



The Challenges of Implementing Performance Based Pay System: The Case of Ethio-Telecom

By: Yoseph Muluneh

Advisor: Jemal Abagissa (PhD)

A Master's Thesis Submitted to the department of Public Administration and Development in Partial Fulfillment of the Requirement for the Degree of Master's in Public Management and Policy, Specialization in Public Policy and Studies

**Department of Public Administration and
Development Management**

College of Business and Economics

Addis Ababa University

March 2015

Addis Ababa, Ethiopia

Addis Ababa University

College of Business and Economics

**Department of Public Administration and Development
Management**

Master's Program in Public Management and Policy

**The Challenges of Implementing Performance Based
Pay System: The Case of Ethio-Telecom**

By: Yoseph Muluneh

Approved By Board of Examiners:

Name	Signature	Date
1. Dr. Hussein Jemma (external examiner)	_____	_____
2. Mr. Shumey Berhe (internal examiner)	_____	_____
3. Dr. Jemal Abagissa (advisor)	_____	_____

Approved by AC's Chairperson:

Name: _____ **Signature:** _____ **Date:** _____

Acknowledgements

Firstly, I'd like to thank my Lord and Savior the Almighty God for all the wisdom and love He bestowed upon me throughout my life.

Secondly, my thanks goes to my advisor Dr. Jemal Abagissa, for his priceless comments on this study as well as his coaching, direction and encouragement from the day I joined this post-graduate studies.

My appreciation also goes to the Ethio-Telecom management and employees who took time to fill the questionnaire genuinely and all the Human Resources Division management who have been supportive in providing the necessary materials that helped me prepare this thesis.

Last but not least, my deepest thanks go to my lovely and precious wife, a gift from heaven, for her unlimited support and love in all my academic life.

Yoseph Muluneh

March 2015

Table of Contents

Acknowledgements	ii
List of Tables	vi
List of Figures.....	vii
Acronyms	viii
<i>ABSTRACT</i>	x

Chapter One

Introduction	1
Background of the Study	1
1.1. Background of the Study	1
1.2. Statement of the Problem	3
1.3. Research Questions	4
1.4. Objectives of the study.....	4
1.5 Scope and limitation of the study.....	5
1.6 Significance of the study	5
1.7 Organization of the study	5

Chapter Two

Literature Review	6
Introduction	6
2.1 Overview of NPM and Performance-Based Management System	6
2.2 Definition and description of Performance Management, performance appraisal and Results based performance management	7
2.2.1 Performance Management	8
2.2.2 Performance appraisal	9
2.2.3 Performance based pay	10
2.3 History of Performance Management.....	11
2.3.1 Merit rating	11
2.3.2 Management by Objectives	11
2.3.3 Performance Management	12
2.4 Components of a good performance management.....	15

2.5	Performance Management and Reward or Incentives	17
2.5.1	Incentives	18
2.5.2	Fairness	19
2.5.3	Evaluation Criteria	20
2.6	Performance measurement	21
2.6.1	Goal Setting	22
2.6.2	Balanced Scorecard (BSC)	25
2.6.3	Dashboards (Tableau de bord)	25
2.7	France telecom and introduction of Dashboards in ethio telecom	27
2.7.1	New structure	28
2.7.2	Performance Dashboard usage	29
2.7.3	Boost sales	30
2.7.4	Capacity building activities	30

Chapter Three

Methodology, Methods and Tools	32
3.1. Research Methodology and Method.....	32
3.2 Data Type, Sources and Collection Instrument	32
3.3 Sampling Design.....	33
3.4. Data Analysis Methods	33

Chapter Four

Results of the Study	34
4.1. Demographic Characteristics of the Respondents	34
4.2. Availability of performance appraisal system and performance based pay system	35
4.3. Objectives, targets, and goal setting	39
4.4. Performance assessment process, performance review and feedback	48
4.5. Performance based pay system in the organization	51
4.6. Specific Challenges faced in the course of implementing Performance-Based Pay System	57
4.6.1. Pressure from the Managing Board	57
4.6.2. There was no uniform understanding among management.....	58
4.6.3. Lack of customized rating format and measuring tool.....	59

Chapter Five

Conclusion and Recommendation.....	60
5.1. Conclusion	60
5.2. Recommendation.....	61
6. References.....	63
7. Annexes.....	68
Declaration.....	95

List of Tables

Table	Page No.
Table-1: Comparison between Management by Objective, Performance Appraisal & Performance Management.....	14
Table-2 Management group response towards goals and target setting	40
Table-3 Employee group response towards goals and target setting	40
Table-4Mgt group response towards supporting employees in preparing their plan	44
Table-5 Employees' response towards their raters understanding on the requirements of their work.....	50
Table-6 Mgt group response towards reviewing performance status of their rates.....	50
Table-7 Mgt group response towards payment according to performance result.....	52
Table-8 Employee group response towards payment according to performance result.....	52
Table-9 Both Management and Employee group response towards their view on changing the current performance based pay system	55

List of Figures

Figure	Page No
Figure-1 Ethio telecom structure.....	28
Figure-2 Raters response on existence of performance appraisal system.....	36
Figure-3 Ratees response on existence of performance appraisal system.....	37
Figure-4 Raters response on existence of performance pay system	37
Figure-5 Ratees response on existence of performance pay system.....	38
Figure-6 Ratees' response on knowledge of goals of the company at the start.....	41
Figure-7 Rater' response on knowledge of goals of the company at the start	42
Figure-8 Raters response on explaining goals of their section to employees.....	43
Figure-9 Employees response on performance expectation explained by their raters.....	45
Figure-10 Ratees' response on performance goal setting with their raters.....	45
Figure-11 Ratees' response on being evaluated by agreed targets.....	47
Figure-12 Ratees' view on their raters understanding of performance appraisal format & procedures.....	49
Figure-13 Raters response on being satisfied with the performance based pay system.....	53
Figure-14 Ratees' response on being satisfied with the performance based pay system.....	54

Acronyms

ADSL	Asymmetric Digital Subscriber Line
BR	Below Requirements
BSC	Balanced Scorecard
BTS	Backbone Transmission Service
CDMA	Code Division Multiple Access
CEO	Chief Executive Officer
EFY	Ethiopian Fiscal Year
EMB	Executive Management Board
ERP	Enterprise Resource planning
ETA	Ethiopian Telecommunications Authority
ETC	Ethiopian Telecommunications Corporation
ETOM	Enhanced Telecom Operations Map
EVDO	Evolution Data Optimized
FMR	Fully Meets Requirements
FT	France Telecom
GPRS	General Packet Radio Service
GTP	Growth & Transformation Plan
IBTE	Imperial Board of Telecommunications of Ethiopia
ITIL	Information Technology Infrastructure Library
ITU	International Telecommunications Union
IWP	Individual Work Plan
KPI	Key Performance Indicators
MBO	Management by Objective
MCIT	Ministry of Communications and Information Technology

MMR	Meets Most Requirements
NPM	New Public Management
OECD	Organization for Economic Co-operation and Development
PPP	Public Private Partnership
PT&T	Post, Telephone & Telegram
QC	Quality Circles
SER	Significantly Exceeds Requirements
SIM	Subscriber Identity Module
TPO	Transformation Program Office

ABSTRACT

The study sought to assess the Challenges of Implementing Performance-Based Pay System in the case of Ethio-Telecom. In this research, a case study approach was employed. To realize the objectives of this research, both qualitative and quantitative data were collected from the target study population. To this effect, 39 raters from the management and supervisors as well as 390 employees of the organization working in Addis Ababa in different divisions were selected using a non-probability sampling technique. Two sets of Close-ended questionnaires were employed for data collection instrument from both group and five managers who work in the HR Division were interviewed. Then the response was analyzed using a simple statistical tool. The findings of the research show that target and goals of the organization is not communicated to all level in the same manner and the claimed current performance management system as well as the performance measurement tools are not appropriately used to measure performance of employees. Consequently, the performance-based pay system that was introduced in the previous year was merely based on subjective assessment of employees by their raters rather than evaluation based on set objectives that could measure actual performance. The research indicates that there is lack of link between employees' performance and the pay system in the organization.

Chapter One

Introduction

Ethio telecom, following the transformation and management contract to French telecom, has established a dashboard reporting and performance measurement tool. Dashboards, termed after a car dashboard, are a single page, easy to read graphical representations of a company's key performance indicators which at a glance show the trends of the organization so that the management reaches to an informed decision. Using this tool, the company has also implemented a performance based pay to its employees in the past budget year.

This research thesis has investigated the existence of the performance management system in ethio telecom and whether this performance management system has effectively been utilized in the performance based pay system that was launched a year ago. The study has also examined whether the dashboard reporting system is being used in monitoring the performance of employees and its appropriateness in the telecom sector.

Background of the Study

1.1. Background of the Study

Organizations always want to optimize their return on investment and in order to do that they need a work force that is effective and efficient. One way to improve the productivity is to optimize the utilization of the organizations' human resources (Appelbaum and Hare, 1996). In order to maintain the organizational efficiency and productivity, organizations use different motivational tools. One of these steering instruments available is the use of a performance based pay whose purpose is to motivate the employees to act in the best interest of the organization as well as to reach organizational goals (ibid).

Performance based pay is an effective way to adequately distinguish between the best and worst performers within the company structure. Commonly referred to as merit pay or skill based pay, performance based pay is a compensation system designed to reward employees for attaining additional skills or for completion of specific goals. The concept is attractive to many employees since there is a direct link between their compensation and the work-related skills they may learn and use (Smither, 2009).

But to have an effective performance based pay structure, the organization should have an established performance management system that can objectively differentiate the best performers from those who are not (ibid).

Performance management systems are a source of valid and useful information for making administrative decisions about employees. Such administrative decisions include salary adjustments, promotions, employee retention or termination, recognition of superior individual performance, identifications' of poor performers, layoffs, and merit increases (Smither, 2009). In the absence of such established tool, raters are more likely to be biased and subjectively evaluate their employees. Such subjectivity in rating employees will adversely affect the employees and thus employees got dissatisfied. As a result the overall performance of the organization will be affected.

Performance management is a very wide concept than performance appraisal. Performance management is continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization (Ibid). In contrast, Performance appraisal is defined as the formal assessment and rating of individuals by their managers at or after a review meeting that usually takes place once a year (Armstrong, 2009).

Organizations may have a performance appraisal system that evaluates employees once a year and still wrongly believe that as if they have a performance management system. With this belief, such organizations try to implement a performance based pay system and usually fail since performance based pay cannot be implemented taking a onetime employee assessment as a base for decision.

Performance based pay systems can be effectively implemented if companies have a well-structured performance management system with proper performance measurement tools. Different organizations use a variety of performance measurement tools so that they can objectively measure their employees' performance in an objective manner. In some companies, they use a piece-rate system to pay their employees based on their performance while others use a balanced score card system to track and reward employees.

1.2.Statement of the Problem

Ethio Telecom claims that it has implemented a performance based pay system in the previous budget year and employees were paid a performance based bonus according to their performance appraisal result. The payment made ranged from 0% (No payment) to 105% of the allowed two months bonus. This performance based bonus pay has created too much dissatisfaction in most hardworking employees since the employees' appraisal was subjective and contradictory to the objective based performance management.

A properly established performance management system is vital for the success of any company. It will help increase the competence and commitment of employees if the company objectives are properly communicated on time, agreed by the employee and the deliverables as well as the rewards are communicated in advance. All the employees' individual objectives should be aligned to the company's objectives and core values. The contributions of each employee in achieving the set objectives should also be measured objectively and rewarded based on the result (Armstrong, 2009).

According to the logged complaint in the Social relations section of the company as well as the report from the labor union, employees claim that they became a victim of their immediate supervisors due to different reasons. The complaint also shows that employees who are not well performing but who have good relation with their immediate supervisors are appraised as best performers and paid more. The dissatisfaction is affecting the overall business of the company as the number of employees is very large.

Though such dissatisfaction related to performance appraisal is observed in almost all service giving as well as manufacturing companies, the case in ethio telecom differs as the company has recently been transformed with a vision of becoming a world class telecom operator. The management as well as the tools that are being used is recently introduced and yet the employees' dissatisfaction could not be solved.

The other problem stated by the employees who got lower performance evaluation results is that the consequence of this performance appraisal will affect their career development as the low result is taken as an input during promotions and those employees who are not properly evaluated will miss the chance.

This research has tried to analyze, evaluate and examine the gap in implementing the performance based payment system in ethio telecom. It has also examined whether the company objectives are cascaded throughout ethio telecom, whether employees are notified the company's objectives, whether they align their individual objective to the company objective, what performance measuring tool the company uses and whether the performance evaluation tool is appropriate in applying results based payment schemes.

1.3.Research Questions

This thesis has tried to answer the following research questions asked.

- a) What are the challenges faced in the implementation of Performance-Based Pay System at ethio telecom?
- b) Do all employees of ethio telecom have awareness about performance-based pay system?
- c) Do the unit level goals complement with the raters' criteria for performance evaluation?
- d) Do the raters rate their employees based on the pre-stated objectives?
- e) Is there compatibility between employees' performance and the pay system?

1.4.Objectives of the study

A. General Objective

The main objective of this research was to assess the challenges of implementing Performance-based Pay system in the case of ethio telecom.

B. Specific Objectives

Besides the major objective, the following specific objectives were designed and assessed:

1. To identify the major challenges faced in the course of implementing Performance-Based Pay System at ethio telecom
2. To assess the knowledge of ethio telecom employees about Performance-Based Pay system
3. To assess the compatibility between unit-level goals and performance evaluation criteria
4. To assess the practice of employees' performance evaluation based on pre-established objectives
5. To assess the compatibility between employees performance and the pay system

1.5 Scope and limitation of the study

Ethio telecom currently has more than 9,800 permanent employees and more than 10,000 contract employees all over Ethiopia. Out of the 9,800 permanent employees about 6,400 are in Addis Ababa. The scope of this research is limited to the performance based assessment and performance based payment made in 2013 to the permanent employees who live in Addis Ababa as the number taken is representative enough and thus permanent employees who work outside of Addis Ababa and all contract employees of ethio telecom will be beyond the scope of this research.

1.6 Significance of the study

Results based performance payment or performance based pay is the new whim in Ethiopia. Ethio telecom as many government offices has gone through reform processes and the government is demanding that payments be attached to the results and performance of employees. The findings and recommendations of this research will help ethio telecom's management to outline the performance management system of the company. This in turn will increase employee satisfaction and thus productivity of employees will increase resulting in the overall growth towards the GTP goal.

Additionally, the findings and lessons learned by this big company can be used by other sectors which will implement results based performance management.

1.7 Organization of the study

This paper is organized in five chapters. The second chapter, obviously following this introductory chapter, is the literature review that discusses the different theories on performance management and performance measurement.

Chapter 3 covers the methodology, methods and tools used to conduct this research. The data type, the sources and collection instruments as well as sampling design and data analysis method are discussed in detail in this chapter.

In chapter four the results of this study based on the findings and the analysis is explained in detail. Finally, conclusion and recommendation of the study is presented in the fifth chapter.

Chapter Two

Literature Review

Introduction

This chapter is devoted to review of related literatures. It dealt with relevant topics such as the historical evolution and development of New Public Management (NPM) and Performance Management System, components of good performance management system, Performance-based pay system, the process of performance management system, and the significance of pay system in enhancing employees' performance. Finally, based on the theoretical and empirical review, the conclusions were drawn.

2.1 Overview of NPM and Performance-Based Management System

Different governmental offices in our country are passing through different reform processes. This is the result of the new public management movement all over the world. New Public Management is the fashion word in most developing countries these days even though its successful application is in question. The NPM movement began in the late 1970s and early 1980s in response to heavy economic recession and tax revolts in the United Kingdom and the U.S. This movement then expanded to the governments of New Zealand and Australia and later to the OECD and other countries (Gruening, 2001). The major foundational bases of NPM are Public Choice Theory, Managerialism and Transaction cost economics.

Hughes cites Hood's original specification for NPM comprising of:

- a) ***Hands-on professional management*** in the public sector. This means letting the managers manage, or as Hood puts it active, visible, unrestricted control of organizations from the officials at the top.
- b) ***Explicit standards and measures of performance***. This requires goals to be defined and performance targets to be set
- c) Greater emphasis on ***output controls***. Resources are directed to areas according to measured performance, because of the need to stress *results* rather than *procedures*
- d) A shift to ***disaggregation*** of units in the public sector. This involves the breaking up of large entities into corporatized units around products, funded separately and dealing with one another on an "arm's-length" basis.

- e) A shift to greater *competition* in [the] public sector. This involves the move to term contracts and public tendering procedures and is justified as using rivalry as the key to lower costs and better standards
- f) *A stress on private sector styles of management practice*. This involves a move away from military-style public service ethic and flexibility in hiring and rewards
- g) A stress on greater *discipline and parsimony* in resource use. Hood sees this as cutting direct costs, raising labor discipline, resisting union demands, limiting compliance costs to business and is typically justified by the need to check resource demands of public sector and do more with less (Hughes, 2008).

Mathiasen (1999) also quotes the definition given by the public management committee of the OECD countries as: A new paradigm that aimed at fostering a performance- oriented culture in a less centralized public sector which is characterized by: a closer focus on results in terms of efficiency, effectiveness, and quality of service; the replacement of highly centralized, hierarchical structures by decentralized management environments where decisions on resource allocation and service delivery are made closer to the point of delivery, and which provide scope for feedback from clients and other interest groups; the flexibility to explore alternatives to direct public provision and regulation that might yield more cost-effective policy outcomes; a greater focus on efficiency in the services provided directly by the public sector, involving the establishment of productivity targets and the creation of competitive environments within and among public sector organizations; and the strengthening of strategic capacities at the center to guide the evolution of the state and allow it to respond to external changes and diverse interests automatically flexibly, and at least cost.

2.2 Definition and description of Performance Management, performance appraisal and Results based performance management

Performance management is one of the cornerstones in implementing the concept of new public management. Mostly, the concept of performance management is not properly understood by both the management and the employees and companies do not benefit as they are supposed to from the fruits of the performance management system. Therefore, it is crucial to know what performance management is and how results based performance management is applied in an organization.

2.2.1 Performance Management

Different authors defined performance management in different words but almost all agree that the performance management system is a continuous process and it should have agreed targets which are drawn from the strategic goals of each organization.

According to Armstrong, performance management is defined as “The development of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organization which supports and encourages their achievement (Armstrong, 2006). Walters also defines performance management as the process of ‘Directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organization.

For Aguinis, Performance management is a “continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization” (Aguinis, 2009). While Bacal defines performance management as: “An ongoing communication process, undertaken in partnership, between an employee and his or her immediate supervisor that involves establishing clear expectations and understanding about the employee’s essential job functions, the ways in which the employee’s performance contributes to the goals of the organization, the meaning, in concrete terms, of “doing the job well”, the ways in which employees and supervisors will work together to sustain, improve, or build on current employee performance, the means of measuring job performance and, identifications’ of barriers to performance and actions to remove them” (Bacal, 2004).

Davis and Shannon defined performance management as” a system of defining the employee’s job, setting annual objectives that describe what the employee will focus on, and evaluating how well the employee performed.” They further explain that the idea of performance management is to create a positive environment that allows people to perform at a consistently high level and should include understanding the company’s culture, philosophy, and strategy; setting objectives based on company and group goals, receiving ongoing coaching and feedback from your manager, along with having regular performance discussions, being recognized and compensated according to how well you perform your job and meet your goals, learning and improving through training and development (Davis and Shannon, 2011).

As to Briscoe et.al Performance management is the system through which organizations set work goals, determine performance standards, assign and evaluate work, provide performance feedback, determine training and development needs and distribute rewards (Briscoe et.al, 2008).

All the above authors and many more others defined performance management as a system which needs a coordinated effort by both the employees as well as the management to achieve a certain target in the organization.

Performance management is much more than appraising individuals. It contributes to the achievement of culture change and it is integrated with other key HR activities, especially human capital management, talent management, learning and development and reward management (Armstrong, 2009).

2.2.2 Performance appraisal

Aswathappa (2002), defined performance appraisal as a formal, structured system of measuring and evaluating an employee's job related behaviors and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organization, and society all benefit. Ivancevich (2004), defined performance appraisal as an activity used to determine the extent to which an employee performs work effectively.

According to Milkovich and Boudreau (2006), performance appraisal is the process that measures employee performance and it involves deciding (1) What to assess, (2) who should make the assessment (3) which assessment procedure to use, and (4) how to communicate assessment result. This definition concentrates rather on the dimensions of performance appraisal process i.e. the major issues that organizations have to look in to for the successful carrying out of the formal performance appraisal process if there is one.

In the 1970s a revised approach to performance assessment was developed under the influence of the management by objectives movement. It was sometimes called 'results-orientated appraisal' because it incorporated the agreement of objectives and an assessment of the results obtained against these objectives. Ratings were usually retained of overall performance and in relation to individual objectives. Trait ratings were also used, but more recently these were replaced in some

schemes by competency ratings. This form of performance appraisal received a boost during the later 1980s because of the use of performance-related pay based on performance ratings (Armstrong, 2009).

In this scheme, different performance factors such as volume of work, quality of work, knowledge of job, dependability, innovation, staff development and communication and an overall rating were also used as parts and parcels. The drawbacks of the performance appraisal according to Levinson were: the subjective, impressionistic and arbitrary nature of judgments on performance, ratings by different managers were not alike, the delay of feedback for good performance that is not quickly recognized created frustration on employees, and the insufficiency felt by managers to appraise their subordinates (Levinson, 1976).

2.2.3 Performance based pay

Performance-based pay (PBP) or Results based pay is a compensation scheme that links employee performance with pay. It can be defined as a system of remuneration in which an individual's increase in salary is solely or mainly dependent on his/her appraisal or merit rating (Swabe, 1989). Armstrong (2005) defines it more comprehensively as the process of providing a financial reward to an individual which is linked directly to individual, group or organizational performance. But Schuler (1998) maintains that PBP is not limited to financial rewards, and that non-financial rewards, such as recognition, can also constitute pay for performance. The basic reasons for PBP are performance enhancement for competitive advantage and equity (Milkovich and Newman, 1996). In this regard, Beardwell and Holden (1995) identify several specific reasons for which managers may introduce PBP. These include: help in recruitment and selection; facilitate change in organizational culture; weaken trade union power; increased role of the line manager; greater financial control and value for money; ability to reward and recognize performance; and encouragement to flexibility.

PBP can be divided into two main categories: merit pay and incentive pay. Schuler submits that merit pay relates compensation to management's assessment of the individual employee's performance; the increment earned (PBP) and the total becomes the employee's new basic pay. Incentive pay, on the other hand, relates compensation more to performance criteria, such as return on investment, volume of goods produced or sold, earning or share. While essentially one type of merit pay exists, there are a wide variety of incentive pay plans. Beardwell and Holden (1995)

have broadly categorized incentive pay systems into three: individual bonus schemes; collective bonus schemes; and collective bonus schemes based on profit generated.

2.3 History of Performance Management

Performance appraisal is believed to be started during the Wei dynasty (AD 221–65) when the emperor employed an ‘imperial rater’ whose task was to evaluate the performance of the official family (Armstrong, 2009).

It is also stated in the book of Armstrong that Ignatius Loyola established a system for formal rating of the members of the Jesuit Society in the 16th century. The first monitoring systems however evolved out of the works of Frederick Taylor. Peter Drucker’s MBO also have contributed in shaping today’s performance management system. Later, in the 1970s, the emergence of new public management rekindled companies to focus on the performance of their employees and eventually reward their performance based on their contribution towards fulfilling the company’s objectives in the form of results-oriented performance appraisal (ibid).

2.3.1 Merit rating

Merit rating was the process of assessing how well someone was regarded in terms of personality traits such as judgment or integrity and qualities such as leadership or cooperativeness. It often involved the quantification of judgments against each factor, presumably in the belief that the quantification of subjective judgments made them more objective (ibid).

The merit rating system was dependent on the subjective judgment of the rater and despised by scholars like Douglas McGregor since nobody can certainly know that someone has such and such a trait. However, it is believed that there are some companies who still use this old fashioned rating system.

2.3.2 Management by Objectives

The term Management by Objectives was first coined by Peter Drucker in 1955. Drucker used to say, “*What the business enterprise needs is a principle of management that will give full scope to individual strength and responsibility and at the same time give common direction of vision and effort, establish teamwork and harmonize the goals of the individual with the common weal. The only principle that can do this is management by objectives and self-control.*” He emphasized that

‘an effective management must direct the vision and efforts of all managers towards a common goal’ (ibid).

According to John Humble, Management by objectives is a continuous process of reviewing critically and restating the company’s strategic and tactical plans;clarifying with each manager the key results and performance standards he/she must achieve, and gaining his/her contribution and commitment to these, individually and as a team member;agreeing with each manager a job improvement plan that makes a measurable and realistic contribution to the unit and company plans for better performance;providing conditions (an organization structure and management information) in which it is possible to achieve the key results and improvement plan;using systematic performance review to measure and discuss progress towards results;developing management training plans to build on strengths, to help managers to overcome their weaknesses and to get them to accept responsibility for self-development and strengthening the motivation of managers by effective selection, salary and succession plans.

However, the MBO concept was also criticized from different angles. Firstly it was criticized since it emphasized only on Managers. The other criticisms were its over emphasis on measurement and quantification impeded important qualitative factors, its neglect on network of interpersonal relationship, as well as its neglect on individual’s personal needs and objectives (ibid).

2.3.3 Performance Management

The concept of performance management grew out of the notions of Management by Objectives and Performance appraisal. The earliest reference to the term “Performance Management” was made by Malcolm Warren in 1972. According to him, performance management should have the following features:

- a. Expectations – a large group of employees – preferably all – must be told clearly, objectively and in their own language what is specifically expected of them.
- b. Skill – a large group of employees must have the technical knowledge and skill to carry out the tasks.
- c. Feedback – workers must be told in clear terms, without threats, how they are doing in terms of expectations.
- d. Resources – employees must have the time, money and equipment necessary to perform the expected tasks at optimal level.

- e. Reinforcement – employees must be positively reinforced for desired performance (Warren, 1972).

Armstrong also cited that later in 1976, the term performance management was used by Beer and Ruh on their Harvard business review entitled “Employee growth through performance Management” (Armstrong, 2009).

Beer and Ruh have tried to show that performance management is different from performance appraisal and the former has the following additional features:

- f. Emphasis on both development and evaluation;
- g. use of a profile defining the individual’s strengths and development needs;
- h. Integration of the results achieved with the means by which they have been achieved;
- i. Separation of development review from salary review (ibid)

Finally, starting from 1992 a performance management system which has an integrated approach, holistic by its nature in giving purpose and meaning to those involved in achieving organizational success started to be fully utilized in all organizations across the Western society (ibid).

Table-1 Comparison between Management by Objective, Performance Appraisal & Performance Management

Management by objectives	Performance appraisal	Performance management
• Emphasis on individual integrating objectives • Emphasis on quantified requirements and performance measures • Annual appraisal • No ratings • Backward looking • Focus on performance achievements • Top-down system • Monolithic system • Packaged system • Complex paper work • May not be a direct link to pay • Applied to managers • Owned by line managers and personnel department	• Individual objectives maybe included • Some qualitative performance objectives may also be included • Annual appraisal • Ratings • Backward looking • Focus on levels of performance and merit • Top-down system • Monolithic system • Usually tailor made • Complex paper work • May be linked to performance pay • Applied to all staff • Owned by HR department	• Focus on organizational, and individual objectives • Covers both outputs (results) and inputs (competencies) • All the year round • May not have ratings • Forward looking • Focus on development as well as performance • Joint process • Flexible process • Tailor made • Paper work minimized • Linked to performance pay • Applied to all staff • Owned by line managers

An important aim of performance management is to support the achievement of the business strategy. It is integrated in four senses:

- 1) Vertical integration – linking or aligning business, team and individual objectives;

- 2) Functional integration – linking functional strategies in different parts of the business;
- 3) HRM integration – linking different aspects of human resource management, especially organizational development, human capital management, talent management, learning and development, and reward, to achieve a coherent approach to the management and development of people; and
- 4) The integration of individual needs with those of the organization, as far as this is possible. It is focused on performance improvement in order to increase organizational, team and individual effectiveness (ibid).

Many companies in the world lose this ingredient and try to achieve their objectives without the full involvement of their employees and usually fail. The management as well as the whole employee should have a clear picture of the objectives of the company, and in unison should strive to achieve that one objective.

2.4 Components of a good performance management

A good performance management system should incorporate the following components:

a. Performance Planning:

It is the process of communication between manager and employee intended to create agreement about what the employee is to do, how well he or she needs to do it, and why, when, and how success is to be determined. This is the starting point for good performance management. All employees should have a clear view of what they do and how their success or failure will be evaluated later in the year. Both the manager or supervisor and the employee should have a clear understanding of what should be done. In other words, the targets for the coming year should be set first and the performance review will be used to check whether the agreed goals are met or not (ibid).

Latham and Locke also stated that people perform better when they have specific and challenging but reachable goals. Acceptance of goals is achieved when: people perceive the goals as fair and reasonable and trust their managers, there are arrangements for individuals to participate in goal setting, and support is provided by the supervisor. A supportive supervisor does not use goals to threaten subordinates but rather to clarify what is expected of them. These goals are achieved also

when people are provided with the resources required to achieve their goals and success is achieved in reaching goals that reinforces acceptance of future goals (Latham & Locke, 1979).

b. Ongoing Performance Communication:

Performance evaluation should not be a once a year task to the manager and the employee. The agreed targets should be followed and tracked throughout the year. This will help both the management and the employees to correct any off-track journeys. If the performance is communicated throughout the year and tracked in each step, the employee will know where his/her performance lies and they will not be surprised at the end of the year with their performance evaluation result (Armstrong, 2009).

c. Gathering data, observing and documenting:

The employees' performance related activities should be properly documented throughout the year. The Manager or the supervisor should not blindly review the performance of the employees. Each conversation concerning the performance of the employees should be openly discussed throughout the period and documented. The documentation is not done to harm employees at the end of the year; rather it should be not to miss the best activities of the employees (ibid).

d. Performance review meetings:

These review meetings are meetings between the manager and employee which are focused on improving the employees' performance no matter what their performance is. It is part of the total appraisal of the employees but done in between to help improve the employees' performance overtime (ibid).

e. Performance diagnosis and problem solving:

All the activities that are done prior to this step which are the performance planning, the ongoing performance communication, the gathering of data, observing and documenting as well as the performance review meetings are used to improve performance of employees. The link between what we know about performance and how to improve this performance is performance diagnosis and performance problem solving. *Performance diagnosis* is the process by which managers' work with the employee, applying information to identify the underlying causes of poor performance and reasons why performance has been good and to identify barriers to better performance in the future. Knowing the why's of performance helps to develop a remedy to improve it. *Performance*

problem solving is the process by which the appraisers identify and create a strategy—an action plan to address and remove the barriers to performance that are identified using performance diagnosis (ibid).

f. Action and following through commitments:

In order to make sure employees are keeping their commitments and to monitor the progress of the implementation plan, this component of the performance management is mandatory. Following through and following up the actions that are planned will help management to easily predict the outcome and saves them from a mere assumption (ibid).

g. Proper reward management:

In my opinion, on top of Bacal's performance management systems, having a good rewards management system will strengthen the performance management system. Reward management deals with the strategies, policies and processes required to ensure that the contribution of people to the organization is recognized by both financial and non-financial means. It is about the design, implementation and maintenance of reward systems (reward processes, practices and procedures), which aim to meet the needs of both the organization and its stakeholders. The overall objective is to reward people fairly, equitably and consistently in accordance with their value to the organization in order to further the achievement of the organization's strategic goals. Reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility (Armstrong, 2009).

2.5 Performance Management and Reward or Incentives

The other element of the performance management is reward or incentives connected to performance measurement. Incentives are important because they inform and remind employees what results are desired, and motivate them to achieve and exceed the performance measures (Merchant and Van der Stede, 2003). Below are some theoretical assumptions for incentives, the importance of fairness and the suggested evaluation criteria in performance management.

2.5.1 Incentives

Human resource departments have traditionally administrated the personnel functions of the organization, in respect to selection, training, promotions, employee relations, personnel data, pensions, pay and compensations. Human resource management is a more modern used term, addressing the traditional functions of human resources in addition to serving the functions of performance evaluation and management and individual career developments. In connection to performance management, human resource functions can be seen as “consequences” of the performance measurement system, such as performance based pay, promotions, job security or punishments like reassignment. These consequences are defined as incentives.

The most common theory used for incentive systems is the principal-agent theory (Rees, 1985). When a principal hires an agent to act on his behalf, problems of asymmetric information and moral hazard arise. Asymmetric information is a situation where the agent, here the manager or employee, has more information about the situation, the business and management than the principal, here the shareholders. Moral hazard is the situation where the principal and the agent have conflicting interests. In these circumstances the agent will act to optimize his personal interests, not the interests of the principal. In order to solve some of these issues, the principal will attempt to align the objectives of the agent with his own objectives. These attempts are often in the form of sophisticated job descriptions and performance measures strongly tied to the incentive system. In theory, if there are no risks for the owner, incentives would not be necessary. This might only happen if the goals of the agent are exactly the same as those of the principal, and the agent is highly motivated and capable of performing.

One solution to the principal agent problems is significant use of incentives programs, in order to align the goals of the principal with the goals of the agent. Traditionally punishments have been used as intensive incentives. Today’s incentives are more positively charged, such as recognition, pay and compensation. However, absence of positive incentives can sometimes be regarded as a punishment (Merchant and Van der Stede, 2003). Laezar and Gibbs (2009) argue that employees tend to respond strongly to incentives, and thereby make incentive systems an important source of value creation if designed correctly. Nevertheless, if designed poorly, they argue that the incentive system can result in value destruction (ibid).

As discussed by Bragelien (2003), individual performance based rewards are becoming more and more common in today's businesses. He explains that one reason for this can be the changes in work assignments. Some years ago a majority of the work assignments could easily be described and directly controlled. However, today many assignments and positions require flexibility and a high degree of independent decision making, especially in knowledge intensive organizations. This makes control more difficult and powerful incentives an alternative control mechanism (ibid). In this manner, strong incentives are used as a mean of addressing the principal-agent challenges.

Many researchers have studied the consequences of monetary rewards and have suggested other forms of incentives. Bragelien (2001) has focused on pros and cons with performance based pay. He suggests that individual bonus programs can have positive effects if the results are easily measured and the job descriptions are straightforward. It can motivate to higher performance, and thereby support decentralization, feedback and risk-taking. Incentives will thereby align the individual goals with shareholders' goals and solve some of the principal-agent dilemmas. However, some bonus schemes might neglect important tasks that are not easily measured, encourage focus on short-term results and discourage teamwork (ibid). Kohn (1993) argues that incentive plans only result in temporary compliance, because the internal commitment of the organization's members will not be influenced. He suggests compensating employees well, and applying other incentives than monetary rewards to gain high motivation (ibid).

The Beyond Budgeting concept suggests several process principles when implementing incentive systems (Bognses, 2009). First of all, the concept suggests that all performance goals and rewards are based on relative performance. Second, the principles recommend no use of individual bonus rewards; only group, division or company rewards.

2.5.2 Fairness

When using incentives, especially monetary rewards, it is important to make them fair and justifiable. The motivation will decrease if the employee feels that the incentives are not fairly allocated. A person naturally compares his effort and related compensation with what he perceives of others effort and related compensation. The individual will generally not tolerate less relative compensation than his counterparts (Adams, 1965). Giraud et al. (2007) find that managers weigh fairness even higher than controllability when it comes to performance evaluation and incentives. Bragelien (2003), emphasizes that employees must understand the system as a positive element. If

they perceive the system as unfair or incomprehensible they will lose motivation, commitment and respect for the company and the administration (ibid).

2.5.3 Evaluation Criteria

Merchant and Van der Stede (2003) define several criteria for evaluating rewards and incentives systems. They argue that the performance dependent reward should be *valued* in order to provide motivation, and large enough or visible enough to have a strong *impact*. Further, the value of the reward and the reasons for receiving the reward should be *understood*. In addition, the reward should be *timely*; this means that the reward should be provided soon after the performance for optimal motivational effects. Lastly, the reward should be *cost efficient*. Some rewards are relatively expensive, some are not. To give an employee a monetary reward in a high-tax country will generate higher expenses for the company than gains for the employee. This is opposite of giving an employee recognition and gratitude; the gains might be significant for the employee, but the cost for the company is almost zero.

In the broadest sense, performance management can be used to reward employees both in financial and non-financial items. Financial rewards are a broad category of rewards that comprise all rewards that have a monetary value. These rewards can be in the form of base pay, pay contingent on performance, contribution, competency or skill, pay related to service, financial recognition schemes, and benefits such as pensions, sick pay and health insurance which add up to the total remuneration of the employee (ibid).

Non- financial rewards are rewards that focus on the needs people have to varying degrees for recognition, achievement, responsibility, autonomy, influence and personal growth (Armstrong, 2010). Non-financial rewards can be subdivided into extrinsic and intrinsic rewards. Extrinsic rewards are intangible rewards like praise and recognition and feedback that is given to performing employees while intrinsic rewards arise from the work itself (quality of working life, work-life balance) and is associated with job challenge, interest and feelings that the work is worthwhile (ibid).

According to Smither and London, the above financial rewards can be effectively implemented if there exists a performance management systems and if only the performance management system

effectively integrates the established performance appraisals and rewards (salary increases, bonuses, stock awards) (Smither& London, 2009).

These writers further argue that pay for performance plans should be matched to business objectives. For example, skill - based pay plans would be a good fit for employee development objectives; individual plans (for example, piece rate) and gainsharing plans would be a good fit for productivity (for example, revenue enhancement or cost reduction) objectives; team recognition and team incentives would be a good fit for teamwork objectives; and profit sharing would be a good fit for profit objectives (ibid).

2.6 Performance measurement

When it comes to performance management, there are diverse and complex challenges. From an objective point of view, the primary goal of any for-profit organization is to maximize shareholder value. Consequently, the performance management system should reward every employee for maximizing the firm value. In order to ensure value creation and high performance, the system must include a performance measurement system. Secondly, the performance measurement system must be connected to an incentive system.

In order to strive for excellence and sustainable results, every employee should work towards the same goals, and the right goals. When addressing performance measurement two issues are central. Firstly, the organization must strive to set the right key performance indicators and measures. This means formulating them correctly, making sure that overall business strategy and value creation are reflected, and account for the uncertain and changing business environment. Secondly, the organization must bear in mind the behavior problems possibly caused by the performance measures.

Performance can be measured at organizational level or individual level. Individual performance can be measured by reference to key performance indicators (KPIs) and metrics. KPIs define the results or outcomes that are identified as being crucial to the achievement of high performance. It can be argued that what gets measured is often what is easy to measure. And in some jobs what is meaningful is not measurable and what is measurable is not meaningful. The greater the emphasis on measurement and quantification, the more likely the subtle, non-measurable elements of the

task will be sacrificed. Quality of performance frequently, therefore, loses out to quantification (Armstrong, 2009).

Measuring performance is relatively easy for those who are responsible for achieving quantified targets, for example sales. It is more difficult in the case of knowledge workers, such as scientists. But this difficulty is alleviated if a distinction is made between the two forms of results – outputs and outcomes (ibid).

2.6.1 Goal Setting

From traditional management by objectives (Odiorne, 1965) and project management emerged the theory of critical success factors (Daniel, 1961). These are the parameters required in order to reach success, or in project management; the deliverables that must be achieved in order for the project to succeed (Gardiner, 2005). In management accounting critical success factors are often described as long term strategic objectives. Once these are determined, one must identify what needs to be done to get there, also called key performance indicators or action objectives. These performance measures are essential in assuring that everyone pulls in the same direction and focuses their attention on the right activities (Locke and Latham, 2002).

When using a management by objectives approach, for instance the Balanced Scorecard, the objectives and actions can be numerous. However, a traditional suggestion is to make them SMART (Gardiner, 2005; Shields, 2007). The performance measures should be *specific*, so that everyone knows what is involved, *measurable*, so everyone knows what success is, *ambitious* but *achievable*, to keep enthusiasm high, *relevant*, to reflect overall business strategy, and *timely*, for effective time management (ibid). The following discussion of performance measures is structured after this traditional way of looking at goal setting.

Goals should be specific and measurable

Locke and Latham (1990, 2002) found that goal specificity is one of the most important criteria in goal setting. Unclear goals like “do your best” will not result in high performance, the goals need to be specified (ibid). Goal specificity reduces the variances in performance due to a common comprehension of what is to be attained (ibid). They also found that specific but difficult goals led to higher performance than vague statements like “do your best”; this is because these types of goals do not have any external references. According to Merchant and Van Der Stede (2003) one

of the most common performance management problems is that employees do not know what is expected from them, on reason can be that they do not understand their measures or how to perform. Furthermore, performance goals should be measurable (Shields, 2007). In order to allow for progress and follow ups, performance measures must be valid and quantifiable (ibid). If success on the parameter is difficult to measure, the performance management problems are a fact. The employee needs to know what is expected and how to measure success. Conclusively, performance measures should be specific and measurable.

Goals should be ambitious but achievable

In order to strive for superior results, performance measures need to be ambitious. In their meta-analysis Locke and Latham (1990, 2002) found that the highest or most ambitious goals produced the highest level of effort and performance. However, the performance decreased when the limits of abilities were reached or when commitment to the goals faded (ibid). Furthermore, they say that commitment and performance may be higher if people participate in their own goal setting process. They argue that people with high self-efficiency will set higher goals, be more committed and perform better if participating in their own goal setting process. On the other hand, people with low self-efficiency will set less ambitious goals and perform more poorly if they are participating in the goal setting process; compared to goals set without their participation (ibid). Conclusively, goals should be ambitious to a given point; where commitment or abilities are reached.

Nonetheless, the goals should be achievable. In relation to goals achievability, Merchant et al. (1987) describe the controllability principle, which says that people should only be held accountable for what they can control. Furthermore, Gabrielsen et al. (2007) explain several serious static incentive problems. If results on the measures have unclear correlations with the actions, the employee is forced to bear unnecessary business risk. Employees are in general risk averse, and making them accountable for measures they cannot sufficiently control consequently creates large risk premiums. This is directly related to the controllability principle.

A common challenge is performance measurement in the presence of high uncertainty, as often witnessed in today's business environment. Merchant and Van der Stede (2003) identify three types of uncontrollable factors; economic and competitive factors, acts of nature and interdependence, the last one meaning measures that are affected by more than one person in the organization. They suggest adjusting the performance results for uncontrollable factors after the

measurement period. This might be a solution to manage the controllability principle. However, one of the main motives of the performance measurement system itself may be neglected; giving employees exact and measurable goals to work towards. Many studies have been conducted in this field. Giraud et al. (2007) find that managers to some degree do accept uncontrollability; they are more concerned about what they can influence rather than what they can control. Nevertheless, they find that managers want the controllability principle to be applied due to reasons of fairness, especially in relation to internal uncontrollable factors. Conclusively, the organization must account for the controllability principle in goal setting, and secure achievable goals.

Goals should be relevant

Merchant and Van der Stede (2003) emphasize that the performance measures should be congruent with overall organizational goals and business strategy, in order to motivate the right actions. However, they state that most firms base their performance measures on accounting profits and their components, such as revenue, costs, assets and returns. Comparing budgets and results, using so called accounting or financial measures, has traditionally been a relatively easy, standardized and objective method for upper-level management to evaluate and control performance in the organization. However, accounting measures are not a perfect measurement of performance; they are only substitute indicators of changes in firm value and can create significant control problems (ibid). Accounting systems are transaction oriented, not value creation oriented. Huge value can be created through intangible assets, human capital and research and development, without any positive changes in the accounting measures. Additionally, accounting measures focus on the past, not the future; they are lag indicators of performance (ibid). Conclusively, the set of performance measures need to reflect overall business strategy and actual value creation; they need to be relevant.

Goals should be timely

Lastly, goals should be achievable within a predefined timeframe (Shields, 2007). Efficient time scheduling is necessary for goal accomplishment, in addition to continuous feedback (ibid). However, one challenging issue in order to be dynamic is what measurement period to assign the different measures. Some business fields are subject to fast paced changes, and short term measures, such as weeks or months, would be appropriate. On the other hand, for longer term

strategic measures several years might be a sufficient timeframe. However, the importance of timely goals is the agreed clear timeframe. Thus, goals should be timely.

2.6.2 Balanced Scorecard (BSC)

We can describe the Balanced Scorecard as a carefully selected set of quantifiable measures derived from an organization's strategy. The balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals.

The objectives and measures of the scorecard are derived from the organization's vision and strategy (Kaplan & Norton, 1996). According to these authors, the balanced scorecard views the organizational performance not only from financial perspective but also from other additional three perspectives namely the customer, the internal business process as well as the learning and growth. In other words, it can be said that the balanced scorecard is used by all the management as well as the employees by integrating both the financial and non-financial measures as part of the organization's information system.

The balanced scorecard, by integrating the financial, customer, internal business process and learning and growth, translates the strategy of the organization into tangible objectives and measures. These measures will be used as a balancing mechanism between the external (shareholders and customers) and the internal (processes and learning & growth).

Generally, the Balanced Scorecard assists organizations in overcoming three fundamental problems: effectively measuring organizational performance, tracking and exploiting the value of intangible assets, and successfully implementing strategy (Kaplan, 2006).

2.6.3 Dashboards (Tableau de bord)

The French "Tableau de Bord" or dashboard concept started in the 1930's, when process engineers sought methods for improving their production processes through a profound understanding of the causal relationships between potential measures and the resulting process performance (Daum, 2005). The engineers, with a need for control requirements, started the

dashboard system which currently is formalized management system that is widely used in France.

“Tableau deBord” or Dashboard is defined as *“a management tool that is comprised of both a set of indicators that are related by causal relationships and links, and the process of selection, documentation, and interpretation of these indicators. Each one of these indicators is chosen to measure the status of a part of the business to be managed, so that all indicators, taken together, offer a model that helps the business in achieving its objective (ibid).*

Another definition on the web defines dashboards as “An easy to read, often single page, real-time user interface, showing a graphical presentation of the current status (snapshot) and historical trends of an organization’s key performance indicators (KPIs) to enable instantaneous and informed decisions to be made at a glance”(Wikipedia).

Eckerson also calls dashboards as ‘magnifying glasses’ that translate the organization’s strategy into objectives, metrics, initiatives, and tasks customized to each group and individual in the organization (Eckerson,2011).

Organizations measure their performance in different ways and as it can be seen from the above definitions, dashboards are also used as one tool for performance measurement and hence also called performance dashboards. These instruments will make the strategy of the organizations into visible and easy to use as well as understandable items. The management as well as the employees of the organization has to have a clear understanding of what they do so that the company becomes effective.

Properly developed dashboards will help the management to: monitor critical business processes and activities using metrics that trigger alerts when performance falls below predefined targets; analyze the root cause of problems by exploring relevant and timely information from multiple perspectives at various levels of detail and manage people and processes to improve decisions, optimize performance, and steer the organization in the right direction (ibid)

Overall dashboards are used in organizations for the following major purposes. They are used to:

- a. **Communicate strategy** of the company by translating it into measures, targets, and initiatives that are customized to each group in an organization and sometimes to every individual.
- b. **Refine strategy** in an organized manner when the company faces difficulties in its journey
- c. **Increase visibility** to executives and managers in their daily operations by providing relevant data
- d. **Increase coordination** between the management and employees as well as employees of the company in different sections or departments
- e. **Increase motivation** by attaching performance targets to payments based on results, employees will be motivated (ibid).

2.7 France telecom and introduction of Dashboards in ethio telecom

The introduction of dashboards in ethio telecom followed the management contract to the giant European telecom operator called France telecom. The 30 million Euros contract was signed with the expected deliverables of new organizational structure, new management style, new and effective work processes, established performance management system, new ways of sales, increased sales volume as well as training and coaching the Ethiopian management team.

The following were the major achievements of the management contract.

2.7.1 New structure

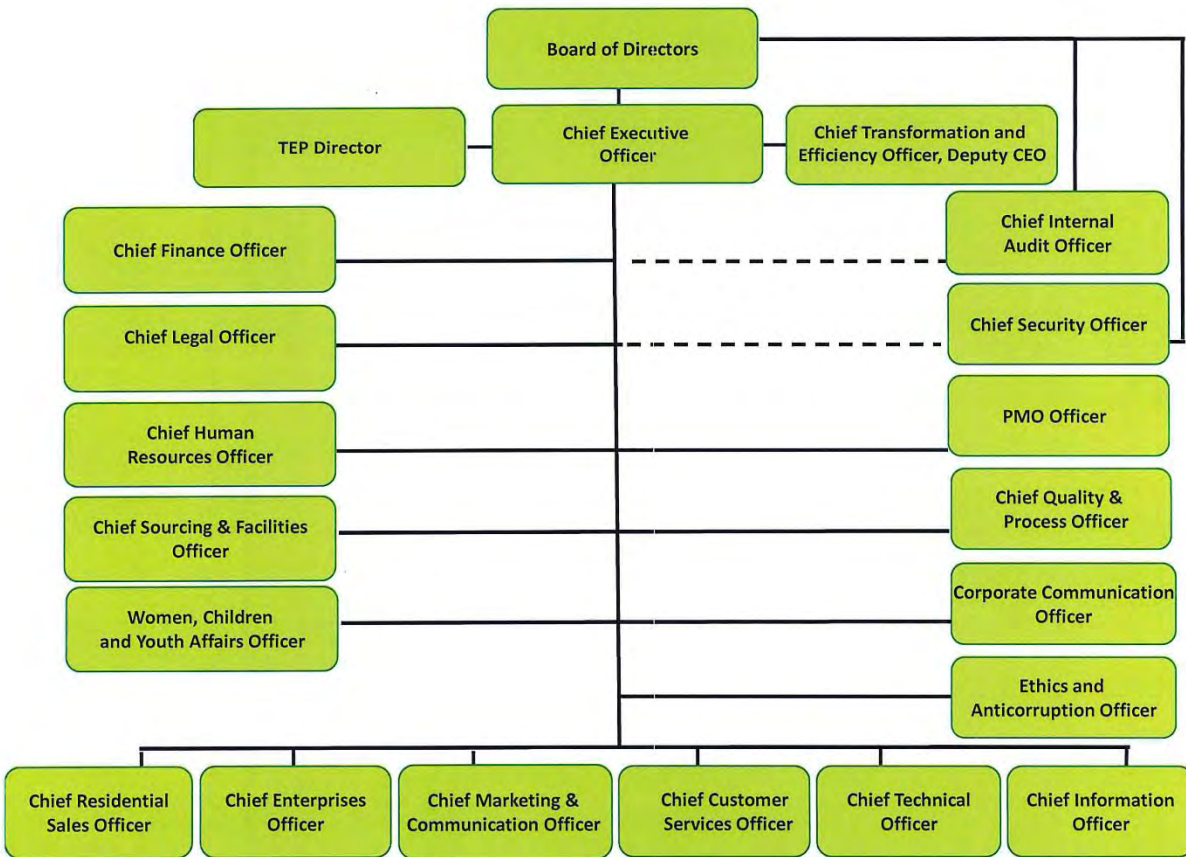


Figure- 1 Ethio telecom structure: *Source, company profile*

In the former Ethiopian telecommunications corporation, there were 26 levels in total and the hierarchy was very tall. But the introduction of the transformation through France telecom reviewed the organizational structure and reduced it to a six tier hierarchy as the CEO (N), Chief Officers (N-1 for Divisions), Officers (N-2 for Departments), Managers (N-3 Sections), Supervisors (N-4 teams or groups) and Staff (N-5). These levels further divided into 6 grades as Chief Officers (Level-G), Officers (Level-F), Managers and Experts (Level-E), Supervisors and Specialists (Level-D), Professional Staff (Level-C), Clerical staff (Level-B) and lower level physical staff at (Level-A) and the different staffs.

The commercial activities are restructured in a way that helps segmentation. Big companies and embassies are served by the newly established Enterprise Division while other customers are served by the Residential sales Division. The Residential sales Division has got its own shop under the Direct Sales department and the private partners which are the distributors and retailers are handled under the Indirect Sales department.

The restructuring has helped a lot by improving the work as well as the information flow throughout the company. In addition, the super-ordinate will have a very close follow-up with subordinates by making a level by level weekly to monthly meetings in order to keep the information flow and solve problems at spot. For example, the CEO will have a weekly EMB (Executive Management Board) meeting with all the chief officers every Monday, the Chief Officers will have a weekly meeting with all their respective Officers on Tuesday, the Officers will have a weekly meeting with all their Managers on Wednesday, Managers will have weekly meeting with supervisors on Thursday and the supervisors will have weekly meeting with their staff on Fridays. Finally, the Chief Officer will have an overall meeting with all her/his staff once in a month. In this manner, every activity and action items are cascaded to the lower level so that the company works towards the same objective. Issues that are raised in every meeting will be converted into action plan and they will be followed up.

2.7.2 Performance Dashboard usage

The France telecom managements' next task after establishing a sound and working structure was identifying the key performance indicators of each division and preparing the dashboard. Following the preparation of the dashboard, the Ethiopian management were introduced to prepare their individual work plans based on the introduced new organizational targets. Successive reports were being produced and analyzed in a day to day basis and reported to the board of directors. At the beginning of the contract period, it was difficult to comprehend and implement the newly introduced dashboard, but with successive follow-up from the FT management, the Ethiopian management began to learn how to use it. Especially in the commercial areas, different strategies were devised by the FT group and the performance was measured against the KPIs.

Currently the dashboard is widely used in the organization though I have reservation on its alignment to individual performance measurement. The company objectives are cascaded into all divisions and departments and performance of them is tracked and reported but those targets are not still monitored by the dashboard up to individual level. My argument in this thesis is also that performance based pay should not be implemented where there is no objective setting and performance tracking in all levels in the organization.

2.7.3 Boost sales

One of the main achievements of the management contract is the boost in sales and increased revenue for the company. Prepaid mobile sales increased from less than 7 million in 2010 to more than 18 million by end of 2012 (ethio telecom, 2012) and to more than 21 million to date. This is an annual 64% growth in sales achieved by the new contract management. In the same manner, other services like CDMA (Code division multiple access), EVDO (Evolution data Optimized), GPRS (General packet radio service) and ADSL (Asymmetric digital subscriber line) also increased by 72% even though much has to be done in the area of service quality. The new management has used different packages of sales and discount periods in addition to introducing low cost quality apparatuses as a sales bundle. Consequently, the total revenue of the company grew by more than 100% during the contract period and reached 12.35 billion by the end of last budget year (ibid). All the above successes can be attributed to the proper performance monitoring using the established dashboard system.

2.7.4 Capacity building activities

The other deliverables of the contract management is providing training and coaching to employees at all level. To deliver different trainings an overall competency gap assessment which is essential in the process of building an employee's career development plan was conducted. In the assessment individual employee's knowledge, skill and attitude is measured against a standard set for the level and trainings are given to fill the identified gaps. In the former company trainings were given haphazardly without identifying these gaps and the contract management has successfully implemented the new competency matrix as well as the vital trainings needed in each domain. In the first contract management year alone competency

assessment was done for more than 7,221 or 92% of the employees. Basing the assessment, 3,810 employees took at least one training for an average of 19.30hrs and 180 employees trained abroad till the end of 2004 EFY (ibid). The local Management team has also been coached properly and by the end of the contract year in Dec.2012 except the CEO and some key Divisions, the other experts were replaced by local Managers. Currently only some consultants who work in a separate individual contract give support and the whole management is taken back by Ethiopians.

Chapter Three

Methodology, Methods and Tools

This chapter presents more concisely the research methodology, methods and instruments employed to conduct this research. It focuses on the areas such as the type of research, target population, sample size, sampling technique, sources of data, and instruments of data collection, procedures of data collection and method of data analysis, presentation reporting.

3.1. Research Methodology and Method

This research is intended to explore the challenges and opportunities faced in the course of Result-Oriented Performance Management implementation. As this study is believed to make extrapolative recommendations for other similar organizations based on the findings of this particular endeavor, it is sounding to adopt pragmatism paradigm. To this effect a case study approach is chosen as overall method of this research.

The case study is selected as it is helpful in making detail investigation on a particular area rather than considering many problems or organizations. Besides, a case study is appropriate for studying social issues for which there is no distinct answer. In other words, social reality is of multi-face, hence; need to be studied case by case.

3.2 Data Type, Sources and Collection Instrument

To realize the objectives of this research both qualitative and quantitative data were collected from the target study population. The data were gathered from both primary and secondary sources. The primary data were gathered using a closed type of questionnaire from both employee (ratee group) and the management (raters group). Besides, secondary data were collected from different books, articles, journals, organizational reports and online sources.

The reason why the researcher used questionnaires was due to the merits such as low cost, free from the bias of the researcher, respondents have adequate time to give well thought out answers, respondents who are not easily approachable can also be reached conveniently, large samples can be made use of and thus the results can be made more dependable and reliable.

The two different sets of questionnaires that were for the employee group and the supervisors or Management group were devised. The major part of the questionnaire was prepared in a five point Likert scale so that the respondents flexibly chose their best response that fits to the question asked. Then the questionnaires for the employees were printed and distributed while the questionnaire for the raters was electronically prepared and mailed through the company's intranet outlook email service.

3.3 Sampling Design

As it can be recalled from the literature part concerning Ethio-Telecom, the company is structured using 13 different Divisions namely Customer Services Division, Finance Division, Human Resources Division, Internal Audit Division, Legal Division, Security Division, Information Systems Division, Network Division, Quality & Process Division, Enterprise Division, Residential Sales Division, Marketing & Communications Division, and Sourcing & Facilities Division. The target populations for this study were the 6,400 employees of these Divisions who live in Addis Ababa. Out of this population, thirty employees from each Division (390 employees) and three supervisors or Managers from each Division (39 supervisors or Managers) which is a total sample of 429 were taken using convenient sampling which is non-probability sampling technique.

According to Kothari, deliberate sampling or non-probability sampling technique are used when the sample is assumed to be representative of the universe and when the sample population's ease of access is convenient for the researcher (Kothari, 2004). In addition, such method is effective when the population is big and the samples taken are believed to be typically representing the whole population.

The researcher believes that the samples taken to conduct the survey are representative enough to the whole population in Addis Ababa and they have given adequate response that helped the researcher reach into conclusion.

3.4.Data Analysis Methods

The collected data is properly encoded in statistical software (SPSS V-21) and simple analysis that was fetched by the software is presented both in tabular and narrative form to show the results found during the assessment.

Chapter Four

Results of the Study

4.1. Demographic Characteristics of the Respondents

Questionnaire was prepared for two sets of respondents namely the Management group who evaluate employees and the staff group who are appraises. For the management group 39 managers were selected from the thirteen divisions and all the 39 responded to the questionnaire. For the staff group 30 employees from each division were randomly selected and questionnaire was distributed for a total of 390 staff. Out these only 366 responded while the other 24 questionnaire were not returned. In addition, five managers who work in the HR Division were interviewed. Below are the demographic characteristics of the respondents in terms of age, gender, total stay in the organization, length of tenure in the current job and highest level of education.

Management group: Twelve point eight percent (n=5) were female while Eighty seven point two percent (n=34) were male managers.

Regarding the age of the participant managers, the majority of them (n=30) or 76.9% are between the age of 26-40 while 15.4% (n=6) are between the age of 41-50 years. Only 3 participants were in the age group 51-60 years old.

When we see the highest educational background of the respondent mangers, 35 of them (89.7%) has BA degree while 4 of them (10.3%) have MA degree. This is because the minimum requirement to be assigned at a managerial position in ethio telecom is a BA degree.

Of these managers, 20 of them (51.3%) has been in the company for 6-10 years while the remaining 19 (48.7%) has served in the company for more than ten years. With regard to their tenure in the current job, we can see that about sixty seven percent (n=26) are in the managerial position for 1-3 years while about twenty percent (n=8) have been on their current managerial position between four to five years.

From the above demographic characteristics of the raters, we can infer that ethio telecom, after the transformation, has given much of the managerial positions to the younger generation who are at least degree holders.

Staff Group: out of the 366 employees who responded to the questionnaire, twenty three percent (n=84) are female employees while the rest seventy seven percent (n=282) are male.

When we see the age of these employees, the majority of them or 79.8 % are under the age of 40 while seventeen percent (n=61) are between the age of 41-50. Only twelve employees pointed that they are between the age of 51-60 and one employee missed to fill the age category.

The educational background of the employees who responded to the questionnaire is as follows. Twenty four percent of the respondents (n=88) has said that they are Diploma holders while most respondents (around 71%) responded that they have degree in different fields. Out of the total respondents, equal number of employees (n=9) has responded that they have MA degree and other qualifications (certificates, vocational trainings) respectively.

The respondents were also asked about their stay in the company and their stay on the current job. The employees who filled the questionnaire have stayed in the company from less than a year to more than ten years.

Out of the total respondents, about fifty eight percent (n=211) have worked in the company above six years while the rest (n=155) worked in the company from less than a year up to five years. When we see their tenure in the current job, twenty percent (n=75) have been working on the current job for less than a year while most respondents (n=160) are working on the current job between 1-3 years. The remaining respondents share tenure between four to five years and six to ten years.

From the above responses we can infer that ethio telecom has got an educated work force who demands a better management and a fair performance management implementation.

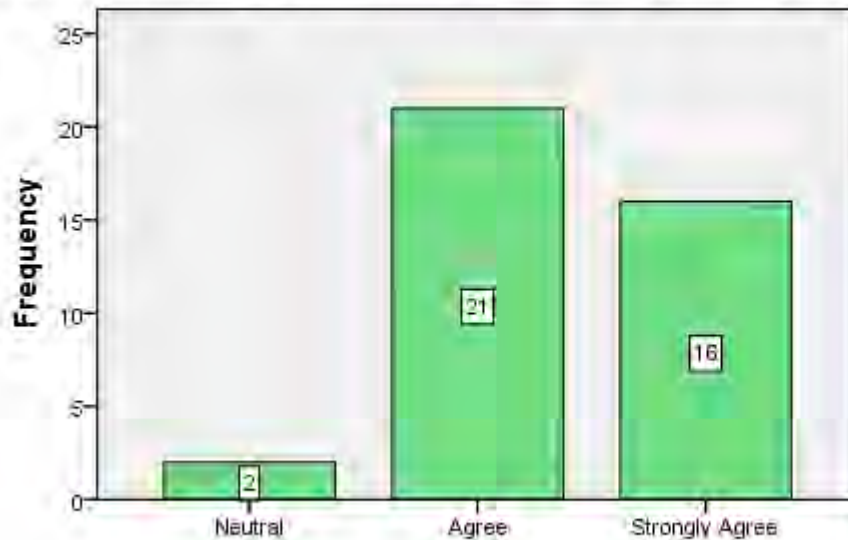
4.2. Availability of performance appraisal system and performance based pay system

The first main question asked for both group of the respondents is whether there is a formal performance appraisal system in ethio telecom and if there is a performance based pay system in the organization.

For the first question (Availability of performance appraisal system in organization), out of the 39 management group respondents ninety five percent (n=37) has confirmed by ticking “I agree” or

“I strongly agree” answers that there is a performance appraisal system in the organization while two of them responded neutrally. In addition the five managers who were interviewed responded in unison that there exists a performance appraisal system exists in the organization.

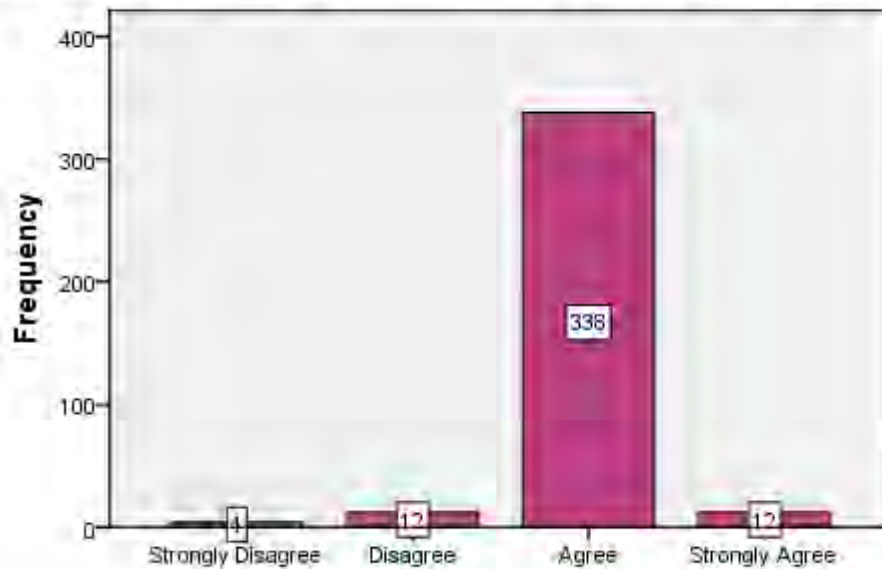
Fig.2 Raters response on existence of Performance appraisal system



For the same question asked to the employee group, the majority of the employees (96%) have confirmed by either agreeing or strongly agreeing when only four percent (n=16) disagreed with the availability of a performance appraisal system in the organization.

As a member of the organization, I can confirm the response given by the respondents that there is an appraisal system. But the existence of performance appraisal systems does not assure the satisfaction of employees as well as the management. In organizations like ethio telecom, performance appraisal is a difficult task firstly since the employee number is very vast and secondly since the appraisal is done once in a year, before the budget is closed. The appraisal result is used as an input for bonuses and annual increment and therefore many employees become the victim of the subjective decision of their raters.

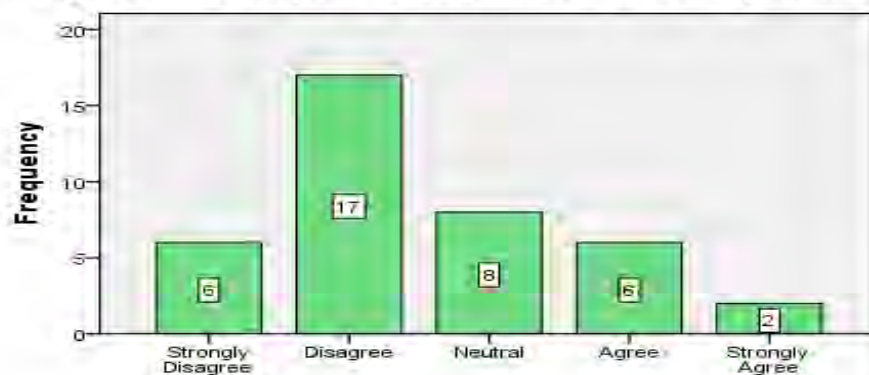
Fig.3 Ratees' Response on Existence of Performance appraisal system



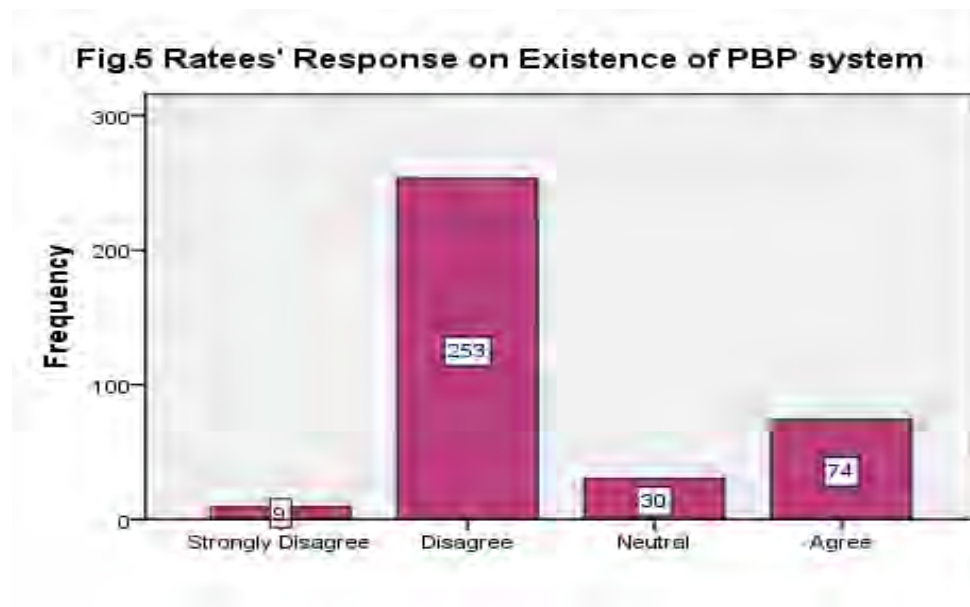
To further see the relation between the existence of performance appraisal system and the real existence of the results based pay system in the organization, both group were asked the following question.

With regard to this second question (Is there performance based pay in the organization), only a very small amount of respondents of both group (around twenty percent) agreed to the availability of performance or results based pay.

Fig.4 Raters Response on Existence of PBP system



Even the HR managers who were interviewed did not agree in the presence of performance based pay system in the organization. According to the interviewees' response, the appraisal result is used as an input in bonus payments but this cannot be taken as a conclusion for the presence of performance based pay in the organization. The rest of the respondents either gave a neutral response (n=8 from management and n=30 from employees) or disagreed (59% from management and 72% from the employees group) to the availability.



From the above questionnaire response, we can infer that there is a performance evaluation system in ethio telecom but the performance evaluation is not properly attached to employees' pay system.

The existence of performance management system is vital for organization's growth. Proper performance management system gives an edge to organizations in this competitive world. Performance management systems are also a source of valid and useful information for making administrative decisions about employees. Such administrative decisions include salary adjustments, promotions, employee retention or termination, recognition of superior individual performance, identification of poor performers, layoffs, and merit increases. In other words, the implementation of reward systems or results based pay systems will be based on information provided by the performance management system. If an organization does not have a good

performance management system in place, administrative decisions are more likely to be based on personal preferences, politics, and otherwise biased decisions (Smither and London, 2009).

Ethio telecom claims that there is an established performance management system and this performance management system is integrated for the implementation of the performance based pay that was effected last year.

From the theoretical point of view, we can argue that the current system in ethio telecom is not a performance management system: rather it is a performance appraisal system. In performance Management, the organizations strategic goals are cascaded to all levels and all employees will be evaluated based on the target and goals they agree with their managers. The performance evaluation is also a process and not a one-time task. But in ethio telecom, a once in a year rating was used to evaluate employees using an appraisal format that is too much subjective in nature.

To further study the organization's performance management system the following questions were asked.

4.3. Objectives, targets, and goal setting

An effective performance evaluation system should incorporate an established strategic goal or plan, defining key result areas, establishing indicators of effectiveness, goals, or organizational objectives, establishing, or negotiating individual employee objectives, establishing performance standards for each objective, action planning for each employee as well as periodic measurement and assessment of status of each objective/standard (Bacal, 1994).

To check the existence of the above components in ethio telecom's performance evaluation system, both the management group and the staff group were asked similar questions. For the question "*Goals& targets are set for me at the beginning of the rating period*", about sixty one percent of the management group (n=24) agreed to the question while fifteen percent (n=6) strongly agreed. Among this group eighteen percent disagreed when only two of the respondents from the management group were neutral.

The two raters who responded neutrally as well as the seven who disagreed are most likely supervisor raters who are not managers. In ethio telecom, as discussed on the structure part, the employees who are assigned at level "D" are supervisors and these are not part of the management group. The management group of ethio telecom is level "E" and above and target setting as well

as individual work plan preparation at the beginning of the rating period is practiced only up to these level.

Table-2 Raters Response towards Goal setting at the Beginning of the rating period			
Response	Frequency	Percentage	Cumulative Percentage
Disagree	7	17.9	17.9
Neutral	2	5.1	23.1
Agree	24	61.5	84.6
Strongly Agree	6	15.4	100.0
Total	39	100.0	

Contrary to the management group, for the same question asked to the staff group, about ninety one percent (n=332) responded by either disagreeing or strongly disagreeing while only sixteen employees admitted that goals and targets are set for them at the beginning of the rating period.

The response of the employees confirm that goal setting is only at the management level which is a bad practice that leads to un focused work force.

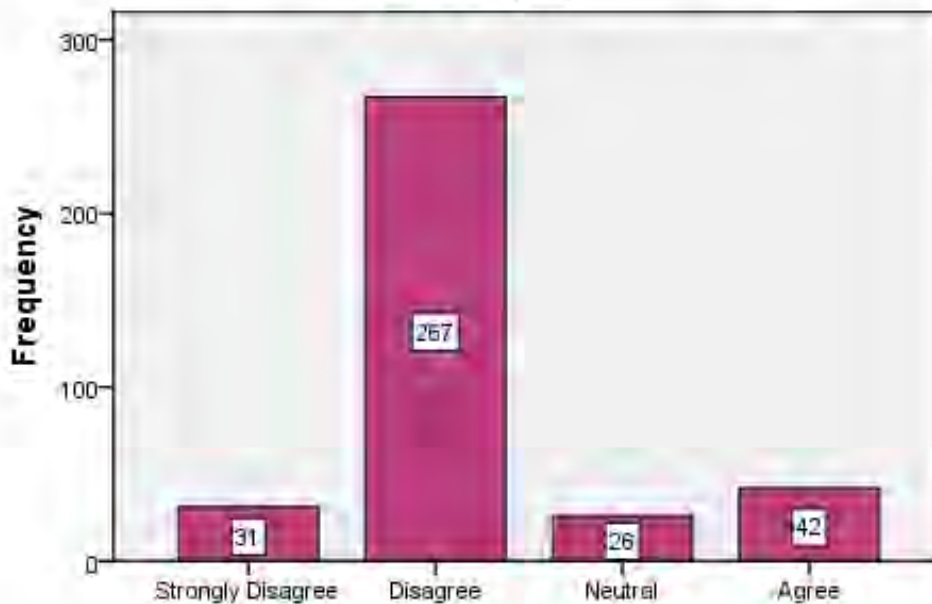
Table-3 Ratees' Response towards Goals setting at the beginning of the rating period			
Response	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	29	7.9	7.9
Disagree	303	82.8	90.7
Neutral	18	4.9	95.6
Agree	16	4.4	100.0
Total	366	100.0	

The task of the management is to lead the employees with vision. The vision has to be cascaded down and owned by all employees so that all aim towards one goal. Before even thinking about the performance management, employees as well as the management should have the knowledge of their company's objective and where the destination is in a given period of time.

The researcher has found out that goals and objectives of the organization are not equally communicated to the employees. This conclusion was reached by analyzing the question asked to

both group on knowledge of goals and objectives of the organization at the beginning of the rating period. For this question, the response given by the staff group was shocking.

Fig.6 Ratees' Response on knowledge of goals of the company at the start of the year



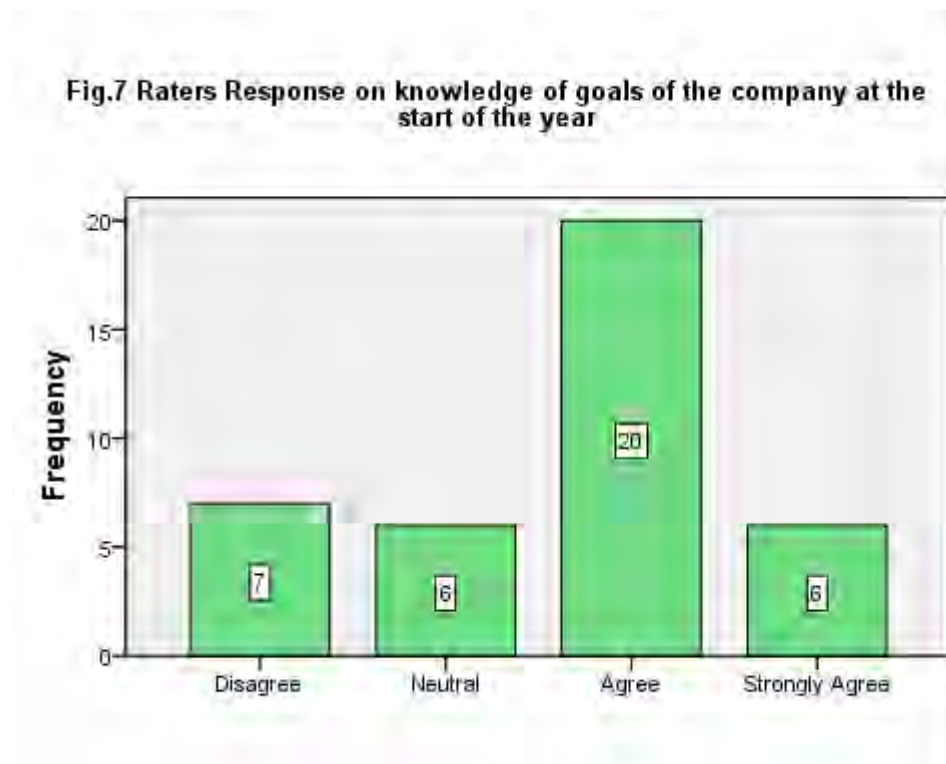
Out of the 366 staff respondents, about ninety percent (n=298) did not know the goals and objectives of the organization and they work unknowingly while only about seven percent (n=26) confirmed that they know the goals and objectives of the company at the beginning of the rating period.

This response shows that though very few managers communicate their staff about the goal of the company, the majority of the raters lead their flock in darkness.

Managers should have an overall view of their sections' or departments' blue print at hand and set goals to together with their employees in each performance period. The goals should not be generalized but effectively crafted to each employee at all level.

According to goal theory, employees' performances increase if they have specific, challenging and achievable goals (Armstrong, 2009).

Knowledge of the organization's goals should not be suspended at only the higher level management.

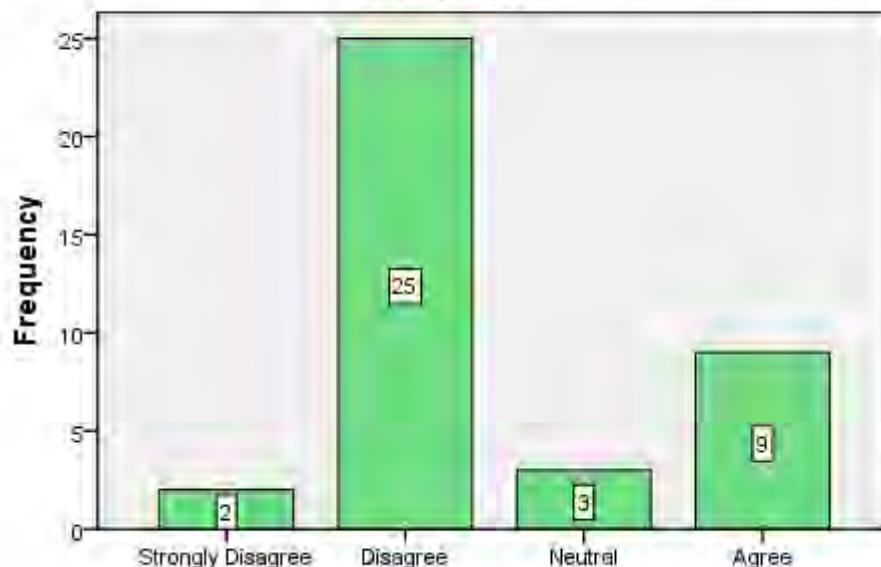


But when we see the management group response towards this question, it affirms that the objective and targets of the organization are changed only at the higher level. This is because goals and target are set for each manager at the beginning of each budget year. The practice is that each manager will prepare a bi annual individual work plan that is derived from the company's target for the year and will have a session with the super-ordinate so that the plan is agreed and signed at the beginning. The manager will be evaluated based on the agreed individual work plan.

The above activity is more focused on the management group and it coincides with the "Management by Objective" concept of Peter Drucker and Douglas McGregor. Organizations become successful when the whole employees (both the management and employee group) work hand in hand towards achieving the same goal. This practice (notifying the company's plan as a whole and the section's target plan to employees) was supposed to be the job of each manager. These managers should cascade down the company plan to their respective employees. Employees should not work in an environment where they do not have the blue print of their section.

The managers were asked if they clearly explain to their subordinates the goals of their section/department at the beginning of the budget year.

Fig.8 Raters Response on Explaining Goals of their section to their subordinates



Twenty seven managers or (69%) admitted that they do not clearly explain to their subordinates the goals and targets of their section or department while only twenty three percent (n=9) responded that they clearly explain to their subordinates. Three of the respondents were neutral to answer this question.

For the related interview question the HR managers responded that they communicate the goals and targets of their respective section to their employees. HR, as an owner to the performance management of all the employees, should have communicated all Divisions to uniformly implement goals and target settings at all levels and follow the result but the case is not like that. Managers in different divisions have acted on their own way and the implementation of goals and a target setting is not uniform from section to section and division to division.

In ethio telecom, the yearly plan is prepared at the higher management level, reviewed and validated by the board of directors and communicated back to all levels of management. It is the duty of each officer and manager to plan based on the approved target and also the responsibility

of the managers to diffuse the company's plan to employees in the lower level. From the response to the above question, this activity lacks.

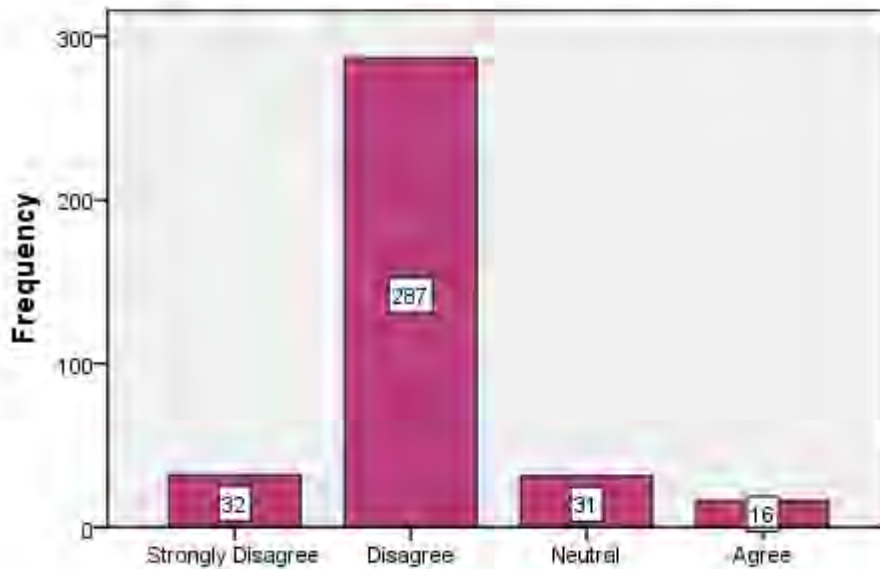
The management groups were also asked if they help their subordinates in preparing their performance plan at the beginning of the year.

Table-4 Raters Response towards helping their subordinates in preparing their yearly plan			
Response	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	1	2.6	2.6
Disagree	26	66.7	69.2
Neutral	5	12.8	82.1
Agree	7	17.9	100.0
Total	39	100.0	

As it can be seen from the frequency table, sixty nine percent of the managers (n=27) truthfully answered that they do not help their subordinates in preparing a target or plan at the beginning of the performance evaluation period while only seven managers support their subordinates. Similarly, the employees' group response to the two questions "*My rater clearly explains to me what he or she expects from my performance at the beginning of the performance period*" and "*I set the goals and targets of my performance objectives together with my supervisor*" confirm that the "performance management system" in the company is not supported by the theories we discussed earlier.

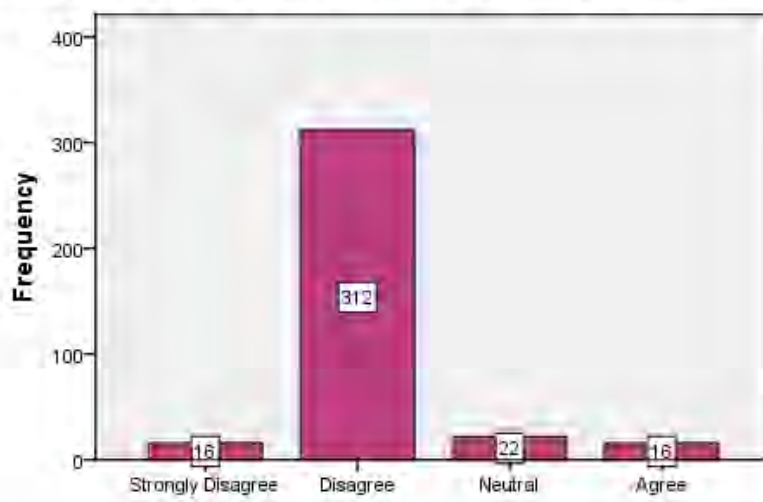
For the question "*My rater clearly explains to me what he or she expects from my performance at the beginning of the performance period*", eighty seven percent (n=319) totally disagreed with the notion and said they are not communicated neither at the beginning nor in the middle of the performance period and they have no idea what their supervisor expects from them.

Fig.9 Employees' Response on Performance Expectation Explained by their Raters



The employees' response to the second question "*I set the goals and targets of my performance objectives together with my supervisor*" was also with disagreement. Only sixteen employees (4.4%) said they set their goals and targets for performance at the beginning of the period while twenty two respondents were neutral to the question. The majority of the respondents (n=328) responded that they do not set goals and targets with their supervisors.

Fig.10 Ratees' Response On Performance goal setting with their Raters



The secret of success—for organizations, managers, and employees—is to put more emphasis on making sure every employee and every manager knows what he or she needs to accomplish in the present and future (Max and Bacal, 2004). When an employee understands what he or she needs to do to succeed, it's much easier to contribute.

A well-articulated performance goal helps the organization, the manager as well as the employee towards success.

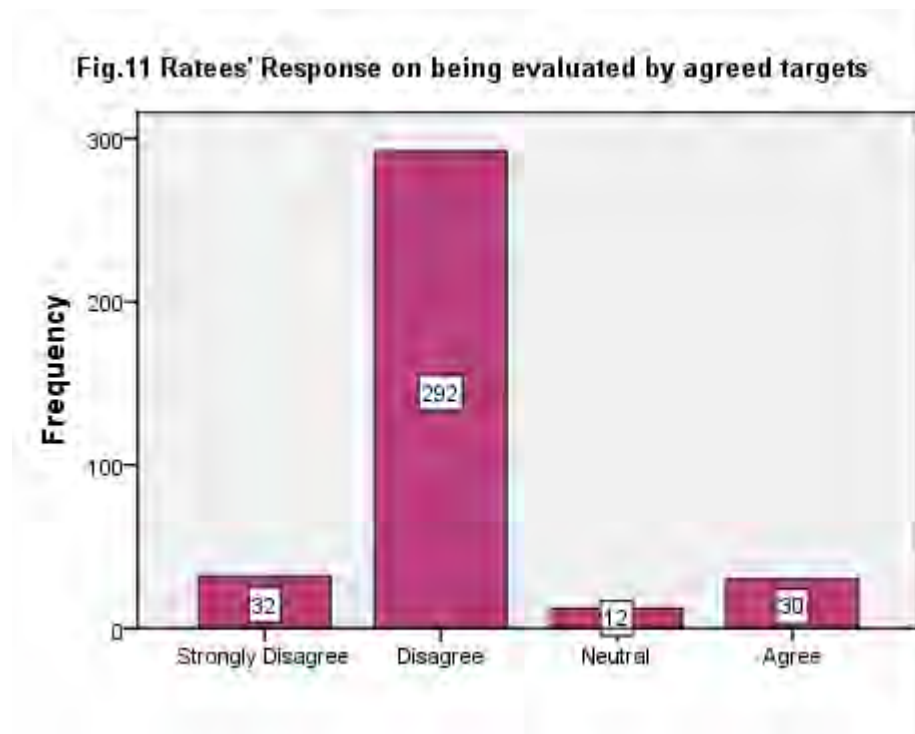
For the organization, performance goals provide a foundation which helps that the work of individual employees and work units be coordinated so that everyone is pulling in the same direction. The process of setting individual performance goals provides the mechanism for translating the goals of the organization as a whole into smaller chunks that are then assigned or delegated to individual employees. That's necessary because organizations achieve their overall goals to the extent that each employee does his or her part in completing the right job tasks in effective ways (*ibid*).

For the Manager, setting goals for the employees will give him more managerial time since employees who know their goals will do their job with a minimum of direct supervision. When an employee knows what he or she needs to accomplish and what is expected, it's a lot easier for that employee to work without constant supervision. In addition, by helping employees understand how their individual work contributes to the overall goals of the organization, managers can enable them to make their own decisions about how to spend their work time so that their work is consistent with the priorities of the organization. Clear performance goals allow managers to empower their staff to make decisions relevant to their work without having to consult the manager on every little question. The performance appraisal or review also will be much easier and with less anxiety when there is a clear performance goal (*ibid*).

For the employee, performance goals specify what accomplishments are necessary and how well the work should be done. The more an employee understands the job, the more likely he or she can contribute. The goals can also serve as a basis for ongoing discussion between manager and employee or, for that matter, among employees, aimed at improving work contributions. Clear goals allow employees to monitor their own progress all year 'round and correct their efforts as necessary. If employees know what they need to accomplish, they can look at their results as they go and identify barriers to achieving those goals.

Employees can also receive recognition for accomplishments throughout the year, since it's easy to identify when an employee has met or exceeded a performance goal. Performance goals help employees know where they need to go and what they need to do to get there and help them determine how they are doing (*ibid*).

In this research, one of the questions asked to both group was if they were evaluated based on the performance targets they agreed with their supervisor.



The employees' response to the question "*I am always evaluated based on the performance targets that I agreed with my supervisor*" was shocking. Eighty eight percent of the employee respondents totally disagreed while only eight percent confirmed that they are evaluated based on agreed targets. For the same question sixty seven percent of the managers (n=26) confirmed that they are evaluated based on agreed target while seven respondents disagreed. The rest six managers were neutral to answer.

According to Armstrong, "the important aim of performance management is to support the achievement of the business strategy and vertical integration which is linking or aligning business, teams and individual objectives is vital for this success" (Armstrong, 2009). Employees should

know their company's yearly target and they should prepare a performance plan to contribute towards the achievement of those targets.

Performance planning is the starting point for performance management and it is essential in laying the groundwork for effective reviews later on. Performance planning is also the process of communication between manager and employee intended to create agreement about what the employee is to do, how well he or she needs to do it, and why, when, and how success is to be determined (Bacal, 2004).

Employees should only be evaluated based on the objectives and targets they agreed at the beginning of each year. Performance goals specify what the employee aims at. Reviewing performance in situations where the employee never had a clear idea of what he or she was expected to do is bound to cause friction and frustration between employee and manager.

When we see ethio telecom's case, the performance management lacks this ingredient. How can the manager evaluate the employee without a properly set objective? How can the employee know whether she/he is on the right track: contributing to the success of the company? How can this evaluation be attached to a performance based pay or results based pay since the results cannot be measureable in terms of agreed targets.

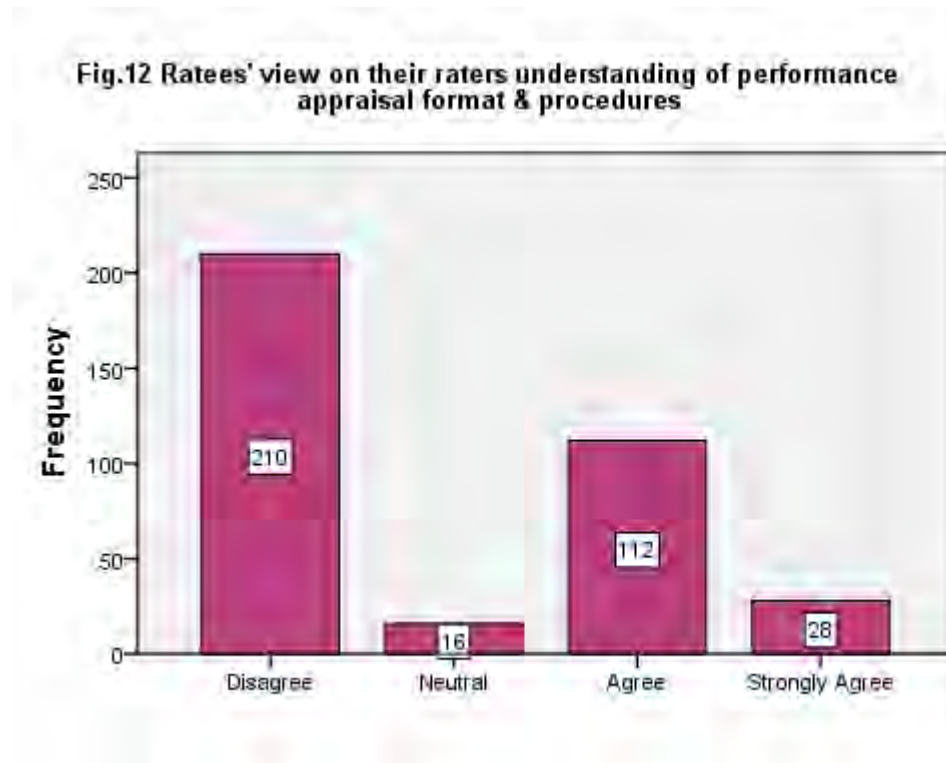
Armstrong expresses Performance management as a planned process whose five primary elements are agreement, measurement, feedback, positive reinforcement and dialogue. It is concerned with measuring outcomes in the shape of delivered performance compared with expectations expressed as goals or objectives (ibid). Agreement to targets and objectives precedes evaluation, feedback and eventually reward that is based on the met performance evaluation results. Ethio telecom's so called performance management, as we can clearly see from the study, is a mix of MBO and performance appraisal which subjectively rates employees by all means it cannot be said a performance management system.

4.4. Performance assessment process, performance review and feedback

Performance management is a continuous and flexible process that involves managers and those whom they manage acting as partners within a framework that sets out how they can best work together to achieve the required results. It is based on the principle of management by contract and

agreement rather than management by command. It relies on consensus and cooperation rather than control or coercion.

The employee group were asked if the organization assigns raters who understand the performance appraisal process, the rating procedures and the rating format.



Out of the 366 employee respondents, fifty seven percent or two hundred ten employees believe that the raters assigned by the organization do not understand the performance appraisal process, the rating procedures as well as the rating format while thirty eight percent of them think that raters assigned by the organization know the process as well as the format. The rest sixteen employees were neutral to answer the question.

These employees were also asked if their raters understand the requirements and difficulties of the employees work situation. For this question, only fourteen percent (n=52) believe that their supervisors or managers fully understand the requirements and difficulties of their work while forty eight percent of the employee respondents feel their raters do not understand their job situation.

Table-5 Employees response on their raters understanding on the requirements and difficulties of their work			
Response	Frequency	Percentage	Cumulative Percentage
Disagree	175	47.8	47.8
Neutral	139	38.0	85.8
Agree	48	13.1	98.9
Strongly Agree	4	1.1	100.0
Total	366	100.0	

The employees were also asked if their raters review their performance status in between the evaluation period and give them feedback. Eighty one percent (n=296) denied that they are getting support and feedback in between the evaluation period while only thirteen percent of the employees proved that they get support and feedback.

The management group response to related questions was contrary to the employees' response.

Table-6 Raters response on reviewing the performance status of their staff and feedback giving			
Response	Frequency	Percentage	Cumulative Percentage
Disagree	8	20.5	20.5
Neutral	8	20.5	41.0
Agree	23	59.0	100.0
Total	39	100	

Fifty nine percent or twenty three out of the thirty nine raters responded that they review the performance status of their staff in between the evaluation period and give them feedback, eight of them admitted they do not review and the remaining eight did not answer to the question.

This variation in the response from the employees and the managers towards the support and feedback in between the performance evaluation period shows that there is some misunderstanding about the concept of performance management in the organization.

Performance management is not filling out forms at the end of the rating period. It is essentially a developmental process that aims to improve the performance and potential of people through their own efforts and with the help of their managers and the organization (Armstrong, 2009). Armstrong further emphasizes that “performance management should be something that is done for people and in partnership with them”.

The supervisors or Managers should continuously support their employees throughout the performance period by providing the necessary resources that are needed for the success towards achieving the goal. Employees should also be given feedback on their status and those employees with negative performance should be supported to improve their problems (Smither, 2009).

From the above responses, we can understand that proper follow up is not given from the supervisors or managers and employees are not adequately supported during the performance period.

4.5. Performance based pay system in the organization

Proper performance management system rewards employees according to their contribution. According to Armstrong, *“Reward makes an overall positive impact on performance when it contributes to the development of a high performance culture, one in which the values, norms and HR practices of an organization combine to create a climate in which the achievement of high levels of performance is a way of life (Armstrong, 2010).”*

Ethio telecom claims that its employees have received a performance based pay in the 2012-2013 budget years but this has created too much dissatisfaction among employees. This research so far has investigated what the performance management system of ethio telecom looks like based on different theories. Additionally, different sets of questions were asked to both sample group to get

their view on the performance appraisal process as well as support and feedback given to employees.

Table-7 Raters response on payment based on performance			
Response	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	5	12.8	12.8
Disagree	12	30.8	43.6
Neutral	8	20.5	64.1
Agree	14	35.9	100.0
Total	39	100	

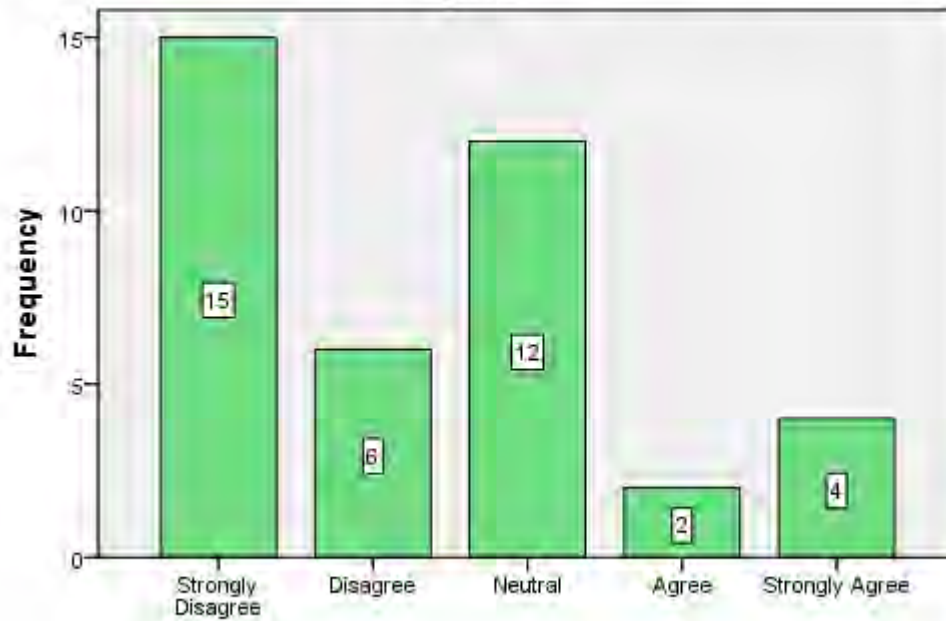
Both the employee group and the management group were also asked about their view about the performance based pay that was implemented in previous budget year. Their response to the same question “my organization pays me according to my performance result” is as follows.

Table-8 Ratees' response on payment based on performance			
Response	Frequency	Percentage	Cumulative Percentage
Strongly Disagree	194	53.0	53.0
Disagree	108	29.5	82.5
Neutral	52	14.2	96.7
Agree	12	3.3	100.0
Total	366	100.0	

As it can be seen from both tables, out of the thirty nine management representatives, seventeen of them (almost forty four percent) believe that they are not paid according to their performance while eighty two percent of the employee respondents (three hundred two of them) shared the response of their managers and responded that they are not happy either.

Both groups were also asked if they were satisfied with the organization's current performance based pay scheme and the responses from both group showed the existence of big dissatisfaction in the organization.

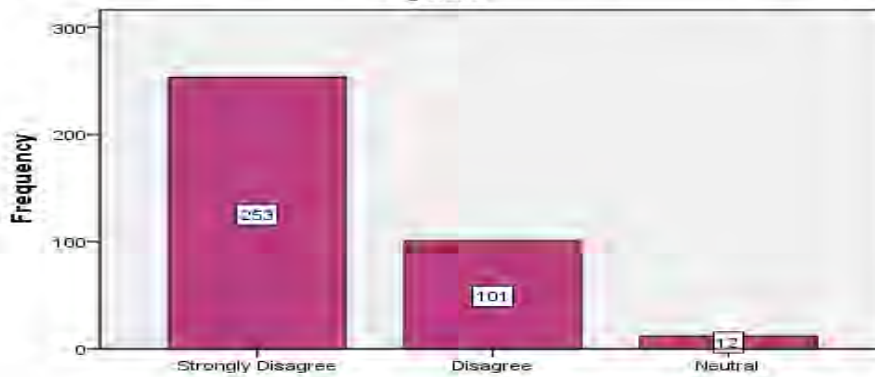
Fig.13 Raters response on being satisfied with the performance based pay system



Concerning the satisfaction based on the existing performance based pay system, only six managers agreed while the fifty four percent of the management group respondents (n=21) responded that they were dissatisfied. The rest (n=12) were neutral to answer the question.

Surprisingly, none of the employees responded to the same question with agreement that shows their satisfaction.

Fig.14 Ratees' response on being satisfied with the performance based pay system



Almost all of the employees (about ninety seven percent) reflected their dissatisfaction while only three percent were neutral to answer.

From the above responses, we can understand and conclude that the so called implemented performance based pay system in ethio telecom is not properly understood by both the management and the employees and its existence is also contradictory to the current theories.

Performance based pay should be implemented in a well-organized performance management system where the employees and management set their goals together. These goals or targets should be measurable and well understood by both parties. The management also should support the employees all the way during the performance period. There should be clear and objective criteria to weigh the contribution of each actor and hence reward the well performers at the end of the period.

The performance management system should not be a base for dissatisfaction among employees. In ethio telecom's case the employee dissatisfaction emanated from the inappropriate implementation of the system.

In the study the employees were asked what their opinion will be on the system's continuation and the majority of both the employee group and the management group responded that they want the system to be changed.

Table-9 Both group opinion on changing the current performance evaluation system as well as the performance based pay system				
Response	Management		Employees	
	Frequency	Percentage	Frequency	Percent
Strongly Disagree	0	0	23	6.3
Neutral	6	15.4	16	4.4
Agree	11	28.2	49	13.4
Strongly Agree	22	56.4	278	76.0
Total	39	100.0	366	100.0

The system is not backed by both group and this shows that the system has got a deep rooted problem that needs an urgent correction.

The overall objectives of performance management are to develop and improve the performance of individuals, teams as well as organizations (Armstrong, 2009). These objectives can only be met when there is a mutual understanding between the management and the employees on the company's objectives, when these objectives are owned by both parties, when the management gives full support and follow-up to employees and finally when the objectives are objectively measured.

In the case of ethio telecom, the system that is currently in use has an inherent problem. The employees as well as the management seem to work in an environment where there are no challenging planned tasks. Instead, they daily perform on what is in front of them. This might be because the sector is currently in monopoly and there are no competing telecom service providers. The money generating capacity of the sector continues since there is high demand from the population and there is none other than ethio telecom who provides the service.

The performance measurement tools should be well integrated with the targets and goals that are set by both parties so that during appraisal the managers can easily rate employees. When we see ethio telecom's performance rating format it focuses more on the employees behavior towards the job than being objectively measurable. The managers or supervisors, at the end of each year rate the employees in terms of knowledge of work, ability to understand, accept or follow through

instructions, their attitude towards team work and cooperation, the employee's initiative and ability to assume responsibility, their communication skill, their punctuality to their job place as well as their personal appearance. All these can be subjectively judged and does not show the real performance of employees. Actually, employees can fulfill all these ratings and yet still underperform in a real performance measure. Coming to work on time and dressing perfectly is good, but it cannot guarantee the employee is performing to the success of the organization. Managers and supervisors should not be tricked by such measures and fill employees' rating.

The other problem is that the rating format is similar to all employees which cannot be feasible. In ethio telecom the employee group is subdivided into professional, clerical and physical categories. How can we evaluate professional employees with the same rating format as that of the clericals and the physicals? How can a driver be rated in the same way as a salesman or saleswoman or a line man who works in man-holes and telephone poles be equally rated based on personal appearance? How can we always rate employees using the 'knowledge of work' rater year to year if the job they do is routine? How can we base our decision on such ratings and segregate employees as good performers to reward them based on their performance?

The performance appraisal format as well as the rating mechanism in ethio telecom opens a door to nepotism or favoritism since it is very subjective. The performance management system as well as the performance based pay system implemented in ethio telecom cannot be regarded as a real performance management system and the employees have every right to be offended by the decision passed to pay the results based pay where there is no objective assessment mechanism to differentiate the performers from non-performers.

In this research, attempt has been made to identify the dashboard system that the organization uses to track KPIs of each Division. The dashboard being used is more focused on departmental and section financial targets that should be met by the Divisions. Monthly the top management reviews the progress of each division and gives response. The problem is the targets set to these departments and section are not imparted to all employees and only those who are at the management level know much about it. Of course, the management group prepares individual work plans based on the targets set to the section, but this target is not further broken down to employee level so that all employees make the target and goals their own.

The other problem is that the dashboard used does not cover all tasks in the sections and departments. For example if you take the Human Resources Division in ethio telecom, the major components of the division's dashboard are: training and capacity building indicators (human development), headcount and termination tracking, changes in overtime usage and basic salaries that will be calculated against the headcount. But the tasks that are being done through the division are not only the ones that are explained above. How can the activities that are performed by other departments and sections in the human resources division be evaluated using the dashboard? Such cases are also seen in the other divisions and the dashboard system cannot be used as a measuring tool to weigh the performance of employees.

4.6. Specific Challenges faced in the course of implementing Performance-Based Pay System

The telecom industry is a fast growing and technologically dynamic environment. Ethio telecom as a part of such dynamic industry should adjust its pace since the demand of the customers is dictated by the ever changing technology. While the company strives to update itself towards such change, care should be given to its work-force which is the center of the growth. There should be a balance between the technological growth and the implementation of different systems that manage the human resources.

Ethio telecom, while implementing the performance-based pay system in the organization, has faced series of technical and policy challenges that have constrained it not to be effective in implementing the change program.

The following are some of the challenges faced while implementing the performance-based pay system at ethio telecom.

4.6.1. Pressure from the Managing Board

In ethio telecom's structure, the supreme governance flows from the Board of Directors who are assigned by the government. High level direction is given to the CEO and the Executive management concerning the company's strategic moves. Most of the time high level decisions given by the Board are not challenged. In addition, the readiness of the management to execute

such directions is not checked. This will end up in failed executions or difficulties in implementing high level decision since the management did not buy the idea.

One of such directions given by the Board was implementing performance-based pay system in the organization. The performance management system that is in place was not properly revised by the management and not checked whether it aligns to the performance-based pay system that is to be implemented. The existing performance evaluation or performance appraisal format was not supportive in identifying performing employees. It was an old fashioned, very simple and a once a year rating format that focuses on traits rather than targets and goals.

The management, pressurized by the Board, tried to implement performance-based pay system where there is no system that effectively supports the implementation and this ended-up in dissatisfaction by employees. In a nutshell, the key informants stated that there is a challenge of formalism when implementing change packages such as Performance-based pay system. Hence, middle-level and operational level managers are urged to meet the deadlines before exhaustively analyzing all challenges and opportunities that may occur as a result of implementing reform tools and programs.

4.6.2. There was no uniform understanding among management

The other bigger challenge was failure of common understanding among management about objective setting and communicating strategies to the employee level. Following the contract management to French telecom, the management has been practicing goal setting at the beginning of the budget year. But most of the management did not cascade the objective of their section to their employees in a uniform manner. Such failure resulted in complaints on performance evaluation results since employees who are objectively assessed and those who were not had different assessment results.

For example, the performance appraisal record of the previous year shows that out of the 8,209 employees rated, nine hundred ninety seven employees or 12.1% scored SER (Significantly exceeds requirement), Six thousand six hundred ninety five or 81.55% scored FMR (Fully meets requirement), five hundred twelve employees or (6.24%) MMR (Meets most requirements) and only five employees (0.06%) scored BR (below requirement) (ethio telecom, 2013).

The problem with this rating is how can the manager rate an employee with an SER scoring when there is no standard objective or target set? In what measure is the FMR employee different than the SER or MMR rated employee when they are doing the same job and rated with the same tool? This subjective rating offended and demotivated some of the good performers in the organization whereas it rewarded the underperformers.

4.6.3. Lack of customized rating format and measuring tool

One of the encounters in implementing the performance-based pay system was lack of customized rating format and measuring tool among different work units. The jobs of each unit should have been properly studied and measurement tool should have been devised before trying to implement the system. The unavailability of such customized formats and tools forced the management to focus on measuring traits and behavior of employees rather than performance.

The informants stated that absence of customized rating and measurement tools is caused by urgency of issues to meet the formal requirements from board. Hence, the implements could not have adequate time for training so as to internalize the reform tools.

Chapter Five

Conclusion and Recommendation

5.1. Conclusion

In this thesis, the researcher have tried to see what the challenges of implementing the results based pay system are and why employees were dissatisfied in the so called performance-based pay that the company has implemented in the previous budget year.

The base for implementing a performance based pay system is an objective target and goals that is derived from the strategic goals of the organization. These targets and goals should be properly cascaded to all levels of the organization and communicated to all staff in the company so that both the management and the employees work together in unison to achieve these goals.

Performance plans should be prepared at all levels and agreed before the task is started. The management should follow the progress and performance of the employees and give support whenever necessary to correct any deviations from the plan.

The organization should also have a key performance indicators and a measuring tool that will help track the achievement of employees and a rewarding system at the end to motivate the high performers.

As it can be seen from the response of both the sample group and the analysis, we can conclude that there exists a formal performance appraisal system in ethio telecom but the performance based pay that was effected last year is not actually based on employees performance as per the theories rather it is paid based on the subjective evaluation results given by raters.

The company's strategic goals are suspended at the management level and not cascaded to the lower level employees. Employees do their jobs in a traditional manner without having an aim to shoot at. There is no agreed individual work plan between the employees and the management where employees can be held accountable. The management uses a traditional rating mechanism that focuses on employees' behavior rather than employees' performance and it is used at the end of the budget year.

The company's dashboard reporting system is also focused on some of the activities in the divisions and could not measure all tasks in each division. The key performance indicators are used to follow the main tasks of divisions and not the performers. It is not attached to the performance measurement of the employees. Rather it is being used as an indicator on the performance of the divisions and departments.

In conclusion, it can be generalized that there exists a traditional performance appraisal system to employees based on a subjective trait ratings whereas there is a type of management by objective system to the management group since there is an individual work plan preparation.

This research has found out that there is no performance management system in the company that can be used to implement a results based pay or a performance based pay system.

5.2. Recommendation

Ethio telecom is a very huge organization with a fast growing customer base in a dynamic technological change. To serve this customer base, the organization should have a well-trained and customer oriented, ready to serve work force. To retain such work force in this competitive market, the organization must have management who leads with vision, an attractive compensation and benefits package as well as a suitable performance management system that initiates and involves all employees.

The base work for the performance management system is identifying in detail the key performance indicators of the organization and preparing a suitable performance measurement tool. Ethio telecom has laid the foundation for this activity and the problems that are currently faced can be corrected if further study is done based on this thesis work. From the researcher's point of view, the following recommendations are vital to correct the observed problems.

- ❖ The key performance indicators in the company should be reviewed and appropriate performance measures has to be devised. Different performance indicators can be prepared in the four segments of the organization namely network, information systems, commercial and support. Once the key performance indicators are identified and segregated per the domain, the measurement tools also has to be in a way that really measure the performance of employees in an objective manner. For example, the sales

staff performance can be attached to the number of SIM cards that they sell or the number of voucher cards that they sell in a given period of time while the performance of line maintenance team can be measured on how quickly they maintain faulty lines. The support part performance measurement is usually difficult as it cannot be objectively measured. But for such immeasurable tasks, there should be an operational level agreement signed within departments and sections and the performance of these support domains can be measured on how far they succeeded in achieving the agreed agreement.

- ❖ Ethio telecom should devise a mechanism to impart its strategic goals to all level employees and the company should enforce effective work planning based on the cascaded goals and targets. The higher level as well as the middle level managers has to follow that all employees are on the same page.
- ❖ The rating format that is currently used should be revised and formats that can actually weigh employees' job in different levels should be prepared. For example, rating formats for commercial domain employees should be different from that of the support employees.
- ❖ Proper trainings should be prepared and given to the management as well as the employees on effective performance management systems
- ❖ The performance based pay scheme prerequisite should be only the performance of employees and for this the organization should study and implement different performance measuring mechanisms with different standards for different sets of employees. The jobs of each domain need to be studied in depth and a standard measure has to be prepared for each domain.

References

- Adams, J. S. (1965): Inequity in Social Exchange. Vol.2 Red.: Berkowitz L. Academic press Inc.
- Appelbaum, S. H., and Hare, A. (1996). Self-efficiency as a mediator of goal setting and performance. *Journal of Managerial Psychology, Vol. 11 (Issue 3)*
- Armstrong M., (2000). Performance Management: *key strategies and Practical guidelines 2nd Edition*
- Armstrong M., (2006). Performance Management: *key strategies and Practical guidelines 3rd Edition*
- Armstrong M., (2009). Handbook of Performance Management: *An evidence based guide to delivering high performance*
- Armstrong M., (2010). Handbook of Rewards Management Practice: *Improving performance through reward*
- Bacal R., (1994). A critical look at Performance Management systems: *why don't they work?*
- Bacal R., (2004). Manager's guide to performance reviews: *Integrating strategy execution, methodologies, risk and analytics*
- Bogsnes, B. (2009). Implementing Beyond Budgeting: Unlocking the Performance Potential. John Wiley & Sons Inc. New Jersey
- Brace I. (2004), Questionnaire Design: How to Plan, structure and write survey material for effective Market research. Kogan Page LTD, London

Bragelien, I. (2003). Performance Management and Management Control: Evaluated managers point of view.

Briscoe et.al. (2008). International Human Resources Management: *Policies & Practices for multinational enterprises*.

Cokins G., (2009). Performance Management: *Integrating strategy execution, methodologies, risk and analytics*

David G. Mathiasen, (1999). The New Public Management and its Critics. International Public Management Journal 2(1): 90-111

David Y. Miller and William N. Dunn, (2006). *A Critical Theory of New Public Management*. Graduate School of Public and International Affairs and Macedonia Graduate Center for Public Policy and Management University of Pittsburgh

Davis A. & Shannon J., (2011). The definitive guide to HR Communication: *Engaging employees in benefits, Pay and Performance*

Eckerson W. (2011). Performance Dashboards: *measuring, monitoring & managing your business*

Ethio telecom, (2012). *Ethio telecom 2004 EFY end of year performance report (Unpublished)*.

Ethio telecom, (2013). Performance evaluation summary report V.2

Ethiopian Telecommunications Corporation, (2008). *Company profile*

Gabrielsen et.al (2007). International Management: Cross Boundary Challenges. Wiley-Blackwell, Oxford.

Gardiner P. D. (2005): Project Management- A strategic Planning Approach. Palgrave Macmillian, Hampshire.

Kaplan, D.S. & Norton, D.P. (1992): The Balanced Scorecard- Measures that drive Performance.

Kaplan, D.S. & Norton, D.P. (1996): Using the Balanced Scorecard as a Strategic Management System.

Kohn, A. (1993): Why Incentive Plans Cannot Work

Kothari C.R. (2004). Research Methodology: methods and techniques. Second revised edition. New age international publishers.

Latham, G P and Locke, E A (1979) Goal setting: *a motivational technique that works*

Locke, E.A. & Latham. G.P. (2002): Building a Practically Useful Theory of Goal Setting and Task Motivation- A 35 Year Odyssey.

Levinson H, (1976). Appraisal of *what* performance?

Max D. & Bacal R., (2004). Perfect phrases for setting performance goals

Merchant, K.A. & Van der Stede, W.A. (2003): Management Control Systems- Performance Measurement, Evaluation and Incentives. Pearson Education Limited. Edinburgh

Odiorne, G.S. (1965): Management by Objectives: A System of Managerial leadership. Pitman Publishing, New York.

Rees, R. (1985): The Theory of Principal and Agent.

Robert S. Kaplan et al., (2006). Alignment using the balanced scorecard to create corporate synergies

Shields, J. (2007). Managing Employee Performance and Reward- Concepts, Practices, Strategies.

Smither J W., and London M. (2009). Performance Management: *Putting research into action*

Warren M., (1972). Performance Management: *a substitute for supervision*

6. Annexes

Annexes

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS & ECONOMICS

DEPARTMENT OF PUBLIC ADMINISTRATION & DEVELOPMENT MANAGEMENT

Questionnaire (For Employee Level)

Research Title: The Challenges of Implementing Performance Based Pay system: The case of ethio telecom

(A thesis for the partial fulfillment of the requirements of Master of Arts in Public Management)

I'm a post graduate student in Addis Ababa University COLLEGE OF Business & Economics, Department of Public Administration & Development Management. I'd like first of all to thank you for your cooperation in filling out this questionnaire. This questionnaire is considered as part of the research thesis for the partial fulfillment of the requirements of Master of Arts in Public Management and Policy. The questions are designed to gather information on what you feel about the performance management of ethio telecom as well as the performance based pay system that the company has recently implemented.

As your responses to the statements below have a great bearing to my thesis work, I kindly request you to fill it out carefully and genuinely. This information is going to be used just only for academic purpose and apart from that your responses will be treated with great confidentiality.

General Instructions

- ❖ There is no need of writing your name
- ❖ In all cases where answer options are available please tick (√) in the appropriate box.
- ❖ For questions that demands your opinion, please try to honestly describe as per the questions on the space provided

Thanking You in Advance,

Yoseph Muluneh Tessema: Candidate of MA Degree

Cell Phone: 0911-51-03-35

Email: yosephmuluneh@gmail.com

Section One– Demographic Information

1. Years of service in the organization

Less than One Year ☐ 1-3 Years ☐ 4-5 Years ☐ 6-10 Years ☐
Greater than Ten Years ☐

2. Years of Service on the Current Job

Less than One Year ☐ 1-3 Years ☐ 4-5 Years ☐ 6-10 Years ☐
Greater than Ten Years ☐

3. Your Age

18-25 Years ☐ 26-40 Years ☐ 41-50 Years ☐ 51-60 Years ☐

4. Sex Female ☐ Male ☐

5. Highest Formal Education Attended

Master's Degree ☐ Bachelor's Degree ☐ Diploma ☐
Certificate ☐ High school ☐ others ☐

6. Your Status in Performance appraisal system of the organization

Appraiser / Evaluator / Assessor ☐ Appraisee / Ratee ☐

Section Two- Please indicate the level of your agreement with the statements below

Section Two	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. There is a performance appraisal system in my organization					
2. There is a performance based pay system in my organization					
3. Goals and targets are set for me at the beginning of the rating period					
4. I know the goals and objectives of the organization at the beginning of each budget year					
5. I set the goals and targets of my performance objectives together with my supervisor					
6. I am always evaluated based on the performance targets I agreed with my supervisor					
7. My rater clearly explains to me what he or she expects from my performance at the beginning of the performance period					
8. My rater regularly explains to me what he or she expects from me during or in between the performance period					
9. The Performance Appraisal Process allows me to help set the performance standards that my supervisor will use to rate my performance					
10. My organization makes sure that I am assigned a rater who is qualified to evaluate my work					
11. My organization ensures that I am assigned a rater who knows what I am supposed to be doing					

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
12. My organization makes sure that my rater understands the requirements and difficulties of my work					
13. My organization makes sure that my rater understands the Performance Appraisal Process, the rating procedures and rating format					
14. My organization makes sure that I am assigned a rater that knows how to evaluate my performance					
15. My rater makes sure whether I understand the company's objectives					
16. My rater explains to me how I'll be rewarded according to my performance evaluation					
17. I am well aware that my performance evaluation is attached to the performance based pay system of the organization					
18. My organization's performance based pay system is clear and I know what is expected from me to get the performance based payment					
19. My performance is measured objectively according to my set objectives					
20. My rater reviews my performance status in between the evaluation period and gives me feedback					
21. My performance rating is based on my set objectives					
22. My rater clearly shows me my performance results					

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
23. I am comfortable in communicating my feelings of disagreement about my rating to my supervisor					
24. My rater helps me understand what I should do to improve my performance					
25. My supervisor objectively assesses me and all my colleagues					
26. My organization pays me according to my performance result					
27. All employees are paid according to their performance result					
28. My organization's performance based pay system is equally applicable to all employees					
29. I am satisfied with my organization's current performance based pay system					
30. My organization should change the current performance evaluation system as well as the performance based pay system					

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS & ECONOMICS

DEPARTMENT OF PUBLIC ADMINISTRATION & DEVELOPMENT MANAGEMENT

Semi-structured Interview Questions for selected HR Managers

1. What is your understanding of Performance Management?
2. What would you describe as the key objectives of a PMS?
3. How would you describe your company's PMS and Performance based pay system?
4. Are there any specific areas that you felt/ (feel) strongly about with respect to the company's performance based pay implementation activities? What did you like most and what did you not like most?
5. What do you consider to be the top three (3) things that the company did correctly or incorrectly during the implementation of the performance based pay system?
6. How would you describe the way in which the PMS was communicated during the implementation phase? Do you think that all managers in the company understood the concept of PMS? To what extent did management acknowledge employees' genuine concerns?
7. Do you set goals and targets to your employees? Would you say that all managers in the company set goals and targets to their employees? Explain?
8. If you were in charge/ control of the organization, what would you have done (or would you do) differently during the implementation process?
9. In your opinion, what areas require immediate attention to resolve the challenges faced with the company's Performance based pay system?
10. How do you see the company's PMS in future? Do you see it being a success or it will fail?

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS & ECONOMICS

DEPARTMENT OF PUBLIC ADMINISTRATION & DEVELOPMENT MANAGEMENT

Questionnaire (For Raters)

Research Title: The Challenges of Implementing Performance Based Pay system: The case of ethio telecom

(A thesis for the partial fulfillment of the requirements of Master of Arts in Public Management)

I'm a post graduate student in Addis Ababa University COLLEGE OF Business & Economics, Department of Public Administration & Development Management. I'd like first of all to thank you for your cooperation in filling out this questionnaire. This questionnaire is considered as part of the research thesis for the partial fulfillment of the requirements of Master of Arts in Public Management and Policy Analysis. The questions are designed to gather information on what you feel about the performance management of ethio telecom as well as the results based performance management system that the company has recently implemented.

As your responses to the statements below have a great bearing to my thesis work, I kindly request you to fill it out carefully and genuinely. This information is going to be used just only for academic purpose and apart from that your responses will be treated with great confidentiality.

General Instructions

- ❖ There is no need of writing your name
- ❖ In all cases where answer options are available please tick (✓) in the appropriate box.
- ❖ For questions that demands your opinion, please try to honestly describe as per the questions on the space provided

Thanking You in Advance,

Yoseph Muluneh Tessema: Candidate of MA Degree

Cell Phone: 0911-51-03-35

Email: yosephmuluneh@gmail.com

Section One– Demographic Information

1. Years of service in the organization

Less than One Year ☐ 1-3 Years ☐ 4-5 Years ☐ 6-10 Years ☐
Greater than Ten Years ☐

2. Years of Service on the Current Job

Less than One Year ☐ 1-3 Years ☐ 4-5 Years ☐ 6-10 Years ☐
Greater than Ten Years ☐

3. Your Age

18-25 Years ☐ 26-40 Years ☐ 41-50 Years ☐ 51-60 Years ☐

4. Sex Female ☐ Male ☐

5. Highest Formal Education Attended

Master's Degree ☐ Bachelor's Degree ☐ Diploma ☐
Certificate ☐ High school ☐ others ☐

6. Your Status in Performance appraisal system of the organization

Appraiser / Evaluator / Assessor ☐ Appraisee / Ratee ☐

Section Two- Please indicate the level of your agreement with the statements below

<i>Section Two</i>	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. There is a performance appraisal system in my organization					
2. There is a performance based pay system in my organization					
3. Goals and targets are set for me at the beginning of the rating period					
4. I know the goals and objectives of my organization at the beginning of each Performance evaluation period					
5. I set the goals and targets of my performance objectives together with my supervisor					
6. I am always evaluated based on the performance targets I agreed with my supervisor					
7. My rater clearly explains to me what he or she expects from my performance at the beginning of the performance period					
8. I clearly explain to my subordinates the goals of my section/department at the beginning of the budget year					
9. I help my subordinates to prepare their plan at the beginning of the performance evaluation period					
10. My subordinates clearly know what is expected from them in each performance evaluation period					
11. My subordinates clearly understand that they are evaluated based on the agreed plan of the section/department					

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
12. I explain to my subordinates that their performance evaluation will be related to their performance based pay					
13. I always evaluate my subordinates based on the objectives we set together at the beginning of the performance period					
14. I make sure whether all my subordinates understand the section's/department's objectives at the beginning of the performance period					
15. All my staff are well aware that their performance evaluation is attached to the performance based pay system of the organization					
16. My organization's performance based pay system is clear to all and we all know what is expected from us to get the performance based payment					
17. My performance is measured objectively according to my set objectives					
18. I review the performance status of my staff in between the evaluation period and give them feedback					
19. I clearly discuss with my subordinates on their performance results at the end of the performance evaluation period					
20. If there is disagreement on the rating, I clearly explain to my employees based on the agreed objective at the beginning of the performance period					

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
21. I help my subordinates to understand what they should do to improve their performance					
22. I assess objectively all my subordinates					
23. My organization pays me according to my performance result					
24. All employees are paid according to their performance result					
25. My organization's performance based pay system is equally applicable to all employees					
26. I am satisfied with my organization's current performance based pay system					
27. I think my organization should change the current performance evaluation system as well as the performance based pay system					

PERFORMANCE EVALUATION FORMAT							
Administrative and Clerical							
Objective of the Performance Review							
The Performance Review is used to measure and provide feedback on an employees' performance as related to job responsibilities and adherence to Ethio							
This Assessment is for							
Name	Position	ID	Division	Department	Section	Duty Station	
This assessment is filled by immediate Supervisor							
Name	Position	ID	Division	Department	Section		
Review Period	Annual	Annual	Probationary		Mid Term		
	From			TO	June 30, 2011		
Supervisor's Role/Responsibility in Conducting Review							
A. Review the performance Appraisal Policy and Procedure Manual and Code of Conduct. B. Review the employee's last performance review and/or end of trial period review and or the midterm Review. C. Review the employee's job description (JD), self-appraisal document, key priority tasks, and/or objectives established for review period follow-up. D. Complete review form, and seek input from other relevant individuals. (The Performance Review document itself is confidential, so seek input and then add this E. Communicate to the employee organizational business goals and objectives. F. Discuss the performance review with the employee. G. Complete the Performance Review by: 1) ensuring employee adds his/her comments and signs the document; 2) sign the document as employees' supervisor; 3) H. Monitor employee follow through on the performance plan throughout the year, using the plan to provide employees with on-going feedback regarding progress toward objectives, or areas needing special attention. I. Provide focused feedback on top priority tasks assigned during review period.							
Performance assessment based on Employees' Performance Objectives							
Please select the appropriate statement that best describe the employee at the time of performance evaluation.							
No	Factors					Rating	Comment
1	Knowledge of the work: How much does he/she know about his/her work? Consider if he/she has technical know how: Knows what to do knows required steps.						
	A	B	C	D	E		
	Lacks Knowledge of the simplest duties	Knows only the very routine Duties	Knows all routine Duties with some Knowledge of complex duties	Has extensive Knowledge of complex duties	Has mastered all duties with extensive knowledge of related positions		
2	Ability to understand, accept & follow through instructions: How well does he/she understand instructions? Consider his/her ability to follow policies and procedures and accept and implement them with speed.						
	A	B	C	D	E		
	Usually misunderstands In spite of detailed instructions. Cannot follow things through.	Very slow to grasp verbal or written instructions and very slow to implement them	Usually understands instructions accepts them and follows them through.	Always understands instructions quickly fast to implement them and follows them through.	Grasps and accepts instructions quickly, accurately and completely. Follows them through with speed.		
3	Team Work/Cooperation: How well does he/she get along with other? Consider ability to work in harmony.						
	A	B	C	D	E		
	Refuses to cooperate or to lend help	Sometimes creates friction and slow to	Relations are harmonious under	Always pleasant to work with and is an excellent team worker	Extremely successful in working with others actively promoting harmony		

4	Initiative: How well does he/know what needs to be done. Consider self-reliance and resourcefulness.							
	A	B		C	D			E
	Never shows any initiative	Shows some initiative, but often offends others		Does some things with little or no direction	Often does things on own initiative with moderate success			Assumes responsibility for meeting objective even when not specifically assigned to him/her.
5	Responsibility: How well does he/she accept responsibility? Consider whether he/she takes responsibility for his/her actions and the objective of the organization.							
	A	B		C	D			E
	Fails to accept major responsibilities assigned	Accepts some responsibilities when specifically assigned		Accepts most of assigned responsibilities and carries out	Accepts all responsibilities and takes the initiative to assume more			Assumes full responsibility and gets cooperation from others
6	Communication: How well dose he/ she communicates? Consider his/her ability to ideas orally and in writing clearly and in English. Both in house and with visitors etc...							
	A	B		C	D			E
	Very poor expression unable to communicate	Poor expression tries to communicate but with difficulty		Understands, speaks and writes fairly well communicates satisfactorily	Speaks persuasively and fairly fluently writes concisely. Very good communication ability			Very good expression forceful and effective writes with ease and conviction. Excellent communication
7	Punctuality: How punctual is he/she in coming to work? Consider absence, tardiness and early quits							
	A	B		C	D			E
	Habitually tardy and is very slow in completing work assignments and keeping appointments	Often tardy and is a bit slow in completing work assignments and		Often tardy but prompt in completing work assignments and keeping appointments.	Seldom tardy but is prompt in completing work assignments and keeping appointments			Always punctual and is prompt in keeping both appointment and work assignments
8	Personal Appearance: How well does he/she dress? Consider if they are being given uniforms /work clothes and they are wearing them. Consider strive to do work assignment, poise and posture.							
	A	B		C	D			E
	Frequently dressed carelessly, impairs appearance and tines very easily on different types of work. Is very timid and shy	Occasionally dresses in appropriately. Tiers rather easily on some type of work. Is frequently embarrassed or to bold. Usually has poor posture detracting from appearance.		Dress acceptably makes fairly well effort with out loss of efficiency only occasionally los es poise and has ordinary posture.	Usually dresses in good taste. Neat and clean, energetic vigorous well posed has good posture giving good appearance.			Almost always clothed in good taste is always noticeably tidy, neat and clean is self assured and un usually well poised has excellent posture giving fine appearance when standing sitting or working.
Overall Assessment of Job Performance								
Below please provide comments on overall assessment of the employees' performance, capturing areas of strength, opportunities for improvement, areas on which to place more emphasis during the next performance review period etc.. Please refer to the Rating Gudein Below.								
Rating. Please indicate below as (SER, FMR, MMR or BR below)								

Rating Guidelines

1.1 SIGNIFICANTLY EXCEEDS REQUIREMENTS (SER) :The employee consistently demonstrates superior performance. Initiative and outputs are over and above the stated requirements. The employee is an extremely competent and knowledgeable individual who consistently exceeds requirements. This rating should be reserved for truly outstanding performance.

1.2 FULLY MEETS ALL REQUIREMENTS (FMR): The employee consistently demonstrates excellent performance. Initiative and outputs are dependable and of high quality as per the stated requirements. The employee is a very competent, knowledgeable individual who consistently meets all the requirements of the position.

1.3 MEETS MOST REQUIREMENTS (MMR): The employee demonstrates good performance in most areas, but needs improvement in one or more aspects which are critical to the position. Initiative and outputs are generally good as per stated requirements. The employee is competent & knowledgeable in most aspects of his/her work but needs improvement in one or more critical areas of the job.

1.4 BELOW JOB REQUIREMENTS (BR) : The employee consistently performs below the level expected of this position. Initiative, outputs and the quality of work are below the stated requirement. The employee lacks the competence and knowledge of critical aspects of his/her position and consistently fails to meet the requirements of the job. This evaluation may result in the termination of employment with Ethio Telecom.

Employee's Role/Responsibility in Performance Review

- Fully participate in the Performance Review.
- Strive to achieve personal performance and learning objectives and initiate opportunities for improving performance, skills and behaviors throughout the year.
- Seek and provide feedback to supervisor throughout the year.

Employee's Comments:

I have reviewed this document and its contents. The employee can now choose to offer comments on his/her own performance, reactions to the contents of the performance review, comments on supervision process, etc.

Employee's Signature:		Supervisor's Signature:	
Date:		Date:	

PERFORMANCE EVALUATION FORMAT

Management and Professional Performance Evaluation Format

Objective of the Performance Review

The Performance Review is used to measure and provide feedback on an employees' performance as related to job responsibilities and adherence to Ethio Telecom's mission and values. It is also used to provide coaching, and develop an annual performance plan based on the Annual Business Objectives so as to ensuring each employee has annual performance objectives with measures, identifies how they will be achieved, and understands the relationship of those objectives to the organization business objectives and its core principles and values.

This Assessment is for	
------------------------	--

Name	Position	ID	Division	Department	Section	Duty Station
------	----------	----	----------	------------	---------	--------------

This assessment is filled by immediate Supervisor									
---	--	--	--	--	--	--	--	--	--

Name	Position	ID	Division	Department	Section
------	----------	----	----------	------------	---------

Review Period	Annual	Probationary	Mid Term

100

Mid Term

TO

Supervisor's Role/Responsibility in Conducting Review

- A. Review the performance Appraisal Policy and Procedure Manual and Code of Conduct.
 - B. Review the employee's last performance review and/or end of trial period review and or the midterm Review.
 - C. Review the employee's job description (JD), self-appraisal document, key priority tasks, and/or objectives established for review period follow-up.
 - D. seek input from other relevant individuals, complete review form, and (The Performance Review document itself is confidential, so seek input and then add this information in to the document)
 - E. Discuss the performance review with the employee, and agree on performance objectives, activities, and measures.
 - F. Communicate to the employee organizational business goals and objectives.
 - G. Assist employee in developing a performance plan for the following year objectives.
 - H. Complete the Performance Review by: 1) ensuring employee adds his/her comments and signs the document; 2) sign the document as employees' supervisor; 3) forward the signed Performance Review to the Career Management Officer .
 - I. Monitor employee follow through on the performance plan throughout the year, using the plan to provide employees with on-going feedback regarding progress toward objectives, or areas
- Provide focused feedback on top priority tasks assigned during review period.

Performance assessment based on Employees' Performance Objectives

Please insert main/key objectives or responsibilities into the left columns below. Use the middle columns to score the employees performance in this area as per the scoring guidelines provided above. Please comment, or provide examples of performance behavior that supports rating provided.

Main Tasks planned to be Performed	SER	FMR	MMR	BR	Comments/Examples
------------------------------------	-----	-----	-----	----	-------------------

[illegible]

Performance assessment based on Employees' adherence to organizational Core values					
Comment on how well this employee has exhibited adherence to core values and solid work ethics in the performance of their work responsibilities and work objectives. Please comment, or provide examples of performance behavior that supports rating provided.					
Values for Ethio Telecom	SER	FMR	MMR	BR	Comments/Examples
Lead with vision: We commit to understand, meet and exceed the telecommunications needs and expectations of our country at large and of customers in					
Respect: We respect our customers and recognize that their revenues allow Ethio Telecom to operate. We recognize that the company employees are the most valuable asset and want to create an efficient corporate management environment that allows them to develop and					
Excellence: We will commit to high-level job performance, customer service quality, organizational excellence and continuous improvement in all areas. We will make every effort to achieve a superior					
Integrity: We uphold ethical standards, being honest in all assignments					
Accountability: We will hold ourselves accountable to all our stakeholders.					
Overall Assessment of Job Performance					
Below please provide comments on overall assessment of the employees' performance, capturing areas of strength, opportunities for improvement, areas on which to place more emphasis during the next performance review period etc.. Please refer to the Rating Guideline Below.					
Rating. Please indicate below as (SER, FMR, MMR or BR below)					

Rating Guidelines

1.1 SIGNIFICANTLY EXCEEDS REQUIREMENTS (SER) :The employee consistently demonstrates superior performance. Initiative and outputs are over and above the stated requirements. The employee is an extremely competent and knowledgeable individual who consistently exceeds requirements. This rating should be reserved for truly outstanding performance.

1.2 FULLY MEETS ALL REQUIREMENTS (FMR): The employee consistently demonstrates excellent performance. Initiative and outputs are dependable and of high quality as per the stated requirements. The employee is a very competent, knowledgeable individual who consistently meets all the requirements of the position.

1.3 MEETS MOST REQUIREMENTS (MMR): The employee demonstrates good performance in most areas, but needs improvement in one or more aspects which are critical to the position. Initiative and outputs are generally good as per stated requirements. The employee is competent & knowledgeable in most aspects of his/her work but needs improvement in one or more critical areas of the job.

1.4 BELOW JOB REQUIREMENTS (BR) : The employee consistently performs below the level expected of this position. Initiative, outputs and the quality of work are below the stated requirement. The employee lacks the competence and knowledge of critical aspects of his/her position and consistently fails to meet the requirements of the job. This evaluation may result in the termination of employment with Ethio Telecom.

Performance Plan - New Goals and Objectives for Upcoming Year

Supervisor and employee should discuss and agree on goals, objectives, key activities and targets for the upcoming year based on the latest Annual Plan.

Main Tasks to be Performed (list of	Support Requirement	Results (Expected Output)	Target date

Employee's Role/Responsibility in Performance Review

- Collaborate with supervisor to develop performance objectives, action plans, and measurements aligned to latest Annual/ Business plan.
- Fully participate in the Performance Review.
- Strive to achieve personal performance and learning objectives and initiate opportunities for improving performance, skills and behaviors throughout the year.
- Seek and provide feedback to supervisor throughout the year.

Employee's Comments:

The employee can choose to offer comments on his/her own performance, reactions to the contents of the performance review, comments on supervision process, etc. I have reviewed this document and its contents and have participated in this Annual Performance Plan with my supervisor on the status of specific work objectives and responsibilities established for this review.

--	--	--	--

Employee's Signature:		Supervisor's Signature:	
Date:		Date:	

Declaration

I, the undersigned, hereby declare that this thesis is my original work and has not been presented for any degree in any other university, and that all sources of Material used for the thesis have been dully acknowledged.

Declared by;

Name: Yoseph Muluneh Tessema

ID: GSE/4560/04

Signature: _____

Date: _____

Confirmed by Advisor;

Name: Jemal Abagissa (PhD)

Signature: _____

Date: _____