the following budget year. This time, it was aligned with the 9 processes, starting from the assessment until the evaluation. The employee performance appraisal templates and procedures have changed accordingly. Objectives and targets were defined at the beginning of the budget year and continuous follow-up of actions is done by immediate supervisor which will be the basis for semi and annual appraisals.

However, the researcher believes that the changes in employee performance appraisal practices that could be brought by the implementation of BSC is not properly assessed and looked into. The main problems that this papers tried to tackle were: the link between the organization’s objectives and the individuals’ goals, the objectivity of measurement criteria, the relationship between employees and supervisors and the documentation, reporting and data quality of employee performance appraisal practices. Thus the researcher is motivated to undertake a research on the improvements or lack there off of the Ethio Telecom employee performance appraisal practices, after the implementation of Balanced Scorecard.

1.4. Research Questions

In light of the problem statement discussed above and the core principles/dimensions of the performance appraisal and balanced scorecard, the following main questions were developed:

1. What is the effect of BSC implementation on employee Performance appraisal practices at Ethio Telecom?
2. To what extent did the implementation of Balanced Scorecard help in linking the objective of the organization to the individual’s goals?

3. To what extent does the Balanced Scorecard implementation broaden the performance measures criteria, thereby improving the objectivity of the measures?

4. What is the extent of the performance appraisal reporting and documentation quality improvement after the implementation of the Balanced Scorecard?

5. To what extent has the Balanced Scorecard implementation improved the relationship between supervisors and employees?

1.5. Objective of the Study

1.5.1. General Objective

The aim of this study is to examine and evaluate the effects of the Balanced Scorecard implementation on employee performance appraisal practices at Ethio Telecom.

1.5.2. Specific Objectives

- To assess whether or not the Balanced Scorecard implementation has helped in linking the objective of the organization to the individual’s goals,

- To examine how far the Balanced Scorecard implementation broadens the performance measures criteria to financial as well as non-financial measures, thereby improving the objectivity of the measures

- To assess whether or not the Balanced Scorecard implementation has improved employee performance appraisal reporting and documentation quality

- To assess whether or not the Balanced Scorecard implementation has improved relationship between supervisor and employee during the employee performance appraisal process

1.6. Significance of the Study

Primarily, this research paper will contribute in addressing the scarcity of empirical investigation in the effects of the implementation of Balanced Scorecard on employee performance appraisal
practices in the context of strategic oriented organizations in general and government owned organization in particular. The study may help the organization to evaluate its current performance appraisal practices against the objectives it originally set to achieve through the Balanced Scorecard, and make future decisions accordingly. In addition to these, the findings of the research may also serve as a relevant reference material for a much deeper investigation in the area. And finally, the fact that the Balanced Scorecard and performance appraisal tools touches different variety of fields in management, (e.g. Performance management and Strategy management) the study can be used as a significant reference material for studies of varies management fields in the context of government organizations.

1.7. Scope and Limitation of the Study

It is known that the Balanced Scorecard is a strategy management tool applicable to private sector organizations, NGOs, and public sector organizations but the scope of this study will only be focused on the effectiveness of the tool in government owned development organization. And among the different benefits of Balanced Scorecard, the scope of the study will be restricted to the benefits and effects that are related to employee performance appraisal practices. The study will also focus only on one of the organizations vast divisions, Commercial Division.

1.8. Definition of terms

➢ Conceptual

  o Balanced Scorecard: - According to Kaplan and Norton (1996), BSC is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results (Kaplan & Norton, 1996)

  o Performance Appraisal: - Yong (1996) defines performance appraisal as “an evaluation and grading exercise undertaken by an organization on all its employees either periodically or annually, on the outcomes of performance based
on the job content, job requirement and personal behavior in the position”. (Yong, 1996)

➢ **Operational**

- **Performance**: The act of performing; of doing something successfully, and using knowledge as distinguished from merely possessing it. A performance comprises an event in which generally one group of people (the performer or performers) behaves in a particular way for another group of people.
- **Performance Evaluation**: is the activity used to determine the extent to which employee perform work effectively.

1.9. **Organization of the Study**

The study has four chapters. Chapter one introduction, including explanations about the topic, the statement of the problem, objectives of the study, significance of the study, scope of the study, limitation of the study, and the organization of the study. The literatures related to the subject matter is presented in chapter two. Chapter three is about research methodologies, which shows the type and design of the paper.

The presentation and analysis of the data collected to assess effects of BSC on Performance Appraisal is presented in Chapter four. Summary of major findings, conclusion and recommendation about the problem is made in chapter five.
2.1. Balanced Scorecard (BSC)

In 1990 Robert Kaplan and Davis Norton carried out a yearlong research project with 12 organizations at the leading edge of performance measurement. They came to the conclusion that traditional performance measures, having a financial bias and being centered on issues of control, ignored the key issue of linking operational performance to strategic objectives and communicating these objectives and performance results to all levels of the organization (Kaplan & Norton, 1992). Realizing that no single measure can provide a clear performance target or focus attention on all the critical areas of business, they proposed the concept of a Balanced Scorecard as a more sophisticated approach for meeting these shortcomings.

If organizations are to survive and prosper in a competitive environment, they must use measurement and management systems derived from their strategies and capabilities. The Balanced Scorecard can be seen as a management system that bridges the gap between strategic objectives set at the senior level within an organization, and their operational execution (IBID).

This is accomplished by translating vision and strategy into objectives and measures, providing a framework to communicate this vision and strategy to employees, and thereby channeling the energies, the abilities, and the specific knowledge of people throughout the organization towards achieving long-term goals. By developing a set of measures that gives managers a fast and comprehensive view of the organization (IBID).

The Scorecard allows organizations to build a new kind of management system-one designed to manage strategy. This new management system had three distinct dimensions (IBID).

1. Strategy- Make strategy the central organizational agenda. The Balanced Scorecard allowed organizations, for the first time, to describe and communicate their strategy in a way that could be understood and acted on.
2. Focus- Create incredible focus. With the Balanced Scorecard as a “navigation” aide, every resource and activity in the organization was aligned to the strategy.

3. Organization- Mobilize all employees to act in fundamentally different ways. The Balanced Scorecard provided the logic and architecture to establish new organization linkages across business units, shared services, and individual employees.

In BSC the characteristic feature of ‘balance’ is supposed to be guaranteed by considering short- and long-term; financial and nonfinancial; lagging and leading indicators, concerning four perspectives: Customers, Internal business process, learning & growth and financial perspective (Niven, 2006)). On one hand, the strategy should be specified from the financial and customer point of view as external perspectives; while on the other hand, it should be specified from the process and learning/development point of view as internal perspectives. The internal and external refer to a balance between what is important to organization and to its key stakeholders such as the customers and shareholders (IBID).

2.1.1. Benefits of BSC

Kaplan & Norton (1996) argue that the BSC is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. To add up on the argument when fully deployed, the BSC transforms strategic planning from an academic exercise in to the nerve center of an enterprise.

More specifically, the BSC has brought a revolution into strategy management and measurement as it provides the following benefits.

- It helps to clarify and gain consensus about strategy;
- It improves communication of the organization’s Vision and Strategy;
- It links strategic objectives to long-term targets and annual budgets;
- It improves organizational performance by measuring what matters;
• It aligns organization strategy with the work people do on a day to day basis, align departmental and personal goals to the strategy;
• It focuses on the drivers of future performance;
• It encourages organization perform periodic and systematic strategic reviews;
• It helps to prioritize projects/initiatives; and
• It helps organizations to obtain feedback to learn about and improve strategy (Kaplan & Norton, 2001)

The aforementioned benefits are changes BCS may bring to all types of organization adopting it. Focusing on nonprofit and government organizations, Niven (2008) argue that BSC might bring benefits such as (Niven, 2008).

**Demonstrate Accountability and Generate Results**- in today’s environment people are becoming demanding and look in to the return on investment. The time has clearly passed when constituents, donors, and funders took for granted the best intentions of government and nonprofits i.e. there need to demonstrate results and accountability. To this end, the organizations need to measure their true performance, accurately. The Balanced Scorecard with its focus on mission and strategy and broad view of performance allows measuring true performance of the organization. On the top of that through setting objective, measurable indicators of success allow governments and nonprofit organizations to be accountable.

**Improving Performance Against Mission** - effective and efficient execution of an agency’s mission is what taxpayers pay for and why donors and funders continue to support nonprofits. To continue generating the goodwill of citizens and volunteers alike, the first priority for any public sector or nonprofit organization must improve performance against the stated mission. BSC has proven to be a powerfully effective tool in doing just this.

**Create a Focus on Strategy**- translating strategy into action is the true purpose of the Balanced Scorecard. While many organizations measure, they frequently lose sight of the fact that measurement should be about achieving strategic objectives, not counting something’s. Balanced Scorecard can help people integrate performance measurement systems into
something coherent, that’s aligned with their real fundamental purpose- critical drivers of success in organizational strategy and lead to the achievement of mission.

**Produce Information, Not Data**- the Balanced Scorecard results in the information that improves decision-making. It does so by measuring only the critical few drivers of organizational success.

**Inspire Trust** – as discussed already the Balanced Scorecard can help to demonstrate accountability and attract scarce resources to organizations. The driver of both outcomes is enhanced trust from the community, funders, and employees. The benefits of increased levels of trust are by no means limited to the intangible.

These are just a sampling of the many benefits conferred by the application of a Balanced Scorecard. Further, creative links from the Scorecard to key management processes such as budgeting and planning will make the entire organization even stronger. In addition, using the Balanced Scorecard to drive the agenda of management meetings will ignite learning in a way never experienced. However, as with most things encounter in life, the more effort and focus put into the Balanced Scorecard the more we will get out of it (Niven, 2008).

In short, it is possible to say that BSC enables managers to craft organizational strategies in line with their vision, define strategic objectives, mission and vision, develop strategic plan by integrating various issues, monitor and adjust the implementation of their strategies and to make fundamental changes in them. If used correctly, BSC not only creates concrete results, but also creates a long-term balance in the organization. This balance can be described from many different angles. It provides a balance between the short-term and the long-term. This means that it offers a balance between what is important today and what is important tomorrow. It also gives a balance between external and internal measures, indicating a balance between what is important to us and to our key stakeholders. Moreover, BSC gives you a balance between financial (hard) and non-financial (soft) measures. Finally, it gives a balance between what is important to the management and what is important to all employees (Tilaye, 2010).
2.1.2. Process of Implementing BSC

The Balanced Scorecard is a management system that enables organizations to clarify their vision and strategy and translate them into action. The implementation of a BSC should be organized as a separate management system development project. The project should be planned in the same detail as any other project in the organization and standard project management procedures should be followed. This outlines a procedure for implementing a Balanced Scorecard for organizations with little or no previous experience of Balanced Scorecards. The emphasis is on the practical and technical implementation of the Balanced Scorecard System (Kaplan & Norton, 1996). According to them, the Balanced Scorecard claims to fill the gap between the development of a strategy and its realization by supporting and linking four critical management processes:

- clarify and translate vision and strategy;
- communicate and link strategic objectives and measures;
- plan, set targets, and align strategic initiatives;
- enhance strategic feedback and learning

The above steps signifies the benefits from the Balanced Scorecard are realized when the Balanced Scorecard is used in day-to-day operations. Data update, analysis and reporting are performed regularly within the management and reporting processes. From time to time it is also necessary to refine the Balanced Scorecard. The Balanced Scorecard should be a standard tool used by the management team in their strategy work.

The point described above is more elaborated in the award winning nine step full scales BSC implementation approach of BSC institute. This approach is adopted and applied for the implementation of the BSC in Ethiopian Ministry of Civil Services (MoCS) manual for BSC implementation, 2012).
2.2. Employee Performance appraisal

Performance appraisal (PA) was a term once associated with a rather basic process involving a line manager completing an annual report on a subordinate’s performance and (usually, but not always) discussing it with him or her in an appraisal interview. Whilst this description still applies in a number of organizations, it does not in many others. PA has become a general heading for a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards. It sometimes becomes a part of a wider approach to integrating human resource management strategies known as performance management (PM).

As Williams (1998) points out, there are at least three different models of performance management: performance management as a system for managing organizational performance; performance management as a system for managing employee performance; performance management as a system for integrating the management of organizational and employee performance. PA plays an important, if varying, role in all of them. (Williams, 1998)

According to Longenecker (1997) performance appraisal is two rather simple words that often arouse a raft of strong reactions, emotions, and opinions, when brought together in the organizational context of a formal appraisal procedure. Most organizations throughout the world regardless of whether they are large or small, public or private, service or manufacturing, use performance appraisal, with varying degrees of success, as a tool to achieve a variety of human resource management objectives. Organizations use different tools and have a number of goals for performance appraisals, often resulting in some confusion as to the true purpose of performance appraisal systems (Longenecker, 1997).

However, at its core, the performance appraisal process allows an organization to measure and evaluate an individual employee’s behavior and accomplishments over a specific period of time (Weise & Buckley, 1998).

Yong (1996) defines performance appraisal as “an evaluation and grading exercise undertaken by an organization on all its employees either periodically or annually, on the outcomes of
performance based on the job content, job requirement and personal behavior in the position”. (Yong, 1996)

Selden & Sowa (2011) described performance appraisal as the centerpiece of performance management practices. Performance appraisal is the process of assessing the performance of an employee within a given time period by a Manager or supervisor. It helps in measuring the exact performance of the employee, his strengths and weaknesses and the required improvements (Aguinis, et al., 2011). It is a tool that benefits both the employee and the organization by addressing work performance in terms of attendance, initiative, attitude, and work quality. Many organizations operate performance appraisals regularly, usually annually, during which an individual manager or supervisor assesses performance, potential and development.

Therefore, HR development, begins with the orientation of new employees, HR training and development, and also includes the necessary information to accommodate technological changes. Encouraging development of all employees including supervisors and managers is necessary to prepare organizations for future challenges. Career planning identifies paths and activities for individual employees as they develop within the organization. Assessing how well employees are doing their jobs is the focus of performance appraisal (Mathis & Jackson, 1997)

Furthermore, Gomez, et al. (2001), stated that “performance appraisal as the process of identification, measurement, and management of human performance in organization.” Therefore, to make these effective, organizations should develop a system that serve as a tool to performance appraisal process.

2.2.1. Employee Performance Appraisal process

According to Jacobs and colleagues (1980), cited in (Murphy & Cleveland, 1995), effectiveness of performance appraisal is measured by categorizing its evaluation into three criteria. First is “Utilization Criteria”, which addresses the administrative and developmental purposes of performance appraisal. Second is “Qualitative Criteria”, it relates to job performance, data availability, equivalence, interpretability and practicality. Final is “Quantitative Criteria”, it focuses on elimination of rating errors. (Murphy & Cleaveland, 1995)
The employee performance appraisal process consists of six inter-related steps as follows:

- Establishing performance standard
- Communicating standards and expectation
- Measuring the actual performance
- Comparing with standards
- Discussing results (providing feedback)
- Decision making (taking)

Figure 2.1. The PA Process
Source: http://appraisals.naukrihub.com

2.2.2. The context of PA

The changes that took place in organizations and in their ways of operating at the end of the 20th century are well known (Cascio, 1995); these included the removal of management layers, reduced staffing levels, greater autonomy for business units, the increased internationalization of business, adoption of project-based and matrix management patterns of working, and various management movements such as TQM. Such changes had an impact on PA, not least because it made the use of conventional top-down appraisal systems more difficult—less emphasis on hierarchy, greater geographical spread of staff and fewer managers called for new sources of appraisal information and different ways of delivering it. The increased use of self-assessment, peer assessment and multi-source feedback in general owe something to these changes (Cascio, 1995).
2.3. Review of studies on Balanced Scorecard Implementation components

2.3.1. Link between organization’s objectives and individual goals

Recent studies have investigated the use of the balanced scorecard in strategy development (Malina and Selto 2001; Ittner et al. 2003a; Ittner and Larcker 2003). Malina and Selto (2001) show evidence that many scorecards do not have explicitly defined causal linkages. Ittner and Larcker (2003) corroborate this finding (showing that less than 30 percent of firms they surveyed that use the balanced scorecard have explicitly-stated causal chains), and further show that when strategy maps are used, managers often fail to test the hypothesized causal chain (in their study, only 21 percent of firms with explicitly-stated causal chains go on to test the validity of the hypothesized effects). As one may infer, this instrument bridges the gap between individual and organizational performance by transforming the organization’s overall goals and objectives into clear and measurable individual tasks. In spite of the obvious advantages of implementing a balanced scorecard based culture in an organization, another important motivating factor is to involve employees, themselves in setting the goals and parameters that directly affect them and their area of responsibility (Kaplan & Norton, 1996).

2.3.2. Objectivity of measurement criteria

A major aspect of the balanced-scorecard implementation process is the selection of performance measures. Niven (2006) calls scorecard measures the “centerpiece of the scorecard system.” Frigo and Krumwiede (2000) emphasize the importance of involving middle management in measure selection, noting that “departments know their key performance measures and key success factors better than anyone else...and therefore, they are in the best position to develop their own scorecards.” According to (Kaplan & Norton, 1996), the Balanced Score Card is a collection of the objectives and the measures that will be used to judge the achievement of such objectives. The objectives are clustered into four interlinked groups according to their focus areas; Financial, Customer, Internal Process and Learning and Growth. One of the major features of BSC is the weighted average on a percent scale which reflects the relative importance and priority of an activity with respect to other activities.
2.3.3. Relationship between employees and their immediate supervisors

One consistent theme in the process of PA has been the influence of liking. Lefkowitz (2000) concluded from his review of 24 studies that supervisors’ positive regard for subordinates is often found to relate to more lenient appraisal ratings, greater halo effects, reduced accuracy, less inclination to punish poor performance and better interpersonal relationships. (Varma, et al., 1996) Pointed out that although the effects of liking are well documented, the reasons for the influence of liking are not clear. They interpreted the findings from their own study as indicating that rather than affect being a biasing factor, it (i.e. affect) resulted from better performance in the first place. However, Lefkowitz (2000) identified a range of conceptual and methodological problems in studies on liking as an influence on PA, such as the failure to take account of the duration of the relationship, and concluded that it is not justified to assume either that liking reflects bias or that it simply stems from a reaction to good performance. Cook & Crosman (2004) found appraisal dissatisfaction as a major cause of discrepancy between “expectations” and “outcomes”. According to them fairness can only be based on an individual’s expectations and outcomes in comparison with other reference employee (employee having same job family and/or treated in the same way in appraisal process) in the organization. Such employees perceive appraisal as ineffective due to equitable outcomes of the performance appraisal system.

4. Documentation, reporting and Data quality

Computers have been playing an increasing role in PA for some time (Sulsky & Keown, 1998). There are two main aspects to this. The first is in relation to the electronic monitoring of performance, which affords the ability to record a huge amount of data on multiple dimensions of work performance (Stanton, 2000). Not only does it facilitate a more continuous and detailed collection of performance data in some jobs, e.g. call centers, but it has the capacity to do so in a non-obvious, covert manner. The second aspect is in mediating the feedback process, by recording and aggregating performance ratings and written observations and making the information available on-line; many software packages are available for this. The use of IT in these ways undoubtedly helps in making the appraisal process more manageable, especially where
multiple rating sources are involved, but it also raises many questions about appraisees’ reactions and possible effects on PA outcomes (Stanton, 2000).

To conclude upon the prerequisites for the successful implementation of the balanced scorecard as a tool to measure individual performance, one should notice that if implemented correctly, BSC can:

- Bridge the gap between individual and organizational performance
- Contribute to the administrative and developmental purposes of performance appraisal
- Improve quality of data availability, equivalence, interpretability and practicality
- Support the elimination of qualitative and quantitative rating errors

Provided that these requirements are met, individual performance appraisal can be performed in an objective and constructive manner, which enhances employee’s feeling of contributing effectively and efficiently to the overall organizational wellbeing. Consequently, he/she knows exactly how to be important part of organizational performance instead of embodying the frustrating and counterproductive metaphor of “being a small cog in a big wheel” (Ho & McKay, 2001) as cited by Tatar, E.A 2011.
<table>
<thead>
<tr>
<th>No.</th>
<th>Authors</th>
<th>Title</th>
<th>Main findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cook &amp; Crosman (2004)</td>
<td>Fairness Perceptions of Performance Appraisal System: An Empirical Study of Civil Servants in District Dera Ismail Khan, Pakistan</td>
<td>Appraisal dissatisfaction as a major cause of discrepancy between “expectations” and “outcomes”</td>
</tr>
<tr>
<td>2</td>
<td>Malina &amp; Selto, 2001</td>
<td>“Effectivity of BSC as a strategy communication and management control device”,</td>
<td>BSC helps to align actions to strategic objectives and to improve the quality of information</td>
</tr>
<tr>
<td>3</td>
<td>Zemenu &amp; Habtamu, 2013</td>
<td>challenge and prospects of BSC</td>
<td>flaws in the BSC implementation like:</td>
</tr>
<tr>
<td>6</td>
<td>Murphy, K.R., Cleveland, J.N., Skattebo, (2004)</td>
<td>Raters who pursue different goals give different ratings.</td>
<td>Suggested that phenomena such as rater errors and interrater disagreements could be understood in terms of differences in the goals Pursued by various raters.</td>
</tr>
<tr>
<td>7</td>
<td>Cawley, B.D., Keeping, L.M. and Levy, P.E., 1998.</td>
<td>Participation in the performance appraisal process and employee reactions:</td>
<td>The relationship between participation in the performance appraisal process and various employee reactions was explored</td>
</tr>
<tr>
<td>8</td>
<td>Lipe, M.G. and Salterio, S.E., 2000.</td>
<td>The balanced scorecard: Judgmental effects of common and unique performance measures.</td>
<td>Scorecard-related judgments may be influenced by evaluator involvement in the implementation process</td>
</tr>
<tr>
<td>10</td>
<td>Ittner, C.D., Larcker, D.F. and Randall, T., 2003.</td>
<td>Performance implications of strategic performance measurement in financial services firms</td>
<td>Balanced scorecard process, economic value measurement, and causal business modeling are associated with higher measurement system satisfaction</td>
</tr>
</tbody>
</table>
2.4. BSC implementation and EPA Practices in Ethio Telecom

The organization, with a view of accelerating its transformation, has initiated the institutionalization of a management tool that would enable it to formulate and implement its strategy and track its performance—the Balanced Scorecard.

It used the nine steps Balanced Scorecard approach for its BSC implementation. Below are the first six steps it followed to develop its strategic document. The other three steps are related to implementation and they will be covered by primary data (source: secondary data of the organization’s BSC document)

**Step One: - Assessment**

A detailed SWOT analysis has been conducted to identify the enablers and pains of the organization. It has chosen the Resource Based View (RBV). The RBV offers a framework that promises a profound understanding of its resources and capabilities; and the relative strength of those resources and capabilities. Accordingly, the assessment and evaluation led to the identification of organizational strengths and weaknesses. PESTL analysis was used to scan the external environment — the political, economic, social, technological and legal conditions were analyzed in detail. Based on the analysis, the following main enablers and pains are identified:

**Enablers:**

- Large network expansion has been built and there is a low penetration rate in the market
- The public’s increasing need and knowledge on information and the fact that individual income also is increasing
- Organization’s financial strength, increase in the value added services provided to customers, security for telecom infrastructures
- Management and employee are able and ready to implement change, new technologies policies and strategies,
- Able to involve different vendors in the telecom expansion and able to attract better and competitive technologies

**Pains:**

- Unable to avoid or reduce the telecom fraud, and the increase in the number of fraudulent activities
- Lack of customer centricity and poor quality of services
- Limited variety of Product and services to choose from
- Foreign currency unavailability contributing to delay of procurement processes
Stakeholders and Customers’ Value Proposition

Ethio Telecom considered its stakeholders as customers, and a detailed stake holder’s analysis has been done to see the expectations and the organizations response for each one of them. The main stakeholders include: Residential customers, Enterprise Customers, Public, government institutions (Regions, woredas, Kebeles sub cities and others), Ministry of communication and Information Technology, Board of directors, Management, Employees and others.

Since vision, mission and values dictate the general direction towards which a strategy should be geared; these were the starting points.

Mission: To provide world-class, modern and high quality telecom services for all citizens equitably so as to transform the multifaceted development of the country to the highest level.

Vision: To become a world-class provider of telecom services

Values:

- Customer-centric: we provide quick response to our customers and employees in line with their interests and values
- Excellence: we are committed for quality and efficiency so that we are able to ensure excellent customer experience
- Accountability: we carry out our activities with integrity, transparency, honesty and full responsibility
- Impartiality: We are committed to be impartial and serve without any bias
- Sharing: we always strive in synergy so as to accomplish the mission of our company

Step Two: Strategy Development

Strategic perspectives

The four perspectives [financial, customer, internal business process and learning and growth] were considered robust for the organization since they capture the interests of the major stakeholders that are vital in formulating company strategy. Furthermore, the “Financial” perspective of the Balanced Scorecard has been coined the first in the priority as the organization have a big role of serving the public.
**Strategic themes**

The combined outcomes of the foregoing analysis and the strategic issues identified in the SWOT matrix built the foundation for developing strategic themes. After analyzing the different potential strategic themes and their link with national priorities the following five strategic themes and their results are identified.

*Table 2.2. Strategic themes of Ethio Telecom*

<table>
<thead>
<tr>
<th>No.</th>
<th>Strategic focus themes</th>
<th>Strategic results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Accessible services of excellence</td>
<td>Satisfied and increased number of customers</td>
</tr>
<tr>
<td>2</td>
<td>Human resources development</td>
<td>Highly qualified, skilled and experienced human resources</td>
</tr>
<tr>
<td>3</td>
<td>Organizational safety</td>
<td>Secured institution</td>
</tr>
<tr>
<td>4</td>
<td>Capacity of Organizational execution</td>
<td>Developed capacity of organizational execution</td>
</tr>
<tr>
<td>5</td>
<td>Financial capacity</td>
<td>Strong financial capacity</td>
</tr>
</tbody>
</table>

Total result: Increased number of customers who are satisfied with successful and consistent services.

**Step three - Strategic objectives**

Through detailed analyses, Ethio Telecom was also led to the identification of strategic objectives. An objective summary have also been made for each strategic objectives. Below is the objectives aligned with the four perspectives.

*Table 2.3. Strategic Objectives*

<table>
<thead>
<tr>
<th>Perspectives</th>
<th>Strategic Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer</td>
<td>• Increase Accessibility</td>
</tr>
<tr>
<td></td>
<td>• Increase Customer Satisfaction</td>
</tr>
<tr>
<td>Finance</td>
<td>• Increase Financial Strength</td>
</tr>
<tr>
<td></td>
<td>• Improve Resource Utilization</td>
</tr>
<tr>
<td>Internal Process</td>
<td>• Improve Responsiveness</td>
</tr>
<tr>
<td></td>
<td>• Network Quality improvements</td>
</tr>
<tr>
<td></td>
<td>• Increase Sales channels</td>
</tr>
<tr>
<td></td>
<td>• Process Improvements</td>
</tr>
<tr>
<td>Organizational Capacity</td>
<td>• Improve organizational Culture</td>
</tr>
<tr>
<td></td>
<td>• Expand Telecom infrastructure</td>
</tr>
<tr>
<td></td>
<td>• Develop Human Capacity</td>
</tr>
</tbody>
</table>
STEP Four: Strategy Mapping

The corporate strategy map of the Ethio Telecom is developed by following the value chain and cause and effect relationship between the objectives. Below is the strategy mapping showing all objectives aligned based on the value chain.

![Strategy Mapping of Ethio Telecom](image-url)

*Figure 2.2. Strategic Mapping of Ethio Telecom*
Step Five: Performance Measures and Targets

To come up with candidate performance measures, the objective commentary was thoroughly reviewed. Brainstorming discussions were also held with process owners to get suggestions of possible measures. These measures were further screened based on the following criteria:

- Those with the strongest contribution to (correlation with) strategic objectives;
- Those over which the organization has influence;
- Those that capture desired behavioral changes;
- Those that use accessible data; and those that can be easily understood.

Accordingly, performance measures were selected and the Data Definition Table completed for the selected measures.

Step Six: Strategic Initiatives

The sources for developing candidate strategic initiatives were list of current initiatives, the parking lot established upon selecting strategic objectives and brainstorming based on the target set for each measure. The following are the steps employed to develop candidate strategic initiatives:

- An inventory of current initiatives was reviewed and each initiative was then evaluated to ensure whether it supports at least one strategic objective,
- Current initiatives that do not support any strategic objectives were eliminated, and missing initiatives were developed through discussion with process owners.
- The remaining initiatives were prioritized to select top priority projects (“A List” one) based on the following criteria:
  - Number of objectives addressed,
  - Potential alleviation of organizational pain,
  - Organizational capacity
- Based on the above criteria, Ethio Telecom have selected thirteen initiatives that could support the implementation of the strategic objectives. The Initiatives are:
  1. Telecom Expansion programs
  2. Quality of Service Improvement Programs
  3. Fraud Prevention Programs
  4. Process Improvement programs
5. Sales Incentives Programs
6. Management and Employees capacity Programs,
7. Customer service improvement Programs
8. Distribution channels expansion projects
9. Procurement and Supply,
10. Government projects implementation
11. Bad debt collection implementation,
12. Partnership management,
13. Revenue assurance

2.5. Conceptual Model

Following the review of the literature, the researcher presents a modified framework for the effect of BSC implementation on employee performance appraisal.

2.5.1. Independent variable:

Balanced Scorecard implementation is the independent variable to have an effect on employees’ performance appraisal practices which include: Bridge the gap between individual and organizational performance, Contribute to the administrative and developmental purposes of performance appraisal, Improve quality of data availability, equivalence, interpretability and practicality, and Support the elimination of qualitative and quantitative rating errors.

2.5.2. Dependent Variables

Employee performance appraisal practice is the dependent variable which can be measured by checking the link between the organization’s objective and individual objectives (strategic criteria), the reduction of the subjectivity of the measurement criteria (qualitative and quantitative criteria), the reporting and documentation quality and most importantly the relationship between supervisors and employees (utilization criteria).
2.4.3. Model

Link between Organizational and Individual goals

Performance measurement criteria objectivity

Administering, Reporting, and Documentation Quality

Better R/p between Supervisors and subordinates

Employee Performance Appraisal

Independent Variable

Balanced Scorecard

Dependent Variable

Figure 2.3. Adopted from (Ho & McKay, 2001), Relationship between Independent Variable and Dependent Variables
CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1. Research Design

There is a significant difference between qualitative and quantitative study approaches. In quantitative research, the data obtained from the respondents is expressed in mathematical form. However, in qualitative research, the data obtained from the study is not expressed in numerical form. Qualitative research emphasizes on the stated experiences of respondents and on the meaning they attach to themselves, to other people, and to their environment (Saunders, et al., 2009).

Less well known than either the quantitative or qualitative strategies are those that involve collecting and analyzing both forms of data in a single study, (Creswell 1998), Recognizing that all methods have limitations, researchers felt that biases inherent in any single method could neutralize or cancel the biases of other methods. Triangulating data sources—a means for seeking convergence across qualitative and quantitative methods - were born, (Creswell, et al., 1998).

Therefore, to capture the best of both quantitative and qualitative approaches and to fulfill the purpose of this study – to both generalize the findings to a population and develop a detailed contextual analysis as it develops in a real-world setting, the researcher has found the mixed method to be more suitable. To be more specific concurrent procedures, in which the researcher converges quantitative and qualitative data in order to provide a comprehensive analysis of the research problem was followed.

The purpose of this study is causal research. In this study, a single case study organization (Division) is chosen instead of multiple case studies for some reasons. Firstly, this single case study ‘represents the critical case in testing a well-formulated theory’ (Yin 2003 cited by Saunders et al. 2009). The case study Division is chosen to find out whether or not the effects of BSC on employee Performance appraisal reported in literature are observed and whether Ethio Telecom has implemented it successfully. Secondly, this is a revelatory case, in which the researcher has an opportunity to observe and analyze the phenomenon. Finally, this is a cross-sectional case and therefore must be studied at a particular given period to discover how BSC is contributing to an
effective employee performance appraisal practices (Saunders, et al., 2009). Based on these reasons, the commercial stream of the organization was chosen as a case study.

3.2. Sample and Sampling techniques

3.2.1. Population
The population size of the study is 5,112 employees. The population of each Division based on their position in their respective Division is shown in table 3.1 below.

Table 3.1. The population of the Commercial Divisions based on positions

<table>
<thead>
<tr>
<th>No.</th>
<th>Positions</th>
<th>No. of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Senior Mangers</td>
<td>17</td>
</tr>
<tr>
<td>2</td>
<td>Line Mangers</td>
<td>445</td>
</tr>
<tr>
<td>3</td>
<td>Staffs</td>
<td>4550</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>5,112</td>
</tr>
</tbody>
</table>

Source: Organization Payroll, Nov 2015

For the purpose of this research, the study population was grouped according to Divisions from which the sample was selected. The population is categorized as follows in table 3.2 below.

Table 3.2.: Population of employees based on Divisions

<table>
<thead>
<tr>
<th>No.</th>
<th>Divisions</th>
<th>No. of Employees</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Customer Services Division</td>
<td>2,408</td>
<td>1,217</td>
<td>1,191</td>
</tr>
<tr>
<td>2</td>
<td>Residential Sales Division</td>
<td>2110</td>
<td>658</td>
<td>1,452</td>
</tr>
<tr>
<td>3</td>
<td>Enterprise Sales Division</td>
<td>462</td>
<td>152</td>
<td>310</td>
</tr>
<tr>
<td>4</td>
<td>Marketing and Communication Division</td>
<td>132</td>
<td>47</td>
<td>85</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>5,112</td>
<td>2074</td>
<td>3038</td>
</tr>
</tbody>
</table>

Source: Organization Payroll, Nov 2015
3.2.2. Sample Size and Sampling Technique

The sampling technique for the study is stratified random sampling. The rational for choosing this strategy is to give equal representation to all the departments of the organization. This technique helps to obtain estimates of known precision for certain subdivisions of the commercial divisions by treating each subdivision as a stratum. It is preferred to other techniques due to its capacity to produce a gain in precision of the estimates of characteristics of the whole population. The researcher considered a sample size of 120 participants in the study. The sampling size is determined using (Yamane 1967:886 cited by Israel 1992) simplified formula for calculating sample sizes. Which is $n = \frac{N}{1+N(e)^2}$ where “n” is the sample size, “N” is the population size, and “e” is the level of precision. The level of precision, sometimes also called sampling error, which is the range in which the true value of the population is estimated, for the purpose of this study, is $+9 (e = 0.09)$.

Calculating the sample size using the above formula will give us 120 participants ($\frac{5,112}{1+5112(0.09)^2}$).

Based on the population in each Division, the following assignment is done. 57 participants were be selected from Customer Services Division, 50 participants from Residential and Sales Division, 11 participants from Enterprise Division, and 3 participants from Marketing and Communication Division. (Israel, 1992)

The sample of the study comprised of two forms of respondents: heads of departments or line managers and floor staffs of the Division. The different perspectives provided by these heads of department and employees deemed significant to totally capture the dynamics of the BSC and PA practices in the organization. More specifically, heads of departments have a closer view and understanding on how performance appraisal tools are applied and accepted by the users (employees), their benefits and challenges and its effectiveness towards the improvement of performance.

Table 3.3: Employees sampled for the study
<table>
<thead>
<tr>
<th>No.</th>
<th>Divisions</th>
<th>No. of Employees</th>
<th>Sample selected</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Customer Services Division</td>
<td>2,408</td>
<td>57</td>
<td>29</td>
<td>27</td>
</tr>
<tr>
<td>2</td>
<td>Residential Sales Division</td>
<td>2110</td>
<td>50</td>
<td>16</td>
<td>34</td>
</tr>
<tr>
<td>3</td>
<td>Enterprise Sales Division</td>
<td>462</td>
<td>11</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>Marketing and Communication Division</td>
<td>132</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>5,112</strong></td>
<td><strong>120</strong></td>
<td><strong>50</strong></td>
<td><strong>70</strong></td>
</tr>
</tbody>
</table>

Source: Author’s Construct, 2016

3.3. Source and tools / Instruments of data collection

Both primary and secondary data were used in the data collection part of the research.

3.3.1. Primary Sources of Data:

*Questionnaire*: one of the primary sources of data is questionnaire with close ended questions (to view the senior management, lower management and staffs perspective). The questionnaire is used to measure variables that are uniquely important to employees working at different levels of the organization (i.e. senior level management, middle level management and staffs).

*Semi structured Interview*: the second primary source of data is interview. In-depth semi structured Interview is used to view the organizations BSC team champions’ perspective, especially of the management.

3.3.2. Secondary Sources of Data

Since the study tried to identify the effectiveness of the BSC implementation on the employee performance appraisal practices, analysis of the organizations’ BSC and employee performance appraisal documents, plans, reports, and the like was necessary.
3.4. Validity and Reliability

For better content validity and reliability, copies of expert questionnaire were given out after the questionnaire is designed and before pilot-testing. Regarding its contents and clarity of questions employees around ten were randomly selected from different department of the target population and comment their suggestions and amendments were made based on the feedbacks.

The questionnaire was designed on the basis of Multi-Dimension Measurement and all answers will be measured on a 7-point Likert Scale, with 7 being Strongly Agree and 1 being Strongly Disagree. A higher score represents a greater degree of agreement, and vice versa. Since the seven point Likert scale is more common in various areas of research, the general population is familiar with the format. Therefore, in addition to external validity, the use of a Likert scale could be considered a benefit as it would reduce the amount of potential confusion and increase the internal validity of the questionnaire.

Interview guide was also used for issues that require further elaboration and clarifications concerning the areas of the study, scope and significance.

For the data to be a reliable source of information employees from Commercial Divisions of the organization are selected randomly. In addition to this some questionnaires were distributed to Human Resource employees who would have a diverse view of the employee response. This in turn will make the information reliable for conclusion to the effect of BSC implementation on the employee performance appraisal practices. All this facts can contribute for the reliability of the data to be obtained for the study being undertaken.

3.5. Methods of Data Analysis

The study uses regression analysis which is a statistical technique that is used for studying the relationship between the dependent and independent variable (s). It provides a method to
predict the changes in the dependent variable in response to changes in either a single or more than one independent variable. Hence, it allows the researcher to determine the relative importance of each predictor as well as to ascertain the contribution of the independent variables (Sekaran, 2003). Therefore, in this study the implementation of BSC as employee performance appraisal is the independent variable and the practice of employee performance appraisal is the dependent variable.

Data that the researcher collected for this study is presented using tables and charts. Then it was analyzed using both quantitative and qualitative tools. Among the quantitative tools, this study will apply descriptive and advanced inferential statistical tools like, frequencies, percentages, correlation coefficients and regression. In which the researcher uses SPSS and Microsoft Excel for ease of data presentation and analysis. In addition, Qualitative analysis (simple narrative) technique was used for interview data.

When major differences are observed between the responses from the management and employees; the data will be presented differently, but if there is no major differences between the responses from both respondents, the data will be presented jointly.
CHAPTER FOUR- DATA PRESENTATION and ANALYSIS

4.1. Introduction

This chapter consists of quantitative and qualitative analyses by utilizing information which were provided from the general information and the basic information (for closed-ended, unstructured interview) of independent respondents.

In this research, 120 questionnaire were distributed to commercial divisions of Ethio Telecom and 114 (95%) respondents returned the questionnaire. The questionnaires are used to find out the employees’ perception of the effects of the implementation of BSC on employee performance appraisal, the case of Ethio Telecom. The questionnaire is divided according to the variables where each variable is measured using a set of items. Reliability test has been performed by conducting pilot test for 12 sample respondents and the Cronbach’s alpha test shows reliabilities are at 0.886 (See Table 4.1) for all the variables adopted, which is more than the standard (0.7).

Table 4.1: Reliability Statistics

<table>
<thead>
<tr>
<th>Cronbach’s Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.886</td>
<td>24</td>
</tr>
</tbody>
</table>

SPSS Output - Survey Questionnaire

All responses are measured on a seven point scale anchored on 1- “Very Strongly Disagree”, 2- “Strongly Disagree”, and 3- “Disagree” 4. “Neutral”, 5- “Agree”, 6- “Strongly Agree”, and 7- “Very Strongly Agree. So the respondents are requested to indicate the extent that each statement characterized them using the Likert scale format from 1 (Very strongly Disagree) to 7 (Very strongly Agree).
4.2. Descriptive Statistics for General Information

In this study, in order to have a better understanding on the demographic characteristics and specifications of the respondents, frequency analysis has been used. Totally, there are six questions that give a brief overview of demographic attributes of respondents. The following tables show frequency for all the categories of general information.

Table 4.2.: Work Division of the respondents

<table>
<thead>
<tr>
<th>Work Division</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Services Division</td>
<td>53</td>
<td>46.5</td>
</tr>
<tr>
<td>Enterprise Division</td>
<td>12</td>
<td>10.5</td>
</tr>
<tr>
<td>Residential Sales Division</td>
<td>46</td>
<td>40.4</td>
</tr>
<tr>
<td>Marketing and Communication Division</td>
<td>3</td>
<td>2.6</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>

As shown in the Table 6 above most of the population (around 47%) of the sample respondents are from Customer Services, next most population (40%) are from Residential Sales Division and 11% are from Enterprise Division. The remaining 3% are from Marketing and Communication Division.

Table 4.3.: Gender of the respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>67</td>
<td>58.8</td>
</tr>
<tr>
<td>Female</td>
<td>47</td>
<td>41.2</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>
The above table 4.3 illustrates that around 59% of the sample respondents are male and 41% are female. This implies the study consists of more male than female respondents. However, it also shows that the distribution of male and female in the commercial divisions is proportional than the other divisions. This could be a result of having the call center in the division in which females are encouraged to apply. As indicated in table 3.2, in Customer Service, where the call center is structured, the female population is a little bit more than the male population (+2%). Using the crosstab function in the SPSS, the researcher understands that there was no significant difference in the way both group of population responded to the different questions.

Table 4.4.: Age of the respondents

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-30</td>
<td>53</td>
<td>46.5</td>
</tr>
<tr>
<td>31-40</td>
<td>40</td>
<td>35.1</td>
</tr>
<tr>
<td>41-50</td>
<td>14</td>
<td>12.3</td>
</tr>
<tr>
<td>Above 50</td>
<td>4</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>111</strong></td>
<td><strong>97.4</strong></td>
</tr>
<tr>
<td>Missing</td>
<td>99</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>114</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The above Table 4.4 illustrates most of the respondents’ age is ranged between 18-30 years old (46%) and 35% of them are at the age of 31-40. This indicates that most of the respondents are relatively young. Around 12% and 4% of the respondents have the age of 40 years and greater. Three respondents did not mention their age, hence considered as missing (3%). The increase in proportion for young age of respondents shows Ethio telecom is as whole characterized by young employees, especially after the re-launch of the company as most of the older employees were either terminated or given a chance to retire (secondary data of HR).
### Table 4.5. Educational attainment of the respondents

<table>
<thead>
<tr>
<th>Educational Level</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fist Degree</td>
<td>90</td>
<td>78.9</td>
</tr>
<tr>
<td>Valid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Degree</td>
<td>21</td>
<td>18.4</td>
</tr>
<tr>
<td>Total</td>
<td>111</td>
<td>97.4</td>
</tr>
<tr>
<td>Missing</td>
<td>99</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>

As indicated in the Table 4.5 above the sample of respondents participated in the study are characterized by many First degree holders (around 79%) and 18% are second degree holders. This shows almost all respondents are first degree and second degree which shows there are no diploma holders or third degree holders. Three respondents did not mention their educational level, hence considered as missing.

### Table 4.6. Work position of the respondents

<table>
<thead>
<tr>
<th>Work Position</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>89</td>
<td>78.1</td>
</tr>
<tr>
<td>Supervisor</td>
<td>18</td>
<td>15.8</td>
</tr>
<tr>
<td>Manager</td>
<td>7</td>
<td>6.1</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Under the heading of work position of respondents shown under Table 4.6 above, majority of the respondents are found at employee level (around 78%) and the remaining 22% of the respondents goes to supervisors and managers. Employees and managers/supervisors’ feedback is taken at face value without considering their position as managers and supervisors could also provide feedback taking themselves as subordinates.
Table 4.7: Work experience of the respondents

<table>
<thead>
<tr>
<th>Work Experience</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 2 years</td>
<td>36</td>
<td>31.6</td>
</tr>
<tr>
<td>3-5 years</td>
<td>16</td>
<td>14.0</td>
</tr>
<tr>
<td>6-9 years</td>
<td>12</td>
<td>10.5</td>
</tr>
<tr>
<td>Above 10 years</td>
<td>49</td>
<td>43.0</td>
</tr>
<tr>
<td>Total</td>
<td>113</td>
<td>99.1</td>
</tr>
<tr>
<td>Missing</td>
<td>99</td>
<td>.9</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Based on the data collected through the questionnaire, around 32% of the respondents have less or equal to 2 years of experience in Ethio Telecom and around 25% of them have experience ranging from 3-10 years. The remaining 43% have above 10 years’ experience. One respondent did not respond on the work experience. This shows the sample is very well distributed among the different experience of work.

Generally, the characteristics of the respondents indicate that the gender is almost proportional, in active age, well educated, experienced and placed in the direct implementation. They are expected to have in-depth knowledge and firsthand information about the effect of BSC Implementation on practice of employee performance and appraisal.

4.3. Analysis of the Basic Information (Correlation and Regression Analysis)

The measure of the independent variable, BSC implementation, combines items to assess the effects of BSC elements on the employee performance appraisal. The earlier discussion on the effects of BSC implementation suggests that four features should be included in the measure: link between organizational strategy and individual goals, objectivity of performance measures
and criteria, relationship between Supervisors and employees and reporting and documentation, (Ho & McKay, 2001).

Each element has five item questions the respondents were asked to answer using the 7 scale Likert. A representative item in the link between the strategy and individual goals was “I am clear about the link between the organization’s objectives and my own personal goals”. The representative item in the objectivity of performance measures and criteria item is “My performance targets are clearly defined in the appraisal process”. The relationship between supervisors and employees was represented by main item as “I am satisfied with my relationship with manager/supervisor”. The last representative item that represents the reporting and documentation element is “The reporting and documentation of performance appraisal is automated”.

Using cluster analysis, these four scales are combined in order to assess the overall effects of BSC implementation on employee performance appraisal practices. The resulting variable is then used as an independent variable in the regression analysis. The dependent variable, practice of employee performance appraisal is measured by four items. A representative item in this variable is “My last performance appraisal was fair”.

**Correlation Analysis**

The Pearson correlation between four statements of practice of employee performance appraisal and BSC implementation of four indicators that contain 20 statements is measured. Practices of employee performance appraisal indicators have high correlations with most of the BSC implementation statements.

Table 4.8. below shows a strong relationship between the independent variable (BSC Implementation) and the dependent variable (Practices of employee performance appraisal). It indicates inter-correlations between the two variables. From the analysis, it is noted that the total BSC implementation is positively correlated ($r = 0.684$, P. value .000) with practice of employee performance. Consequently, the main research question is confirmed since there is a significant positive relationship between two variables in Ethio Telecom.
Table 4.8. Pearson Correlation between BSC implementation and overall EPA

<table>
<thead>
<tr>
<th>Balanced Scorecard Implementation</th>
<th>Pearson Correlation</th>
<th>Practice of Employee Performance Appraisal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sig. (2-tailed)</td>
<td>.014</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>12</td>
<td></td>
</tr>
</tbody>
</table>

*. Correlation is significant at the 0.05 level (2-tailed). SPSS Output - Survey Questionnaire

The following section addresses the results obtained for the inferential statistics to ascertain the relationship between each of the four BSC elements and overall employee performance practices. Therefore, this section consists of Pearson correlation matrix and Regression analyses.

Table 4.9. Pearson Correlation between BSC implementation and overall EPA Practices

<table>
<thead>
<tr>
<th>Independent variables (BSC Implantation)</th>
<th>Practice of Employee Performance Appraisal</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSC effect on Linking Strategy and individual goals</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
<tr>
<td>BSC effect on Objectivity</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
<tr>
<td>BSC effect on Documentation</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
<tr>
<td>BSC effect on Relationship</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (1-tailed). SPSS Output - Survey Questionnaire

*. Correlation is significant at the 0.05 level (1-tailed).
Table 4.9 illustrates the relationship between the four elements of BSC implementation and practices of employee performance appraisal. The results indicate there are significant and strong correlations between linking organizational strategy with individual goal and practices of employee performance appraisal ($r = 0.858$, $p < 0.01$) as well as between Objectivity and employee performance appraisal ($r = 0.636$, $p < 0.01$).

The table also shows a moderate correlation between the relationship of employee and supervisors when compared to the practice of employee performance appraisal ($r = 0.606$, $p < 0.01$). However, there was no significant correlation between reporting and documentation with practice of employee performance appraisal ($r = -0.133$, $p > 0.05$).

Therefore, as per the respondents’ response, BSC implementation, which is characterized as linking strategy with individual goals, objectivity and creating good relationship with supervisors has a strong relationship with practices of employee performance appraisal. In the contrary, reporting and documentation, which is highly related with automation and is not yet implemented at Ethio Telecom, do have weak relationship with practices of employee performance appraisal.

**Regression Analysis**

Since a positive correlation between two variables does not imply that one causes the other (Aldrich, 1995), further analysis of regressions is needed. Hence, this study adopted separate regression analyses in order to verify the direction\predicting effect of each BSC implementation components on overall practice of performance appraisal.
**Table 4.10. Coefficients of the BSC effect on EPA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.184</td>
<td>.310</td>
<td>.595</td>
</tr>
<tr>
<td>BSC effect on Link</td>
<td>1.099</td>
<td>.083</td>
<td>.949</td>
</tr>
<tr>
<td>BSC effect on Objectivity</td>
<td>-.725</td>
<td>.203</td>
<td>-.603</td>
</tr>
<tr>
<td>BSC effect on Documentation</td>
<td>-.080</td>
<td>.050</td>
<td>-.076</td>
</tr>
<tr>
<td>BSC effect on Relationship</td>
<td>.607</td>
<td>.156</td>
<td>.577</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Practice of Employee Performance Appraisal

The regression equation for components of BSC implementation and overall performance appraisal practices shows R square of 77%: BSC Implementation: 0.184+1.099 (BSC Effect on Link) + -.725 (BSC Effect on Objectivity) + -.080 (BSC Effect on Documentation) + .607 (BSC Effect on Relationship), Hence, as it is mentioned in the Table 4.11 below, only one indicator "BSC effect on Link" (P. value: 0.00< 0.01) in enter mode can be considered as good predictor, so there is a need for stepwise mode to see which components of performance BSC implementation are suitable predictors for overall performance appraisal practices.
Table 4.11. The Coefficients Table of Enter Mode: BSC implementation indicators and EPA

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.037</td>
<td>.291</td>
</tr>
<tr>
<td></td>
<td>BSC effect on Link</td>
<td>.993</td>
<td>.056</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Practice of Employee Performance Appraisal SPSS Output - Survey Questionnaire

The results indicated that the R-Squared value of 0.736 indicates that 73.6% of the variation on the performance appraisal practices can be accounted for “BSC effect on link variable”. This implies the remaining 26.4% of the variation is explained by other factors.

This also indicates that BSC implementation component of linking the organization’s strategic objectives to that of individual goals is a good predictor of the overall practices of employee performance appraisal. The discussion is triangulated with the interview question as follows:

**Question 1. What is the Effect of BSC implementation on Linking Organizational objectives to Individual goals**

Table 4.12. Table Model Summary for BSC Effect on link

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>R Square Change</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.858a</td>
<td>.736</td>
<td>.734</td>
<td>.499</td>
<td>.736</td>
<td>312.192</td>
<td>1</td>
<td>112</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), BSC effect on Link

This is supported by the Interview feedback from Question 1, i.e. would you mention few of the effects that balanced scorecard implementation brought on communicating to your team what is expected of them? From the responses provided, majority\more than half of the respondents
replied that it, balanced scorecard implementation, has contributed to easily communicate what is expected of the employees under them.

More specifically, they explained it helped them link the organizations strategy to their employees’ individual goals, few of the respondents answered that it is really a good communication tool that can be used to train employees on performance management. Nevertheless, it is possible to conclude that BSC implementation is a tool that could improve the practice of employee performance appraisal in terms of creating linkage between organizational strategy and individual goals.

*Table 4-13 ANOVA for BSC Effect on Link*

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>77.666</td>
<td>1</td>
<td>77.666</td>
<td>312.192</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>27.863</td>
<td>112</td>
<td>.249</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>105.529</td>
<td>113</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Practice of Employee Performance Appraisal
b. Predictors: (Constant), BSC effect on Link

This is in line with assertion made by Malina & Selto (2001). In their study “Effectivity of BSC as a strategy communication and management control device”, they have confirmed that, BSC may intensify organizational focus to perform against strategic objectives. In this research, they asserted that BSC helps to align actions to strategic objectives and to improve the quality of information for managerial decision making.

The other three variables, BSC effect on relationship ($\beta = 0.085$, $t = 1.34$, $p > 0.01$), BSC effect on Documentation ($\beta = -0.525$, $t = -1.052$, $p >0.01$), BSC effect on Objectivity ($\beta = -0.008$, $t = -.109$, $p >0.01$) have little or no influence in predicting the outcome of the practice of performance appraisal (See Table 4.14 below).
The feedback from the interview also showed that all the other three components of BSC implementation variable did not contribute much to the changes in employee performance appraisal practices. According to the feedback, this was mainly due to the poor implementation of BSC. Below are the feedbacks from the respondents for the three questions:

**Question 2. What is the effect of BSC implementation on consistency and fairness of ratings?**

As per few of manager respondents, consistent and fair rating are one of the effects brought about by the implementation of BSC. However, most respondents do not see a clear effect on rating, as the measurement criteria still has a problem in terms of setting targets and measuring the right output. According to the respondents, identifying the leading and lagging measures and explaining and getting the subordinates to buy in to it is really a problem, This is in line with what the feedback from the questionnaire suggests as well.

**Question No.3 Relationship between Supervisors and subordinates**

As per the responses of the respondents the relationship between the supervisors and employees has been improved since the implementation of BSC, but there are still issues to be
resolved especially at the time of cascading and setting achievable targets. This is against the assumption that BSC implementation has the potential effects on the improvement of relationship between supervisors and subordinates. This is also in line with the assertion from the questionnaire feedback that BSC effect as a means to improve the relationship, thereby, affecting the practice of employee performance appraisal is minimal.

**Question No 4. The documentation associated with performance appraisal?**

Most respondents believe that BSC implementation without automation will never be effective. The fact that the reporting and documentation is being done manually using excel, did not help the performance appraisal process. Many of them responded that the BSC implementation did not improve the reporting and documentation; it rather complicated the situation as there are complex ways of gathering data and analyzing them. Here, we are forced to recognize that the implementation of BSC hardly improved the documentation and reporting of the performance management system in general and the practice of the employee performance appraisal process in particular.

This is again in line with the findings of Zemenu & Habtamu (2013). In their research on challenge and prospects of BSC, they showed flaws in the BSC implementation like: cascading and alignment of the BSC to reward and personal development plan, difficulties in setting performance measures, subjectivity and favoritism in performance monitoring and evaluation system, and laborious paper based performance data handling and management system (lack of automation) has impeded the effectiveness of the BSC in achieving intended objectives.
CHAPTER FIVE -SUMMARY OF FINDINGS, CONCLUSIONS and RECOMMENDATIONS

Introduction

This chapter summarized what the researcher has done so far and answered the research questions stated in the beginning. Summary of findings generated from the research are presented in the chapter also. The researcher discussed the findings of the study and gave suggestions for future research and finally provided some recommendations to the management of the Company.

5.1. Summary of Findings

Based on the reports provided under the 4th chapter, the following summaries of findings are given to let the readers know about the key results of this study.

Findings regarding the general information

The sample size (n= 120) represented 23.5% of the total population in Commercial Division of Ethio Telecom. 114 of them replied to the questionnaire. 58% of the respondents are male and 42% are female. Most of the respondents age (48%) is ranged between 18-30 years followed by 31-40 years (35%) Majority of the sample respondents (around 78.3%) are BA\BSC holders. Around 77% of the respondents are at the employee level. Most of the respondents have above 10 years of work experience.

Findings regarding research question 1: What is the effect of overall BSC implementation on employee Performance appraisal practices at Ethio Telecom?

It is noted that the total BSC implementation is positively correlated (r = 0.684, P. value .000) with practice of employee performance. Consequently, the main research question is confirmed since there is a significant positive relationship between two variables in Ethio Telecom. The interview result also showed there is a positive relationship between the two variable as the respondents recognized that BSC implementation generally has improved the practice of employee performance appraisal.
Findings regarding research question 2: To what extent did the implementation of Balanced Scorecard help in linking the objective of the organization to the individual’s goals?

The results indicate there are significant and strong correlations between linking organizational strategy with individual goal and practices of employee performance appraisal (r = 0.858, p < 0.01). This study also tested a conceptual model which is clearly depicted in figure 2.3 using a regression analysis and the results showed that linking the strategic objectives of the organization with individual goals has a significant influence on overall employee performance appraisal practices (73% of the variation on the employee performance appraisal practices can be accounted for this variable). The study indicated this variable has strong role of predicting overall practice of employee performance appraisal practice (£ = 0.993, t = 17.6, p < 0.01). (See Table 4.14.)

Findings regarding research question 3: To what extent does the Balanced Scorecard implementation broadens the performance measures criteria, thereby improving the objectivity of the measures?

Objectivity of measures and employee performance appraisal (r = 0.636, p < 0.01) showed there is a moderate correlation between them. However, the result showed that this variable do not have a strong role in predicting the variation in the employee performance practices. BSC effect on Objectivity (£= -0.008, t = -.109, p >0.01) with a negative percentage has little or no influence in predicting the outcome of the practice of performance appraisal (See Table 4.14.)

Findings regarding research question 4: What is the extent of the performance appraisal reporting and documentation quality improvement after the implementation of the Balanced Scorecard?

This variable, (Documentation, reporting and data quality) has a negative correlation with employee performance appraisal practices (r = -0.133, p > 0.05). This could be accounted for the non-existent automation following the implementation of BSC in the organization. Many respondents from the interview said that the BSC implementation did not improve the reporting and documentation; it rather complicated the situation as there are complex ways of gathering data and analyzing them. This is also confirmed by the regression analysis result (£= -0.525, t = -
1.052, p >0.01), showing no role in predicting the changes in employee performance appraisal practices.

**Findings regarding research question 5: To what extent has the Balanced Scorecard implementation improved the relationship between supervisors and employees?**

The relationship of employee and supervisors when compared to the practice of employee performance appraisal showed a moderate correlation with coefficient and probability of (r = 0.606, p < 0.01). Despite the acceptable correlation between them, the regression analysis showed that the independent variable (BSC effect relationship) has little influence in predicting the changes in the dependent variable (Employee performance appraisal practices) with a result shown on table 4.12. (£ = 0.085, t = 1.34, p >0.01).

**5.2. Conclusions**

The study investigated the effects of BSC implementation on the overall practices of employee performance appraisal. First, the four major components of BSC implementation were assessed in this study to develop a profile of Ethio Telecom. Overall, the study confirms that BSC implementation has a positive effect on the practices of performance appraisal. Specifically, the link between organizational objectives and individual goals was considered to have stronger relationship on performance appraisal. Furthermore, there are several researches in the past which have highlighted similar relationships.

(Malina & Selto, 2001), in their study “Effectivity of BSC as a strategy communication and management control device”, confirmed that, BSC may intensify organizational focus to perform against strategic objectives. In this research, they asserted that BSC helps to align actions to strategic objectives and to improve the quality of information for managerial decision making.

The other three components of BSC, Objectivity, Documentation and Relationship between supervisors and employees do not have strong relationship with and contributed less to the practice of employee performance appraisal. According to the findings from the interview, this could be a result of the poor implementation of the balanced scorecard and the ineffective communication and training to the employees and management on how to use the tool. (Zemenu
& Habtamu, 2013) in their research on challenge and prospects of BSC showed flaws in the BSC implementation like: cascading and alignment of the BSC to reward and personal development plan, difficulties in setting performance measures, subjectivity and favoritism in performance monitoring and evaluation system, and laborious paper based performance data handling and management system (lack of automation) has impeded the effectiveness of the BSC in achieving intended objectives.

In the qualitative analyses, majority of the respondents (Managers) said that the link between organizational objectives and individual goals is the main contribution that the BSC implementation have brought on the overall practices of performance appraisal. This confirmed that the output from the questionnaire and the open ended interview questions was similar and lead to the same conclusion.

5.3. Recommendations

Taking the findings and conclusions under considerations but notwithstanding the limitations of the study, a number of recommendations for Ethio Telecom as well as for future research are suggested.

- The findings indicate that the link between organizational objectives and individual goals have a positive effect on the overall practices of employee performance appraisal but the research did not provide sufficient support that objectivity, relationship and documentation have the same effect. Hence, Ethio Telecom better pay attention to overall implantation of BSC.
- To improve the objectivity and consistency of the criteria ratings, the organization should work on communication and training to bring the level of knowledge of managers and supervisors up to standard, in terms of understanding how to assign targets, how to identify lagging and leading measures and how to follow-up and evaluate employees based on their performance.
- Automation is a very important step of BSC and the fact that Ethio Telecom is using manual methods to gather, analyze, report and disseminate information has been an
obstacle to quality of performance appraisal process. The researcher recommends that Ethio Telecom right away starts automating the BSC implementation process if it aspires to benefit from the tool. The performance appraisal templates forms and reporting templates need some updates accordingly.

- The relationship between employees and supervisors is a tricky situation that almost all types of performance management tools are facing. It consists of human element that subject to bias, favoritism and conflict. BSC tool, if implemented well, could reduce this situations if not avoid them all together. Hence it is the accumulated output of the other three variables and need closest follow-up of HR and managers.
REFERENCES


APPENDICES

Appendix A.

ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE
MA-PROGRAM
RESEARCH QUESTIONNAIRE
(To be filled by Employees and Supervisors)

The Effects of the Implementation of Balanced Scorecard on Employee Performance Appraisal Practices, the Case of Ethio Telecom

This questionnaire is primarily intended as preliminary criteria for the partial fulfillment required for the award of THE DEGREE OF MASTERS OF ARTS IN HUMAN RESOURCE MANAGEMENT (MA). The general objective of the study is to see the effects of BSc implementation on the employee performance appraisal practice.

The questionnaire is designed to collect relevant information on the stated topic from employees.

Your thorough and genuine responses are relevant for the success of the study. All the information given will be kept confidential.

Thank you in advance for your cooperation

Yared Tadesse

Remarks:

1. Put ‘✓’ mark wherever blank boxes are provided.
2. State your answers for the blank spaces provided, briefly.
3. Please feel free to write any response.
4. Read all the questions before you answer.
## PART I: GENERAL PURPOSE QUESTION

Please fill and tick (v) where appropriate

<p>| | | | | |</p>
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<tr>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Sex:</td>
<td>Male □</td>
<td>Female □</td>
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</tr>
<tr>
<td>2</td>
<td>Age:</td>
<td>18-30 □</td>
<td>31-40 □</td>
<td>41-50 □</td>
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<td>3</td>
<td>Education Level</td>
<td>Diploma □</td>
<td>First Degree □</td>
<td>Second Degree □</td>
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<td>4</td>
<td>Work positions</td>
<td>Manager □</td>
<td>Supervisor □</td>
<td>Employee □</td>
</tr>
<tr>
<td>5</td>
<td>experience</td>
<td>≤ Two years □</td>
<td>3-5 years □</td>
<td>6-9 years □</td>
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<td>6</td>
<td>Division</td>
<td>Customer Services □</td>
<td>Enterprise Sales □</td>
<td>Residential Sales □</td>
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PART II: BSC IMPLEMENTATION

Directions: Please respond to the following questions by encircling to the number provided in the table (7, 6, 5, 4, 3, 2 and 1).

<table>
<thead>
<tr>
<th>S.No</th>
<th>Dimensions</th>
<th>Very strongly agree</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Very strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I know the strategic themes of the organization very well</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>I am clear about the link between the organization’s objectives and my own personal goals</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>My personal performance measurements are linked to the organizations visions through the objectives on the strategic map</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
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<tr>
<td>4</td>
<td>There is clear causal relationship between the different strategic objectives that are basis to my individual goals</td>
<td>7</td>
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<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>My performance targets are properly cascaded from my section’s targets</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
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<tr>
<td></td>
<td>Performance measurement criteria</td>
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<td></td>
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<td>objectivity</td>
<td></td>
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</tr>
<tr>
<td>1</td>
<td>My performance measures include all four perspectives (financial, customer, internal business processes, and organizational learning and growth)</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>My performance targets are clearly defined in the appraisal process</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>The performance criteria/instruments used to measure my performance are clearly and objectively defined</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Performance measures and KPIs identified for my position are achievable</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>I am clear about how my overall performance rating is decided</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
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<tr>
<td></td>
<td>Relationship between Supervisors and subordinates</td>
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<tr>
<td>1</td>
<td>I am satisfied with my relationship with manager/supervisor</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>My manager discuss regularly and provides me continuous feedback about my job performance</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>My manager have asked me to participate in the upward feedback</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>I had my Individual accountability Plan with my supervisor.</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Following my annual performance appraisal, I have opportunity to comment on the appraisal discussion and the overall performance rating.</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
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<table>
<thead>
<tr>
<th></th>
<th>Administering, Reporting, and Documentation Quality</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The reporting and documentation of performance appraisal is automated</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>The Performance Appraisal form is easy to understand and use</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
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<tr>
<td>3</td>
<td>The performance-rating grid is clear</td>
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<td>6</td>
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<td>2</td>
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<tr>
<td>4</td>
<td>All the information obtained from performance appraisal is confidential</td>
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<td>6</td>
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<td>2</td>
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<tr>
<td>5</td>
<td>I receive adequate training and information about the performance appraisal cycle before it starts</td>
<td>7</td>
<td>6</td>
<td>5</td>
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PART III: EMPLOYEE PERFORMANCE APPRAISAL PRACTICES

<table>
<thead>
<tr>
<th>S.No</th>
<th>Dimensions</th>
<th>Very strongly agree</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Very strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>clarity of performance expectations,</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
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<tr>
<td></td>
<td>At the beginning of the new budget, I knew how my performance would be evaluated</td>
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</tr>
<tr>
<td>2</td>
<td>Fairness of the performance appraisal process</td>
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<td>6</td>
<td>5</td>
<td>4</td>
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<tr>
<td></td>
<td>My last performance appraisal was fair</td>
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<tr>
<td>3</td>
<td>level of communications and trust between the employee and their supervisor,</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
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<tr>
<td></td>
<td>Often the progress towards my goals set in previous meetings is reviewed by my supervisor with me</td>
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<tr>
<td>4</td>
<td>I have confidence and trust in my immediate supervisor regarding his/her general fairness</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
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</tbody>
</table>


Appendix B.

Interview questions on Effects of BSC Implementation on Employee Performance Appraisal Practices: to be filled by Managers

Do you think the implementation of BSC had an effect on the practice of employee performance appraisal? If so, would you mention few of the effects that it brought on:

1. communicate to your team what is expected of them  
   ___________________________________________________________  
   ___________________________________________________________  
   ___________________________________________________________  

2. Consistent & fair ratings (Objectivity)  
   ___________________________________________________________  
   ___________________________________________________________  
   ___________________________________________________________  

3. Relationship between Supervisors and subordinates  
   ___________________________________________________________  
   ___________________________________________________________  
   ___________________________________________________________  

4. The documentation associated with performance appraisal  
   ___________________________________________________________  
   ___________________________________________________________  
   ___________________________________________________________