



Addis Ababa University
College of Business and Economics
Department of Management

**Challenges and Prospects of BSC Implementation in
Ethiopian Airlines**

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Addis Ababa

Challenges and Prospects of BSC Implementation in Ethiopian Airlines

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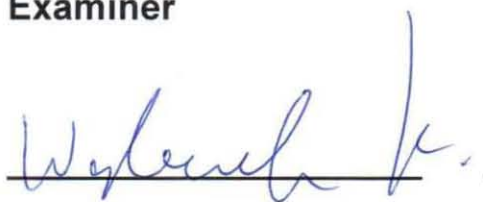


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Declaration

I, the undersigned declare that this thesis is my original work. Furthermore, all sources of materials used for the thesis had been duly acknowledged.

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Abstract

Originated by Kaplan & Northern in 1990, Balanced Scorecard has become one of the most widely accepted and used performance measurement and Strategic Management and translation tool. BSC is a model with four perspectives having set of measurements for each ones. Its theoretical theme is basically to create a balance between financial and non-financial measures and then to achieve a comprehensive approach to manage the organization in general and its activities in particular. There have been ample of studies conducted on the theoretically sound concepts of BSC and the benefits that an organization could derive from. However, the practical aspects of and challenges encountered in implementing in specific socio-economic environment seems getting insufficient literature coverage. It would, thus, very interesting to examine the specific challenges a company, like Ethiopian Airlines, actually encounters while deciding to adapt and implementing BSC and look for rooms/ prospect for improvement by making it better applicable.

This case study is based on the information gathered from semi-structured interview of three most senior management persons and semi-structured questionnaires disseminated to HR Managers, Operational Directors and Managers of MRO and Ethiopian Aviation Academy. Based on the discussion and the written responds of purposeful non-random samples, the writer of this paper wanted to address the challenges and prospects of Ethiopian Airlines in adapting and implementing Balanced Scorecard. The empirical materials are analyzed in the form of qualitative study using more of interactive approach.

Academic literatures about Balance Scorecard have been reviewed in theoretical part of this study. Considering it as a system, this study attempted to establish the relationship between a company and Balanced Scorecard system

The empirical study result revealed that Ethiopian Airlines took longer time than required to actually implement BSC as its performance management and strategic execution tool. It is a way behind mainly because the level of preparation and BSC developmental process in conceptualizing its very essence to all involved were not sufficiently explored to generate the desired positive impact.

Based on the BSC's theoretical review and the empirical study result, the writer has concluded that implementation of BSC in Ethiopian Airlines needs to be deeply nurtured so that conceptualizing its core essence would enable those involved to properly and effectively implement it. It also need to strongly work on aligning BSC with long-term strategic implementation process by concretely applying Kaplan and Norton's four step model of how to manage the company strategy.

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Abbreviation

BSC – Balanced Scorecard

BU –Business Units

CASK - cost per available seat kilometer

CEO – Chief Executive Officer

CIO – Chief Information Officer

ET – Ethiopian

EAL – Ethiopian Airlines

EPDMS - Employees Performance Diary Management System

ERP - Enterprise Resource Planning

EVA – Economic Value Added

HCDS – Human Capital Development Strategy

HRM – Human Resource Management

IT – Information Technology

KPI – Key Performance Indicator

MRO – Maintenance, Repair and Overhaul

NYC – New York City

PIs – Performance Indicators

PMS – Performance Management System

ROE – Return on Equity

ROI – Return on Investment

RPK - Revenue passenger kilometre

SAP – Systems Applications and Products in Data Processing

SH & E – Safety, Health and Environment

SMART – Specific, Measurable, Attainable, Realistic and Timely

TWA – Trans World Airlines

VP – Vice President

WLU - revenue per work load units

Chapter One

1.1 Introduction

In our contemporary business world, Balanced Scorecard has become a widely accepted performance Measurement and Management system since its inception in 1990s (Armstrong and Baron, 2006, Williams, 2003). The pioneers are David Norton and Roger Kaplan who introduced the concept of Balanced Scorecard originally in a 1992 Harvard Business Review article. The model is based on four generic perspectives which each derive a set of performance measures fostering multi-dimensional aspects (Alikhozein, 2012).

As there has been success history of Balance Scorecard implementation for the most companies, there are equally several studies' result showing that companies encountered different challenges while implementing and using Balanced Scorecard (DeBusk and Crabtree, 2006 and Chen and Jones, 2009). Among others, lack of effective communication, absence of strategic alignment and lack of interest in nurturing the already existing Balance Scorecard are worth mentioning (DeBusk& Crabtree, 2006 and Olve, Petri, Royoch(2003). Thus, the successful implementation of Balanced Scorecard by in large depends on how the above mentioned challenges and some other related issues are adequately addressed. According Kaplan & Norton, their four perspectives model if used correctly and precisely in the manner it designed for, companies would get the full potential it has in deriving the business to flourish (.Kaplan & Norton, 1996a). However, there have been somehow flustering facts about the actual result of BSC implementation. The research result figure, which was based on research conducted at Free University of Amsterdam, indicates the failure rate of BSC implementation is 70 %(Aurel Burdon, 2005). On other hand, as we practically observe, the rate at which adapting and implementing BSC uptake is quite impressive. It is obvious that these two polarized scenarios may trigger to raise a question why it could to happen.

The other important point to bring into attention is that most studies made so far on the BSC literature seemed to be somehow skewed and highly focused on demonstrating its

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reputable concept and idealistic scenarios (Aurel, et al., 2005:4). Little attention may be given on how promises of these concepts are practically converted into widespread success by taking specific company's business environment into consideration. It would be, hence, very interesting to find out why the BSC promising concepts, though widely adapted, but the results of its actual implementation in specific company, in our case Ethiopian Airlines, go to wrong direction and failed to deliver successful results.

This paper attempted to explore what specific challenges Ethiopian Airlines encountered with its BSC implementation process. This would then reflect in what prospects it would have to make better use of Balanced Scorecard as strategic management and execution tool. The reason why Ethiopian Airlines was chosen is because it is the fast growing aviation industry in Ethiopia (Africa) operating in volatile global business environment that demands outstanding management system. In addition to this, I have been an employee of the organization for the last 17 plus years which gave me an opportunity to observe the existence of difficulties in successfully implementing BSC as performance measurement and management system. According to Neely (Neely, 1999), it has been increasingly important to use BSC as management system in the airlines industry in order to cope up with volatile nature of aviation industry, ever increasing competition, increased markets, changing organizational roles, the power of technology and changing external demand. Thus, I strongly believe there is a need and opportunities for improvement in this area that would absolutely benefit the company to sustain and enhance its current business movement further forefront.

Furthermore, though more than eight years have been already counted since Ethiopian officially commenced adapting BSC, no in-depth analytical review was made on challenges it faced and improvement opportunities it could optimize in the future.

1.2 Background of Ethiopian Airlines

Ethiopian Airlines, often referred as simply Ethiopian, is wholly government owned aviation industry in Ethiopia (Wikipen.wikipedia.org). Ethiopian founded on December 1945 and has been in the industry for the last 70 years by providing principally

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airtransportation to both international and local passengers supplemented with ancillary services.

Currently it serves a network of 113 passenger destination of which 19 of them is domestic while 35 of them is freighter destination (Center for Aviation, 2012). Ethiopian flies to more destinations in Africa than any other carrier. It is also one of the fastest growing companies in the industry and is the largest on African continent and one of the few profitable airlines in sub-Saharan region (CNN, 2012, Sudan Tribune, 2011, Press Release, 2011).

Though the airline is wholly owned by the Government, it has traditionally unfettered by the government intervention even during times of significant turmoil and internal instabilities (Koch, Kathy, 1988, Christian Science Monitor, 2014). In all times of government political system and changes, Ethiopian remained operationally independent and fiscally sound because it has been run on a "strictly commercial bases (Gebregzaiaabhr, Selamawit, 2012).

Below performance figures, which are available in Annual Accounts of Ethiopian Airlines, can give us some highlights about its performance trends:

Table 1.1 Performance Trends of Ethiopian Airlines

Description	2008	2009	2010	2011	2012	2013	2014	2015
Turnover(ETBm)	9,199	12,213	16,816	24,759	33,815	38,498	46,576	49,457
Net Profit(ETBm)	508	1,345	1,626	1,232	1,025	2,054	3,147	3,531
Number of Employees(at year end)	4,896	5,007	5,555	6,286	6,559	7,000+	n/a	11663+
Number of Passengers(m)	2.50	2.81	3.15	3.73	4.64	5.92	6.91	n/a
Passenger Load factor	70.3	70.5	72.0	71.5	72.2	71.6	70.8	n/a
Cargo Carried(000 tonnes)	73	101	134	160	181	175	187	200
Number of Aircraft(at year end)	35	36	41	51	48	58	n/a	76

Source: EAL Annual Business Report

1.2.1 Strategy for Implementing Ethiopian's Balanced Scorecard

Ernest & Young, once a consultant for repositioning consulting project, proposed Ethiopian implementing Balanced Scorecard system in 2004 as part of "Vision 2010" to boost its performance measurement standards to the level of global best practice and airlines industry experiences have reached. Their recommendation for implementing BSC in Ethiopian was, apart from the above objectives, meant mainly to leverage the successful execution of the company's strategy and 'Vision 2010'. It was intended to serve as a tool for the management to clarify and translate each strategic objective into action (Ernest& Young, 2004-unpublished).

It is after four years later that Ethiopian officially introduced Balanced Scorecard as its performance measurement management system and put a policy in place for its implementation in the year 2008. Since then, as it is stated in Human Capital Management Strategy (p.42, 2010), Ethiopian began adapting BSC as its operational and strategic performance measurement and management system.

Now, eight years have already elapsed since Ethiopian adapted BSC. So far, there has never been adequate and in-depth analytical review made on those challenges it encountered during the last operational periods and the opportunities it would have to better use of BSC in its endeavor to successfully achieve its strategic objects as articulated in its "Vision 2025" statement.

1.3 Statement of the Problem

There are only few studies made on implementation issues of Airlines industries in general and almost nil related to Ethiopian Airlines in particular (Morgan, 2002). It is an imperative activity for managers to measure performance in order to gain a competitive advantage (Phillips, 1999). This practice enables them to quantify past action on the bases of which pursuing organizational control would be complemented (Neely, 2005). Traditional performance measurements systems, in meanwhile, dominantly used by most airlines are short-term and largely focused on lagging indicators that characterized by inadequate attention to derives for future performance (Atkinson and Brown, 2001).

Though Ethiopian Airlines, with an age of 70 years in air transportation service, started adapting and implementing Balanced Scorecard since 2008, its performance measurement indices, as clearly observed from its Annual Performance Report, like most of the airlines, are still inclined to be excessively relied on profit, unbalanced and not sufficiently be strategic oriented (Philips, 1999). Kaplan and Norton also argue that to develop capabilities for competitive success, a balance focus shall be made on intangible aspect of the business process such customer loyalty, new product development or staff knowledge and skills which are all characterized as non-finical indices(Kaplan and Norton, 2003). Particularly performance indices like route network development, brand development and marketing effectiveness, low-cost operations, etc., in the airline business are leading indicators of the future performance of the company (Khim, 2010).

In addition to these, thought eight years have already elapsed since it started adapting and implementing BSC, the organization is still busy in implementing and streamlining it. The global experience of successful companies indicates, however, it usually takes 12-16 weeks to complete the initial design (Mackay, 2005). Furthermore, no in-depth study has been made during this period to know why the implementation process has been sluggish, how the actual process is actual heading on, what practical challenges are the organization facing and the opportunities for improvement in its prospect future to effectively implement and align with strategic objectives for successful achievement.

Thus, this study aims to identify the major challenges Ethiopian Airlines has been facing in implementing BSC, the reasons why its implementation process has become sluggish to be completed and converted into tangible results and look for opportunities that make use of the BSC potentials for future improvement.

1.4 Objectives of the Study

1.4.1 General Objectives

The main objectives of this is to clearly identify the real challenges Ethiopian Airlines has been facing in it BSC implementation endeavor and thereby find out if there are any

improvement opportunities it can do with its BSC to make better use of it as a strategic Planning and Management System.

1.4.2 Specific Objectives

- To find out what strengths and weakness are there in the implementation and use of Balanced Scorecard by Ethiopian Airlines.
- To review how Ethiopian Airlines initially design its Balanced Scorecard and how the actual implementation practice is addressing both the performance management and strategic execution issues at disposal.
- To draw a lesson and propose recommendations of a way forward.

1.5 Research Questions

The research question for this study is "What are the challenges of implementing the balanced Scorecard in Ethiopian Airlines?"

This research question is divided into the following sub questions:

- What are the necessities that derive ET adapting and using BSC as its performance management system and strategic implementing tool?
- What are the major bottlenecks that may be the cause for implementation of BSC in Ethiopian to sluggish?
- How are the challenges and actual application of BSC in strategic alignment and cascading processes managed at Business units, operation/divisional and administrative/functional levels?

1.6 Significance of the Study

This study is helpful for the following reasons:

BSC has become one of the most important management system in addition to performance management system in Ethiopian Public Sector. The very objective of BSC is to enable organization clarifying their vision and strategy and translate them into action. It recognizes some of the weakness and vagueness of the previous

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management approaches and provides a clear prescription as to what should be measure in order to balance the financial with that of non-financial perspectives. This paper, therefore, highlights the relevance and importance of BSC for successful strategic implementation tool primarily to Ethiopian Airlines and stated-owned service sectors in Ethiopia.

This paper would help the organization in identifying important challenges to be address during BSC implementation process.

It would also help to share the applicable lesson drawn from the implementation process of Ethiopian Airlines with other state-owned enterprise and similar industry in other developing countries.

The paper may help trigger other study in the area and can be used as an input for further research.

1.7 Limitation

The Balanced Scorecard has become widely accepted management system, not control system, within a company. It mainly supports the communication, information and learning process of a given organization. Since this study only covers a single company, Ethiopian Airlines, and its Balanced Scorecard implementation process and usage, it is not in apposition to be generalized. It rather intended to examine in detail how Ethiopian Airlines uses its Balanced Scorecard and the challenges it actually faces.

1.8 Organization of the Study

This paper is organized in such a manner that Chapter one contained introductory part, literature review presented in Chapter Two, Chapter Three is dedicated for Methodology used, in Chapter Four and Chapter Five Data analyzed and interpreted and conclusions and recommendations are forwarded respectively.

Chapter Two

2 Literature Review

2.1 Introduction

In this chapter, literatures on Balanced Scorecard as a performance measurement and management system and as a tool for strategic translation and execution are covered. Attempts are made to include relevant theories of similar topics, made empirical review and develop a conceptual framework to make use later in analyzing and interpreting the data gathered for chapter four.

2.2 Balanced Scorecard as Management System

Most of the literatures covering the theoretical as well as empirical researches are increasingly witnessing that Balanced Scorecard has got a widespread acceptance and been used globally as a management system (Wiersman, 2009) and is believed to serve organization as a single and balanced framework within which strategic objectives of the organizations can be successfully executed (Kaplan and Norton, 2003). It is a strategic planning and management system which can invariably applicable to most type of companies irrespective of they being small or large, private or public or product or service sectors (Hannabarger, Buchman & Economy, 2011). The generic BSC concepts which original introduce by Kaplan and Norton in 1990 and took its current evolved shape was in response to the critics that most organization tended to solely rely on financial indices to measure their business performance (Kaplan & Norton, 1996a, Kaplan & Norton, 1992). Kaplan and Norton strongly argued financial measurements alone are inadequate and proposed that financial measurement of company's performance be supplemented with other measures like:-customers, internal process, learning & growth, in order to give a clear picture of company's performance in today's dynamic and changing socio-economic environment (Chavan, 2009; Hannabarger, Buchman & Economy, 2011).

Kaplan and Norton (1992) define BSC as a balanced measurement system which provides top management of the organization with quick and yet comprehensive view of

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the organizational performance. It, therefore, enables the organization to set, track and achieve its key business strategies and objectives by taking into account a general and combined set of measures that links existing customers, employees, internal processes and system performance to long-run financial success (Kaplan & Norton, 1996; Latshaw and Chol, 2002).

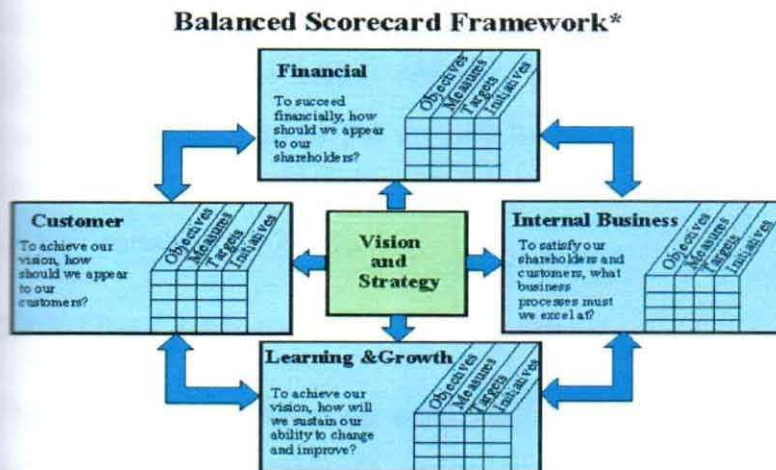
To convert the above pervasive and basic concepts of Balanced Scorecard, Kaplan and Norton had developed framework, as may be illustrated in figure 1 of next page. This Balanced Scorecard framework designed for, as they argue, and meant to be a measurement system for organization to identify and translate vision and strategy; communicate and link strategic objectives and measures; plan, set targets and align strategic initiatives; and enhance strategic feedbacks and learning (Kaplan and Norton, 1996a, Sink and Tuttle, 1989). The building blocks of balanced scorecard framework are composed of four core pillars. The major categories are termed as financial, customer, internal process and innovation and learning perspectives. According Kaplan and Norton (1996a), these four perspectives of Balanced Scorecard should not be particularly used as control tools, as advocated by shareholders theory (Owen, 2006, Brown &Frager, 2006), to evaluate past performances (lagging indicators) but rather, as asserted by Stakeholder theory, be used to communicate the mission and strategy of the business and thereby assess the organization's performance against the expectation of stakeholders grows with special interest in the organization's activity(Freeman, 1984, Brown & Fraser, 2006) and same time help align individual, organizational and cross-functional initiatives within the business to achieve common goals(Therses, 2011). Moreover, Balanced Scorecard, using the four perspectives, should be used as a communication, information and learning system and not as control system (Kaplan & Norton, 1996a, Olve, Roy & Wetter, 1999).

On other words, according to Kaplan and Norton (1996c) definition, Balanced Scorecard is a framework that helps organizations translates strategy into operational objectives that derive both behavior and performance. Every aforementioned perspectives has then their own specific objectives to be converted into outcomes for three to five operational years that are to be communicated throughout the organization and

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presented the form of strategy map(Kaplan & Norton, 1996c). The basic framework of Balanced Scorecard model is illustrated in figure 1. Below:

Figure:1



* Adapted from Kaplan & Norton, 1996. *The Balanced Scorecard*. Harvard Business School Press. 9. Original from HBR Jan/Feb 1996, p. 76.

The Financial, the Customer, the Internal Business Process and Learning & Growth perspectives the major corner stone of Balanced Scorecard. All combined together and linked to each other with cause-effective relationship create a balance between short-term actions and long-run strategy of the business (Kaplan & Norton, 1996a, Kaplan & Norton, 1996b). Followed are brief description of each perspectives.

2.2.1 The Financial Perspectives

The financial perspective asks how the organization should appear so that the company succeeded financially. Despite the inadequacy characterized financial perspective to be used by itself, the balanced scorecard still retains it since financial measures are valuable in summarizing the measurable economic consequences of action already taken by complementing with the remaining perspectives (Kaplan & Norton, 1996c). Financial performance measures indicate whether or not the company's strategy implementation and execution have actually contributed to the bottom line improvements (Kaplan & Norton, 1992a). In other words, the financial perspective measures and tracks the business financial requirements and performance (Hannobarger, Buchman & Economy, 2011).

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Financial perspective indices in the Airline industry are the most focused indicators. It is particularly evident in the areas such as operational costs, cash flow rates, operational income, profitability, return on investment capital, debt/equity ratio share price, and earning per share are among other usually mentioned most and often used as airlines business performance measurements. These measurements are of course common indicators used in other sectors, too. There are, however, specific performance indicators developed to the airlines business only. These are RPK(revenue passenger kilometer), CASK(cost per available seat kilometer) and WLU(revenue per work load units)(Francis et al, 2005).

2.2.2 The Customer Perspectives

The Customer perspective asks how the organization should appear to customers to achieve the organization's vision. It measures the customer satisfaction and what performance requirements the customer has. Therefore, it has become a trend for many organizations' top management to set a corporate mission that focuses on customers and give priority to tailor their performance from the customer perspectives(Kaplan & Norton, 1992). It also measures the different market where the business would be located and compete and what would be exactly the expected for these targeted segments of the business regardless of the organization's type, size and ownership.(Kaplan & Norton, 1996a; Kaplan & Norton, 1996; Hanabarger, Buchman & Economy,2011). The customer perspectives, thus, enables the organization to achieve long-run superior financial performance and align their core customer outcome (products and services valued by customers), measures such as market share, customer retention, customer acquisition, customer satisfaction, customer profitability to targeted customers and market segments (Kaplan & Norton, 1996c).

While performance indicators such as number of customer, customer complaint rate and market shares are similar performance indicators as do to other sectors, additional indicators like check-in service efficiency, the quality of cabin services, the quality of on board catering and the effectiveness of customer loyalty program are those unique indicators only to the airlines business(Leong, 2008,Surovitskikh and Berendien, 2008).

2.2.3 The internal Business Perspective

In this perspective, in order a company boost customer satisfaction and meet their expectation(through principally indentifying existing and future customers and developing new solutions to meet their needs) and thereby realizing revenue maximization objectives, it must define comprehensive internal-process that has core impact on value chain in which it must excel at(Kaplan & Norton, 1996a, Kaplan & Norton, 1996c).

These defined comprehensive internal process thus must have measures that may, for example, impacts on life cycle time, quality, employees's skill and productivity coupled with indentifying critical technology need for the company derives to gain a competitive advantage within its market niche(Kaplan & Norton, 1992. As argued by Stakeholders the way, what makes Balanced Scorecard different from traditional approach(which primarily focuses on measures that maximize only shareholders value by delivering current products and services in the short-run) in measuring, monitoring and improving of the business by integrating both long-term innovation cycle and the short-term operation cycle(Kaplan & Norton,1996a).

Most organization now-a-days are curiously taking measures such as quality, yield and cycle time to supplement their financial measurements which in turn enhances the level of customer satisfaction and sustainability revenue growth and profitability(Cross & Lynch, 1989, Nanni, 1999).

Certain services provided by airline businesses to passengers are offered by airport terminal management, and a number, such as ground service providers, are outsourced. However, airline businesses also measure the performance of these services offered to passengers by sub-contractors on their behalf. The primary reason for this is because when something goes wrong with services provided by sub-contractors, passengers hold the airline company directly accountable. Another reason for such performance measurement is that airline companies want to check their sub-contractors' service quality (Wald, 2010; Serpen, 2008)

2.2.4 Innovation and Learning Perspectives

The key elements that typically characterized the innovation and learning perspectives are the ability of the organization to sustain the impact of changes and continuously seeking for improvements in attempt to achieve its vision. It is the perspectives, according Kaplan & Norton, (1992), that measures the company's competitive advantage (Hannabarger, Buchman & Economy, 2011). On the other words, the learning and growth perspectives identify the organization's infrastructural need to support the other perspectives. Kaplan and Norton, (1992a) asserted that the ability to launch new products, generate more value for customers and enhance operating efficiency continually, organization can enter new markets and increase revenue (Kaplan & Norton, 1992a).

It can arguable be said that the financial, if customer and internal process perspectives' objective need successfully be achieved, it is the necessary condition that there exist adequate and right capabilities of people, properly set system and procedures and the required competence that altogether enable the company realize breakthrough performance. As articulated in the learning and growth perspectives, organizations, therefore, need to invest in re-skilling employees, enhancing information technology and system aligning organizational procedures and day-to-day activities.

Measures in learning and growth perspectives are mostly employee based and similar to the other perspectives, the company needs to set goals for the learning and growth perspective and then translate these into measures (Kaplan & Norton, 1992, Kaplan & Norton, 1996c).

For airline businesses, another significant set of performance indicators in the learning and growth perspective is environmental indicators, because airlines must minimize the damage they cause to the environment. Any negative publicity that may result from an airline company's environmental damage will indirectly affect its financial success as well (Hooper and Greenall, 2005). Some of the environmental performance indicators for airline businesses include kerosene consumption per kilometer per revenue passenger, the amount of CO₂ emissions per ton/kilometer per revenue passenger, the

number of people affected by aircraft noise, the percentage of recycled waste, and the average age of the fleet (Wald, 2010).

2.3 Balanced Scorecard as Strategic Management and Implementing tools

Balance scorecard evolved from a set of measurement technique to a management system, and then to an organization's and change framework for what Kaplan and Norton a 'strategic-focused' organization(Kaplan & Norton, 2004). It is an organizational framework for implementing and managing strategy at all levels of an enterprise by linking objectives, initiatives and measures to an organization's strategy. According to Pears and Robinson (2004), the Balanced Scorecard relies on the concept of strategy developed by Michel Porter. Porter argues that the essence of formulating a competitive strategy lies in relating a company to the competitive forces in the industry in which it competes. Thus Balanced Scorecard is a strategic management tool that expresses mission and strategy of a business by transforming them into understandable performance measurements and helps to build a framework that is necessary for strategic measurement and management(Kaplan & Norton, 1992, 1999).The BSC is used in both strategy formulation and organizational alignment. In the strategy formulation context, the BSC contributes by structuring information and visualizing the dynamics of strategy through one of its secondary tools, the Strategy Map. There are five basic principles on the bases of which, as recommended by Kaplan and Norton, strategic-focused organization should follow in order to successfully achieve its core strategic objectives namely: (1) translate the strategy to operational terms, (2) align organization to the strategy, (3) make strategy everyone's everyday job, (4) make strategy a continual process, and (5) mobilize change through executive leadership(Kaplan & Norton, 2004).

In similar token, to facilitate understanding of a strategy throughout the company, Kaplan and Norton (200) proposed the Strategic Map that shows how the company converts its assets into the desired outcomes. The strategy Map is primarily developed to provide the missing link between strategic formulation and Strategy execution(Buytendijk, Hatch & Micheli, 2010). By having the strategy mapping thus the organization can craft a cause-

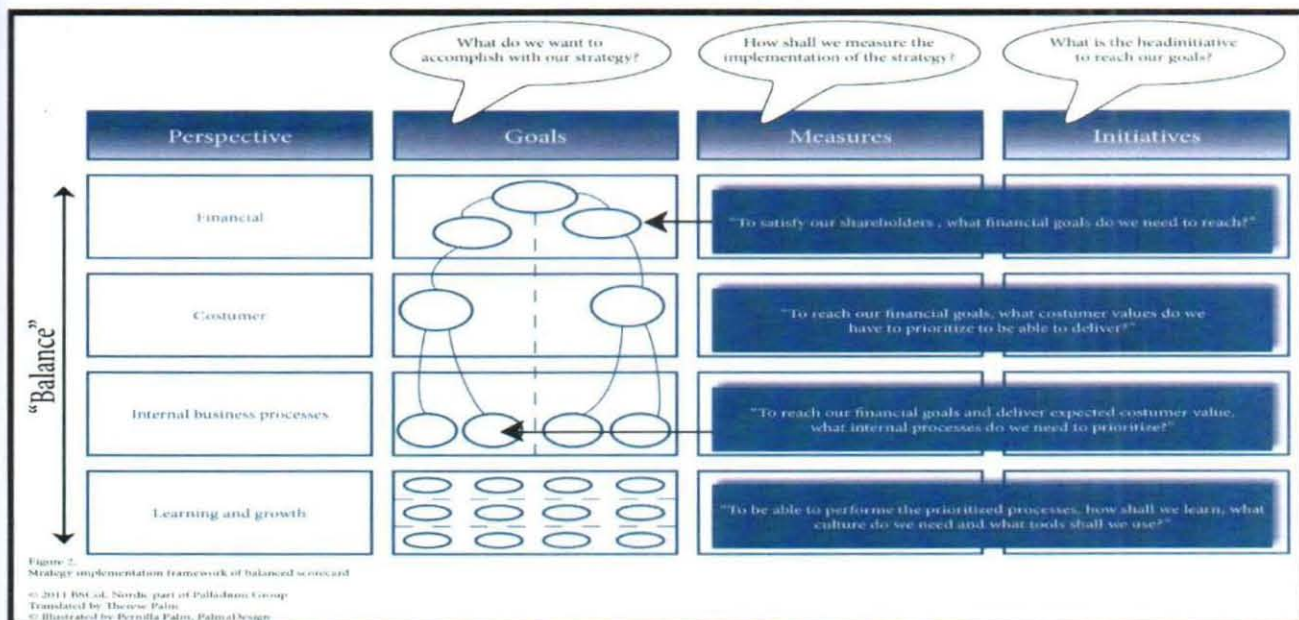
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and-effect relationship across the four perspectives, creating a balance among different measures of performance derives and results, and system necessary to support it(Kaplan and Norton, 2000).

When it is further elaborated, the strategic mapping helps organization to explicitly establish again a cause-and-effect relationship among the four perspectives by translating knowledge, skills and system that will be required for employees(Learning & Growth) to innovate and build correct and efficient strategic capabilities(Internal Process) to generate outcomes with value-added to meet expectation(Customer) with ultimate objectives of increasing shareholders value(Financial). Thus the power of Strategy mapping lies in systematically and logically linking across the perspective to create value(Kaplan, 2004a).

Kaplan and Norton, (2001), viewed the strategy map as a construct from top down, starting in putting its vision in place, then assessing its mission statement and core values; based on these inputs, it develops strategic vision which creates clear picture of the company's overall goal. The strategy then helps to identify the path needed to reach the goal(Kaplan & Norton, 2001a). Figure 2 bellow illustrates the different factors of balanced scorecard and what is needed to create a synerjized strategy.

Figur:2



In summary, constructing strategy maps based on Kaplan and Norton's, (2001a), scorecard perspectives started with a clear hierarchical relationship framework. The hierarchy began with defining financial objectives, then determining the target customers and their requirements to achieve the financial outcomes. Those determinations were then followed by defining the activities in internal business processes that would create the desired customer outcomes. Then the learning and growth factors were identified to execute the internal business processes. Every measure in the cause-and-effect relationships ultimately ties to outcomes.

While there may be benefits related to the design and implementation of a strategy map, a number of authors, for example Franco and Bourne (2005), Othman (2007) and Porter (1996), have highlighted possible shortcomings. One such shortcoming is that the cause-and-effect relationship may be considered to be a one-way, linear approach which starts with the learning and growth perspective and culminates into the financial perspective. This is where feedback-loops, or double-loop-learning processes as Kaplan and Norton (2001b) call them, should be included in the maps, to assure a two-way approach (Franco & Bourne, 2005).

2.4 Why Organization need to adapt Balanced Scorecard

As Robert Kaplan and David Norton (1992) argued, the traditional financial accounting measures, apart being inadequate, have usually a misleading signal for continuous improvement and innovation activities to meet the demands of global competitive environment. The success of the organization now days largely depends on skills and competencies it possess. Thus there is a need to balance both financial and operational measures in order to have fast and comprehensive view of the business. Unlike the lagging indicators expressed in terms of financial measurement that only tell about results of action already taken, operational measures are leading indicator that derives of future financial performance. Balanced Scorecard, according Kaplan and Norton, view performance in several areas simultaneously and same time minimizes information overloads by limiting the number of measures to the most critical success factors (Kaplan & Norton, 1992).

While Kaplan and Norton,(1992) conducted a research on companies who have already adapted Balanced Scorecard, they discovered that the experience of these companies in using the scorecard have demonstrated that it meets several managerial needs of the following:

- 1) The Scorecard brings together seemingly disparate elements of company's competitive agendas such as becoming customer-oriented, short responsive time, improving quality, emphasizing team work, reducing new product launch time and managing for the long-term.
- 2) Scorecards guards against sub-optimization. It helps managers to consider important operational measures together and avoid gaining particular operational results, even being best objectives, at the expense of others.

Some of the typical empirical experiences companies using/adapting Balanced Scorecard are:

a) Focus on Customer

Balanced Scorecard demands that managers translate their general mission statement on customer services into specific measures such as time, quality, performances and service and cost.

b) Focus on Internal Process

Excellent customer performance derives from process, decisions and actions occurring in the business process that have the greatest impact on customer satisfaction factors namely on cycle time, quality, employee's skill and productivity, core competencies and critical technologies. Here information technology plays an important role and is a core operational information system.

c) Innovation and Learning

Customer-based and internal Business Process measures on BSC identify the parameters that are important for company's success. Today's dynamic environment requires continuous improvement and introduces entirely new products with expanded capabilities. It then becomes a requirement for the company to build a capacity and ability to innovate, improve and learn directly,

generate new market, increase revenue and margins-in short, grow and thereby increase shareholders' value (Kaplan & Norton,2012).

d) Financial perspective

It is the cumulative and interactive actions of the above three areas of focuses that enable the company to measure how its strategic implementation and execution process are in place in contributing to the bottom line improvements. Such improvements are usually expressed in terms of profitability, growth and increase in shareholders' value. This parameters can further expanded to include the cash flow (survival parameter), sales growth and operating income by divisions (how much it contributed to profitability) and market share by segments and ROE that particularly related to shareholders' value.

2.4.1 Measures that move companies forward

Scorecard represents fundamental change in the underlying assumption about performance measurement. These assumptions are:

- i) Involvement of the senior managers who has the most complete picture of the company's vision and priorities.
- ii) Unlike traditional performance measurement system that specify the particular action managers want employees to take and then measure the action taken (control behavior), BSC puts strategy and vision at the center by setting goals and assume people will adapt-pull people toward the overall vision.
- iii) New approach to performance measurement is consistent with initiatives underway in many companies-cross functional integration, customer-supplier partnership, global scale, continuous improvement and team rather than individual accountability,
- iv) Understanding many interrelationships, transcend traditional notions about functional barriers and ultimately lead to improve decision making and problem solving-looking – and moving forward.

2.4.2 Reasons why companies implementing BSC

Reasons for implementing BSC can be many though some are common. Two main explanations regarding practice of adaption in general, listed in the literature of practice diffusion are: Rational and Social accounts. Building on the article of Ansari et al., (2010), the two rationales can be briefly be described as the following:

Rational Accounts refers to the rational actors' model and is building on economic literature. Increasing levels of adaption cascades and more corporates adapt the practice because they copy the behavior of early adaptors to minimize costs, reduce uncertainty, and speed up the diffusion process.

Social Accounts focus on the social embeddedness of actors and associated sociological perspectives. The main deriving for diffusion is here said to be increasing pressure of social conformity. The reason for copying other players in the market will thus be to appear legitimate and conformances with norm, group pressure and bandwagon rather than rational causes.

According the above categories made by Ansari et al., (2010), some adaptations are made because of rational needs within the organization to make the BSC fit their setting, and some adaptations are conducted purely for the sake of appearing legitimate to the surroundings. In the following, five seemingly most determining factors for adaption of the BSC are presented base on empirical evidences of the author.

- 1) **Type of Environment**:- one of the determining features of adaptors in terms of which BSC they will develop appear in investigated empirical literature to be the level of creativity of the environment and often associated the diversity of the employees within the environment. As opposite to mechanical environment, creative environment refers to settings where there are no clear boundaries, with improvisation, soft priorities and heterogeneous people.
- 2) **Scope of BSC**:-the scope of BSC impacts the structure of it. A limited cope refers to an adaptor within the narrow or few focus area(s) and a broad scope refers to the opposite, an adaptor with a few wide or many focus area(s). It could

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be related to the hierarchal level at which the BSC is implemented, i.e., at top management level or at the factory floor.

The scope of BSC is often associated with the hierarchal level at which the BSC is implemented. At higher hierarchical level, it is challenging to aggregate much data, and the BSC is therefore often narrowed down to few perspectives at this high level, whereas at low hierarchical level it is easier to widen the scope of BSC and thus have more focused areas-more perspectives. According to Kaplan and Norton (1996), the BSC is best applies at business unit level because this is where the competitive strategy of the company is most important

- 3) **Competing System:** - competing system refers to the existing of one or more system covering some or all of the fields of the BSC. The system can vary in nature and extent, but have that they overlap with the BSC, for instance label ERP. The BSC becomes an effective tool to align and integrate business strategies with information technology(Lueg& Silva, 2016) as well as other functions of a company, but crucial success factor for a sustainable BSC is that it replaces all previous strategic performance measurement system(Buchaman, et, al., 2005; Lveg& Vu, 2015).
- 4) **Contribution:-** A tendency is seen among some adaptors toward not adapting the BSC for fit their specific needs and organizational structure even in cases where it appears obvious from an external researchers' perspectives that the card be altered to better suit the context of the adapting company.
- 5) **Stakeholder's structure:** - The stakeholder's structure of an adaptor refers to the nature of its owner as well as how many stakeholders the adaptor has. The two labels homogeneous and heterogonous are applied for the case of similar or very few stakeholders and many or different stakeholders respectively. The stakeholders can have different and opposing or conflicting interest which is all to be catered through the BSC. The opposite situation, the homogeneous stakeholder structure refers to the case of very few stakeholders with rather similar interest which are rarely conflicting.

2.5 Evaluation and development of the balanced scorecard

Kaplan and Norton (1995) suggest an executive workshop where senior management and middle managers are present to set the targets of the balanced scorecard. In a more recent publication, Atkinson, Young and Matsumura (2013) stress that targets are designed to determine the success of the performance and a need for further development in future actions. Moreover, Kaplan and Norton (1995) propose that the targets of the balanced scorecard should ideally be set so they can be compared to other businesses within the industry, creating a convenient overview of the company's performance effect on the position in the market. Specific market-connected targets are exemplified by Atkinson, Kaplan, Matsumura and Young (2012), mentioning 30 minutes at the gate and 90% on-time departures as balanced scorecard targets in the airline business. More general targets may be 14 realized as operating income, ROI, EVA, prices compared to competitors, number of repeat customers, percent of stock-holding employees, number of hours of training per employee etc. Kaplan and Norton (1995), mention that the senior management is responsible for developing action programs to meet the measurement targets. The executives also need to agree on an implementation program which involves communication to internal stakeholders, management connections and an information system connected to the balanced scorecard. At this point, the implementation plan is ready and the metrics are connected to the company's databases and information systems. Further, communication and integration are welldeveloped through the company stream. To assess the contribution of the balanced scorecard, Kaplan and Norton (1996), as well as Olve, Roy and Wetter (2004) propose continuous periodic reviews of the scorecard. The periods may be quarterly or monthly. The measures of the balanced scorecard are assessed annually to evaluate their relevance regarding strategy, goal alignment and resource allocation. Looking at the actual performance in comparison to the targeted, the company evaluates if it is performing as well as aimed to.

2.6 Factors Affecting BSC Implementation

The first condition to improve, and ultimately to achieve business excellence, is to develop and implement a system for performance measurement (Kanji, 2002). As tried to state earlier of this chapter review, the need to shift from traditional performance measurement approach to modern approach, BSC, is because the modern approach has focused on evaluated growth and development capacity of an organization (Nikazar, 2009). One potential solution was to introduce "balanced" set of measures. Modern evaluation system results in satisfaction improvement, efficiency improvement, and finally improvement in effectiveness of organizational activities (Norton, 2009).

Balanced Scorecard as identified as managerial innovation by Kaplan and Norton, (2009), was the first generation of BSC with set of metrics which could prepare an integrated view of business for the management. It contained both the financial and operational metrics (Kaplan & Norton, 1992). These financial and operational metrics need to be balanced having the equitability between the short-term and long-term goal; required inputs and outputs; internal and external performance factors; and financial and non-financial indicators (Striteska, 2010).

In 2nd generation strategically communicational model used to provide a cause-and-effect relationship which was starting from "Learning and growth" perspectives and by passing "Internal Process" and "customer" perspective finally ending to "Financial" perspectives (Othman, 2007). However, these cause-and-effect relationships as argued by many experts such as Kennerely and Neely (2002) are not suitable for many organizations and necessarily do not link to macro goals and vision of the organization.

Furthermore, BSC as a strategic management in the second generation naturally lacks monitoring and control on competitors and technological development and therefore cannot be considered as strategic control model (NyanGayo, 2014). Kaplan and Norton (1990) actually added two new metrics to the second generation of BSC in order to increase strategic communication and created the third generation of BSC based on these changes. In addition cause-and-effect relationship model in the last level

equipped with more accurate tool which named strategic map (Opiyo, 2010). According to Kaplan and Norton (2009); the balanced scorecard enables company to modify strategies. Companies in highly dynamic environment have to change their strategy constantly, which inevitably subject to frequently changing the measures in BSC.

2.7 Challenges in Adapting and Implementing Balanced Scorecard

According the finding of the survey made by De/busk and Crabtree (2006), the balanced scorecard is often said to be successful. However, they at same time advise that caution has to be taken when implementing BSC because it has involves some risks. Olve et.al.,(2003) argue that while organization overwhelmed by good elements that BSC brings and totally forget to study what difficulties might come with it.

Among many authors on BSC, Chen and Jones (2009) and Debusk and Carbtee (2006) identified the issue of communication within the organization as one of major risk factor. The probability of failure to the implementation of BSC, according to them, would be high if the communication doesn't reach all the way down to the bottom of the organization (Chen & Jones, (2009). Organization wide communication is decisive in order to gain employees acceptance when implementing the Balanced Scorecard (DeBusk& Crabtree, 2006). Chen & Jones, (2009) also argue that ineffective communication is one of the factors that impede successful adaption and use of Balanced Scorecard. Effective communication, therefore, a critical and vital importance in translating individual vision into shared vision and thereby making Balanced Scorecard to be successfully implemented (Kaplan & Norton, (1996a). If on the other hand employees are not informed and engaged enough in the measures and targets of the company, it is difficult to improve overall performance (DeBusk&Carbtree, 2006; Kaplan & Norton, 2006; Chen & Jones, 2009).

The other common reason for failure of implementing Balanced Scorecard is when attempt is made to translate the strategy into action (DeBusk& and Crabtree, 2006). Determining the weight of various performance measures, outcomes and incentives is directly associated with this (DeBusk& Crabtree, 2006). It is particularly difficult to

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clearly link the Balanced Scorecard with that of employees incentive and always hard to achieve and it carries some risk. It is usually difficult to determine the size and weight the different performance measures should have and what type of incentives to give to employees so that the interest of the company shall not compromised by the interest of individual employees (DeBusk& Crabtree, 2006).

Another challenges worth to add here is the costliness on developing and implementing a Balanced Scorecard system into an organization (DeBusk& Crabtree, 2006). These cost might possibly be categorized into two main areas: The first type of cost emanates from the need for consultant to map the organizations strategy and help selecting performance measures while the second one associated with that of the aspects in modification of the information system to make it compatible the information need of the new performance measures (DeBusk& Crabtree, 2006).

Lack of interest on the side of employees is another problematic area that has to be carefully addressed during developing and advancing the already existing Balanced Scorecard (Oliveet.al., 2003). The source of this lack of interest may be due to the attitude of employees towards BSC. They may believe that the Balanced Scorecard is yet another temporary and pointless project which will result in less effort in implementing the balanced scorecard (Samuelson, 2008).

The above challenges are the major but not exhaustive encountered by many organization when adapting and implementing Balanced Scorecard and may be the sources of failure to successful fetch the potential benefits it brings about.

Chapter Three

3. Methodology

This chapter is dedicated to present the methodology chosen and employed to the subject case study and the methods applied to answer the research questions that would then lead to the conclusion. Attempts have been made to explain the rationale behind choosing these specific methods and the associated merits and demerits that characterized them. Furthermore semi-structured interview questions were developed base on the theoretical framework presented in the previous chapter.

3.1 Research Design

The main purpose here is to demonstrate how research plan and tactics are used in getting answers the specific research questions and arrive at conclusions.

In order to make a close analysis on possible challenges that may be inevitably encountered in implementing the Balanced Scorecard and an exploratory study was used to simultaneously provide workable recommendation for making better use of potentials of BSC for the future. Robson,(2002) argued that an exploratory study is generally useful in three specific situations:

- To seek an explanation of a situation or problem – to answer the question what happened?
- To explain relating patterns to the researched phenomenon – to answer the question why it happened?
- To explain the relationship between aspects of a phenomenon – to answer the question how it happened?

According Saunders at el.(2007), exploratory studies are particularly useful to understand the problem and to clarify the nature of the problem.

This case study employed a qualitative research approach to collect data and analyze them subsequently. Qualitative data analysis, as observed by Saunders et al.(2007), mainly deals with non-numerical data as a product of different research strategies. Here the central objective of the study is to identify those major challenges Ethiopian encountered in implementation of the BSC as correct way as it proposed in the

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literature. A qualitative approach was selected, as argued by Rebson (2002), qualitative data offered the researcher the opportunity to explore the case under study in the “real world” and hence suits the purpose of this study.

3.2 Research Methods

Among different procedures suggested by Yin (2003) that were applicable for qualitative analysis, pattern matching was used to predict an outcome based on theory allowing for an explanation what is expected to be found in the research. Such procedures would help in testing and explaining the real case examples against the theoretical framework developed based on the existing theory.

Hence, the purpose of this case study such procedure was employed. In order to link and base the study on existing knowledge of Balanced Scorecard, a theoretical framework was first developed. Then all potential challenges that affect implementation of BSC in the organization were investigated. The existing knowledge embedded in the literature was compared to real-life-case – what challenges were encountered by Ethiopian in implementing BSC initiatives. The already existing bodies of knowledge on BSC and its implementing challenges gave valuable insights to shape the interview questions. The interview participants are all management staff who were directly involved in BSC implementation process. The challenges in implementing BSC discovered in the literature were then compared with that of BSC in Ethiopian.

3.3 Data Collection

The two main types of Data Collection for research project are categorized as primary data and secondary data. Information collected by the researchers themselves belongs to primary data while information collected by someone else and availed to the public publication in in the archive are said to be secondary data.

3.3.1 Primary Data Collection

In order to get answers to the research questions of formulated statement of the problem statement of the study to find out the challenges and prospects of

implementing Balanced Scorecard in Ethiopian Airlines. When looking at what method would give the most pertinent information and comprehensive picture of the organization under the study worked with Balanced Scorecard as a strategy implementation and performance management, it is decided to use person-to-person format through semi-structured interview questions particularly focusing on the management staff within the organization who directly working on Balanced Scorecard. Personal interview with semi-structured questions developed were chosen as instrument because they largely give the respondent an opportunity to reflect their opinions and understanding in a better way than questionnaires.

Semi-structured interviewing is an interviewing with an interview guide (Bernard, 1988) semi-structured interviewing follows all the principles of unstructured interviewing, except that the informants are not expected to move too far beyond the scope defined by the interview guide.

3.3.2 Secondary Data Collection

As earlier tried to communicate, secondary data are what are first used in a study since they are cheaper and easier to collect. Taking the possible risk of data being distorted due to mainly their repeated usage into consideration, however, secondary data are also the most cost-and- time efficient gathering of information that enables the researcher to equip himself with already gathered data and helps him to link other theories and information together.

Since the approach of this research project is qualitative research, in addition to the published and unpublished official documents such as Annual Performance Reports, Policies and Procedure Manuals, Concepts of Strategic Plans embedded in vision 2010 & 2025 and the BSC implementation Project incorporated in Human Resource Management Strategic Plan, various literatures on theories of Balanced Scorecard and empirical studies made on its implementation are also used broadly as secondary data that typically intended to link them with the primary data.

3.4 Data Collection Techniques

Conducting individual interview is probably the most common method of collecting data in qualitative study (Suenning, 2003) and it found to be logical to use in order to suit to the purpose of this case study.

As argued by Jacobsen (2002), the interview procedure has a great influence on the outcome of the study and there are a number of aspects to consider when conducting interviews to ensure the validity and reliability of the study. Here, collecting the primary data were based on the semi-structured but with set of open interview questions designed to obtain sufficient answers to and same time control the content and limit the scope of the interview to specific subject research problem under the study.

Confidentiality was never an issue during the interviews and it has been done with open communication and cooperation. The interview with high-up in the company's hierarchy was focused on those who are involved in strategic decision and believed to have a positional capability to provide with in-depth answers regarding how the company has been actually dealt with performance measurement and use it for intended potential benefit it would accrue. In doing so, I was granted form the concerned body in the organization to conduct interviews with management group who worked directly with matters related to performance measurement. In addition to these interviews email correspondence with interviewees has taken place afterwards for the information clarification and gathering of additional information.

3.5 Sampling Techniques

Natash Mack, Cybthia Woodsong,(2005) in their book 'A Data Collector's Field Guide' addressed that the study's research objectives and characteristics of the study population(such as size and diversity) determine which and how many people to select. Among the most common sampling techniques used in qualitative research, purposive sampling is chosen for the purpose of this study. The rationale behind this choice was that purpose sampling, as one of the most common sampling strategies, group participants according to the pre-selected criteria relevant to address the particular

case, in our case to address the question to what challenges Ethiopian encountered in implementing BSC and its prospect in the future. Here the sample size does not matter and was not fixed but depended on the availability of resources and time and directly tailored directly to the study's objective. In addition to these data review and analyses have been done in conjunction with data collection in order to determine the theoretical saturation (the point at which data collection no longer useful). Accordingly, the total sample size was limited to 56 staffs of Ethiopian Airlines that composed of Four executive level management, 19 top management group whose position is divisional level and above, 20 Managers from Human Resource Management who are directly related with and responsible to the implementation of BSC, Four Change Management Managers and Nine different business units managers.

3.6 Data analysis and Interpretation

Qualitative data analysis searches to describe general statements about relationships and themes present on the data. Wolcott (1994) states the term analysis is a generic term that embraces the three basis categories when analyzing data: description, analysis and interpretation. He suggests these categories are not exclusive; neither visibly separated by a line, yet identifying and distinguishing each one may be useful to organize and present the data. In qualitative data, especially content analysis, the data collection and gathering is simultaneously receiving some kind of interpretation. The reading of the data to follow the criteria to inclusion on the database, leads to initials interpretation and understanding of the concepts, and it depends on the researcher, the analysis can begin while collecting data (Marshall & Rossman, 2006). Reflecting over the conceptual framework, and questioning the data, the ideas emerge on categories through the engagement with the texts. Categories of inclusive patterns and meaning, yet exclusives, are generated according to the existing framework. In a related strategy, themes are discovered within the data, and the researcher creates deductive constructed-analysis (Marshall & Rossman, 2006). After the data collection a return to the theoretical framework was done to see if it needed to be complemented. The analysis of the empirical findings was then continued. In the analysis section the empirical findings in the result section are compared with related literature in the frame

of reference section. It is possible to perform data analysis by using computer software. However, the process of coding qualitative data for use in such applications is very time consuming. Thus, if the data set is not extremely large, a manual approach to analyze it should be the preferred alternative (Webb, C. 1999). Additionally, using automatic tools might reduce the artistic and creative incentives that are much needed when doing qualitative research. The intellectual work of actually conceptualizing can only be done by the brains of the researchers, and therefore a completely manual approach has been taken for the data analysis in this study.

3.7 Validity and reliability

3.7.1 Validity

According to Svenning, (2003), the general challenge researchers often face in conducting a research is difficulties in translating research problem statement or its purpose into concrete measurement instrument, such as questionnaires or observations protocols. This is a critical issue that demands the assurance to be given to what the researcher is measuring is actually what intended to measure and thereby ensure its validity.

Completing the frame of reference before conducting the study was done with the intention to strengthen the validity of this study's results through proper understanding of the topic. This way questions became more relevant and answers also became more appropriate to fulfill the purpose. Also, as a qualitative study, the validity of the results is generally not as big of a problem as when conducting a quantitative study since it is easier to obtain validity when conducting qualitative studies since data collection is done through interviews (Svenning, 2003). This concerns foremost the internal validity, the external validity, or the so called generalizability, can be just as hard to ensure in both quantitative and qualitative studies (Svenning, 2003).

3.7.2 Reliability

Reliability refers to how reliable research results are. If nothing changes in a population or sample selection two studies with the same purpose should generate the same result in order for a study to be reliable (Svenning, 2003). Since this study is qualitative and the data collection is conducted by performing interviews the data consist of a mix of facts, explanations and opinions by the interviewees. If a second study with the same purpose on the same populations is conducted the result will only be the same if the interviewees opinions remain the same. People are emotional by nature and it is possible that a person will provide slightly different answers when asked the same question twice (Svenning, 2003). However, the results in this study build upon the answers which were received and these answers will have to be regarded as reliable in their context. Since the interviewees deal directly with matters related to this study they are likely to give reliable answers to the interview questions and this can be argued to strengthen the reliability of the study.

3.8 Ethical Considerations

Ethical issues are the important part of any research project involving human beings. Most of the issues that give rise to ethical concern in the healthcare fall under one or more of the following headings: 'informed consent', 'privacy and congeniality', 'anonymity', 'deception', 'risk and harm' and 'exploitation' (Sim and Wright, 2000). This study aimed to address all of these areas by taking several measures. An information sheet and a consent form were provided to the participants and asked to sign the consent form

Participants were provided with an information sheet and asked to sign a consent form prior to participation in the research. Confidentially and anonymity was maintained for all the participants involved. All information linking participants to the research project were stored securely and destroyed upon completion of the project. All possible steps were taken by the researcher to reduce the risk of harm and exploitation to participants.

Potential participants were informed that all participants in the research were voluntary and the right to withdraw would continue until the commencement of data analysis.

Chapter Four

4. Data Analysis, Results and Discussion

This chapter is mainly dedicated to present the data analysis and findings that derived from the study conducted using a qualitative research method. Primary data are gathered and through semi-structured interview questionnaires to major Senior Executive management who have a pivotal role in BSC development, execution and monitoring. The data collected from these prominent figures of the Airlines are further complemented by data gathered using the same semi-structured questionnaires but distributed to Managing Directors, Division Directors, Managers & Heads and middle level managements of all business and corporate units of the airlines, which are selected using purposive sampling method, to get a written replies. The objective is to get detail and deep information about prevailing BSC implementation process and the challenges that have been encountered during the execution process. The researcher believed that depending on the unique operational and specific task features of business and corporate units, the level of management position assumed and the number of experienced years counted in the airline would give an ample opportunity to explore varied but deep and overwhelm view about BSC implementation process perceived at present and draw a line that signaling where it is heading for.

4.1 Introduction and Implementation of Balanced Scorecard in Ethiopian Airlines

The initial idea to introduce and implement Balanced Scorecard in Ethiopian Airlines was initiated by Earnest & Young (2004) in 2004, once a consultant for repositioning consulting project. The proposal was aimed at boosting the Airline's management standard to the level global best practice and airlines industry experience. Even when it later decided by Ethiopian Airlines top management to adapt it, Balance Scorecard was primarily intended to replace the existing performance evaluation practice by performance measurement and management system that in fact incorporates operational and strategic measurement and management system.

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Despite naming BSC as its operational and Strategic measurement and management system, the Human Capital Management Strategy book of the company (which is claimed to serve as a blue print for actual implementation) did not clearly articulated in its policy statement why the need for the change were arose and the basic objectives why Ethiopian needed to adapt BSC.

As has been orchestrated by several BSC literatures and orthodox ally postulated by Kaplan and Norton (2010), the fundamental objectives of implementing BSC in any organization is primarily to overcome the inadequacy of traditional financial based measurement tools and bring into the picture a holistic performance management approach and outlook that incorporates that of financial and non-financial, tangible and intangible, short-term vs long-term and leading and lagging performance indicators. The central premises of implementing BSC as a performance measurement and management system revolves around balancing the accuracy and integrity of financial metrics with drives for the future financial success (Niven, 2006).

The case with Ethiopian Airlines regarding about clearly understanding as to how BSC conceived as a system, when looking from the perspective argued in paragraph above has a big gap all participant of all participants involved in the process. There is an observed tendency of focusing on technical aspect of the process in more mechanistic way rather than conceptualizing the underling essences such as common, shared and consensuses driven system that instill the need for BSC adaption.

That is why the observed variation in understanding the very concept of BSC implementation in Ethiopian Airlines paved a way for a good deal of Managers, who are thought to play a pivotal role in BSC development and implementation process, might find their best interest to paint a glossary portrait of the organization. To overcome such detachment from the core idea, Kasuoinen (2002) suggested that while lack of clear conceptualization of the BSC system may lead the management concept to be complex, a better understanding the principal concepts incorporated in the BSC system and the

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various factors affecting the implementation and change process could have helped the company to avoid potential problems.

Looking from the other angle, however, despite the difficulties in conceptualizing and clearly understanding BSC as a system, the derive to implement BSC in Ethiopian Airlines from top-down as a directives from Board of Management, has impacted in triggering a change in the culture of thought that fosters what Kaplan (2010), remarked in his article as:

“If you cannot measure it, you cannot understand it.”

The actual cascading practice the overall strategic objectives hierarchal to business units, division, departments and to lower layer of individual employee's casts an important and widely accepted conceptual message that achievement is as a key driver and enhancing factor for outstanding performance. While internalizing the process concept is essential in cultivating the implementing process well and helped shared understanding of the company's policies and visionsof the future, shortfalls are still imminent in having clear, correct and rationally accepted know how to translate the cascaded strategic objectives into objectives and key performance indicators that contextually fit the specific business units, divisions and departments' day to day operations and activities. Such shortfalls clearly undermine the effectiveness of BSC in inculcating each business units divisions, departments and/or individual to enable them fully and optimally contributed to the achievement of the overall strategic objects for which the need for adapting BSC as a system is sub-optimized.

Blurred concepts of BSC system coupled with limited know how to translate corporate strategy into specific task of a business units may have led the participants into unnecessary frustration and lose focus on pertinent target to be achieved. One of the source of these problem might be due to unavailability of well portrayed Strategic Map that easily accessible, simplified and visible to all business and corporate units.

As postulated by Kaplan & Norton (2010), strategy shall be formulated in Strategic Map in order to translate strategy of the company or any organization. It is stimulating

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communication through measurement of performance, initiating changes and inspiring initiatives. It is a causal model that serves in meeting the specific performance measures that lead to achieve the specific goals initiated by the business units that directly aligned to the strategic objectives. Absence of such a strategic map on which each business and corporate units of company is to depend on for executing the specific objectives, goals and targets made it difficult to reach agreement on what the most appropriate KPIs would be for each perspectives. That is probably why most corporate units (supporting units) are trapped in ambiguity to convert their target in something meaningfully and measurable quantifiable metrics and same time align to the strategic objectives through establishing cause-and-effect relationship among the perspectives and across the units of the company.

The associated by-product derived from this prevailing situation at the ground might also lead for the development of silo-thinking organizational culture. It in turns become a threat to the synergy aspect of the company in contrary to what implementing BSC would have naturally sought to bring about. Indeed specific guidelines have been created but it is usually subject to frequent revisions. It has not also well communicated and appropriately streamlined to create a general framework that equitably serve each business units and corporates.

As mentioned earlier, BSC as performance and management system would be more meaningful to Ethiopian Airlines, as suggested by Earnest & Young (2004) in translating strategic objectives and corporate goals into action than simply using only as performance measuring system. It makes progress towards goal visible, allow having clear communication in place and enabling the company to make objective analysis and fact based decision making. To this end, Ethiopian Airlines developed structured communication channel and design in such a way to be implemented uniformly across company's business units. The underlying assumption behind such communication channel is that the company would be benefitted from the specific aspects of BSC as communication, control and evaluation system which will positively effect on changing for future improvement.

Despite the above communication channel to exist in the company, the actual collected information of the process and the results communicated usually lack objectivity and dependability to support high level strategic decision making. The unfolding practical facts on the ground may hail the existing communication channel to be ineffective. It may make management control difficult to the extent of resulting in poor motivational impact and creating conflict over the use of BSC as evaluation device.

4.2 Challenges and Bottlenecks in implementing BSC in Ethiopian Airlines

The semi-structured questionnaires and interviews designed are sought to establish a ground on bases of which findings are analyzed as to why the process of implementing BSC in Ethiopian Airlines takes longer than the acceptable time frame as suggested by Kaplan and Norton (2010). According to them, it usually takes 12-16 weeks for large companies to complete the initial design of implementing BSC. After six years, however, Ethiopian Airlines is still busy in shaping up BSC fit the purpose it is meant for. As per the study's findings derived from collected data, followings are which are more or less similar to what has been stated on most literatures and previous case studies, the probable causes that make the process of implementation in Ethiopian Airlines to sluggish.

4.2.1 Inadequate Project Team Formation

The BSC project which was initially proposed by Earnest & Young in 2004 as part of "Vision 2010" later officially enacted as a policy of performance measurement and management in 2008 (HCMS, 2008). There was virtually non-existence of a 'project team' as such. The development, deployment and execution of BSC were rather entirely left to be the responsibility of one of the Human Resource Management department namely Human Capital Development, ent el 2008. The assignment was more of directional from top management and delegated type in its nature than something based on well architecturally detailed framework to effectively work with. Apart from this, this responsible department which assumed to play the role as BSC project team had no real reference point and composed of simply collection HRM specialist with no

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previous experience or knowledge about BSC at all. The department started to undertake the project's tasks with no clear goal except to set a plan to enforce the implementation of BSC as an alternative and best performance evaluation system with more perspectives. Such a circumstance prevailed at the time led the department simply to take a replica but open generic BSC format from Kaplan and Norton and distributed to major Business units, Divisions, and departments of the company to fill each perspective by their own. One of the main reasons for such lengthy BSC development was perhaps due to the fact that the assigned department followed an approach of bottom-up execution of the implementation. It was a kind of delegation of the project down to the middle management and let them define performance measurements, strategic objectives, targets and initiatives to each perspective at their best level of knowledge and expectation with little attention and focus on important aspects of alignment and establishment of cause-and-effect relationship.

According to VP HRM at the time of BSC commencement, there were no foundations to completely separate people who were supposed to work on the BSC project on full-time bases from their routine everyday activities. As mentioned before, in addition to these, the people involved in development and execution of BSC in this department had neither experts' BSC specific knowledge nor previous exposure/experience in the field.

As the core purpose, adapting BSC in the company was not initially centered to translate and meet the company's vision, mission or strategy, the selection of the project's team members was deliberately made to be HRM staff who had been in charge mainly to monitor and report performance as measured by the four perspectives. The emphasis on these narrow ultimate objectives of the initial role BSC intended to play, business units, divisions and departments were not actively involved and incorporated in the BSC development and implementation process. As it did not have a predefined framework and time line, it was a kind of project that had been initially adapted to be practiced once a year more of a hazardous way than it would have been the other way round. In fact, the Balanced Scorecard which were supposed to serve as a report containing all the important four performance perspectives of all business units of the

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company in comprehensive and cohesive manner had lacked the required representation from all parts of the company to work on it.

Absence of well integrated and structured BSC project team in general, apart making the process to sluggish, it had made the development process difficult in contextualizing BSC in the manner that support and facilitate successful execution of strategic objectives and maximally fulfilling the mission. The framework on which BSC development process had been managed was too delicate to play the pivotal role it should have played in evangelizing the concept across the board and realizing the potential benefit to derive from an appropriate implementation of it as a strategic translation tool.

4.2.2 Limited Scope of Understanding of the very essence of Balanced Scorecard

When the Chief Executive Officer of EAL had communicated to the General Assembly of Employees in 2010 about the introduction of BSC as performance measurement and management system, he gave some insights into the aim of launching such a system in the airline(Annual Report 2009-10).Among others, BSC was chosen by the company because it is suitable to clearly define the various strategic objectives, measures, targets and initiatives exactly in the framework designed and developed by Kaplan and Norton(2010) and cascade these elements of BSC to the respective owners in the organizational structural ladder positioned to directly exercise and act upon it. To further look into the underlying premises behind deciding to adapt the system were articulated on Humana Capital Development Strategy of the Airlines as below:

- BSC would be the performance management system and a tool for executing strategic objectives by cascading throughout the various business units of the company down to the individual level.
- To use both non-financial and financial metrics to define measures and monitor performance.
- Goals, strategic objectives ,measures, targets and initiatives art to be prepared and reviewed every quarter which finally sum-up to be annual.

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- There shall be a coherent cause-and-effect relationship established across each four perspectives and corporate and business units and the system should ensure the existence of required alignment between the corporate objectives at strategic level and the one at operational/individual ones.
- Cascading is to mean that the corporate BSC goals and objectives should be developed based on annual plan and must be cascaded down throughout the airlines both vertically and horizontally.

Despite these underlying but generic principles forwarded and grounded in HCDS of HRM's document, the actual practices in the earlier years of implementing BSC might said to be completely departed. The problem is still continued to persist in correctly and appropriately translating these principles to bear the expected tangible results.

As per the data and information collected from the semi-structured interviews and questionnaires revealed, the probable source of this problem has emanated from limited scope of understanding the very basic concepts of BSC and its elements to be incorporated during development and implementation process. Apart being characterized with very widely varied perception, the level of understanding is observed to be pretty immature at both upper management group as well as bottom individual employees.

According to Othman(2009a), one reason why BSC initiative fall or become unsuccessful is that very often organization do not understand what exactly the balanced scorecard is and its implementation involves. This fact is true in case of Ethiopian Airlines. There is a very widely varied understanding and explanation about BSC which in turns made it difficult to reach on common consensus about it and religiously concentrate efforts towards meeting the purpose it stands for.

The limited understanding of the concept of BSC and its core purpose on the other hand had contributed to make communication, which aimed at changing the behavior of participant; ineffective and thereby slowed down the realization and successful implementation of BSC ahead of good time in line with the strategic objectives. The impact is so obvious that it created an environment for loose individual focus and

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endeavor towards achieving strategic objects because of mainly limited existence of shared vision that serves as an important catalyst for successful implementation of BSC.

As the result, the articulated principles mentioned earlier in this part of the analyses could not maximally materialized to clearly impact on the perceived success theory that implementation of BSC could have brought about.

4.2.3 Inadequate Executive Leadership & Sponsorship

Absolut and explicit commitment of management at most senior level is the most crucial first step and probably considered as a pre-request to be in place for successful scorecard program. Kaplan and Norton and other authors in the field have given a due emphasis on the importance of mobilizing change through executive leadership. They argued that a balanced scorecard is not just about metrics, it is rather about large scale change. The most important condition for its successful implementation is therefore falls on the prevailing demonstrated ownership and active involvement of senior executives.

Although Scorecard project in Ethiopia Airlines was launched by the Chief Executive Officer's initiatives at top level, the subsequent actions and involvement seemed to be inadequate when they are weighted in terms of getting due attention and emphases based on the most important criterion for success which demands their executive leadership and change gearing management style. It was not sufficient enough to grant in instilling firm foundation for effective communication, active participation of all stakeholders, nurturing employees' initiatives and ensuring their active involvement.

Lack of clarity and standardized BSC implementation framework at the executive had made it difficult to create a sense of urgency for change –a change that aroused from the need to reverse the impacted resulted from traditional performance measurement practice and/or to respond to changes in the operating environment through effective communication means. Exhibited lack of ownership and forefront leadership blocked the path to build trust on the side of the employees through creating unit of direction.

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The limited commitment of senior management in the process of effectively implementing BSC was further manifested in that there was no well-developed communication culture which would have contributed in availing transparency in BSC development, deployment and implementation processes. It rather adversely impacted on mobilization effort of the change process, establishing appropriate team based performance model and create alignment and management of strategy using BSC as tool.

The only times that senior management visibly participated in the process were three times in the budget years-the one at the beginning of business planning and target setting, at times when the semi-annual scorecards are reviewed and performance reported and finally at times of annual performance report review and rating. Such a trend seemed to undermine the senior management's' sponsorship role that required on continuous bases to communicate the visions for change and empowering business units and individual employees to device new ways of doing day-to-day job to help the company achieve the strategic objectives. On the contrary, it has been done on ad hock base with full of trial and errors exercises. Resources were not adequately allocated to support the mobilization effort as well as setting forward looking direction that clearly shows how cascading the strategic goals down to the lower level to make strategy implementation everybody's job.

In general, there was lack of strong leadership quality by the senior management to positively influence the development, deployment and implementation process through leading by example management style by demonstrating they are really committed and fully engaged in communicating the company's vision holistically. It seemed that they did not put their effort together to realize the opportunities benefits BSC measurement and management system placed could have bear as a tool of cascading the strategic objectives by creating strategically focused working environment. The senior management had assumed insufficient lead position in establishing and promoting integrity among all participants involved; in adequately allocating resources to build

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intellectual bases and develop experts to support the implementation process. Lack of such commitment and leadership quality might be the cause for most company's employees not willing to sufficiently invest their time and energy for the successful implementation of BSC initiatives at the required level and within reasonable time.

Further to these, the development, deployment and assessment review stages of BSC implementation created a sense of imposition on the part of employees. It is mainly because in the past 2-3 years, the practice was that top management place and enforces them in mechanistic ways without the participation of most employees. Apart from this, the process under discussion have not clearly communicated and resulted in creating confusion and distrust among managers, Team Leaders as well as employees. Only putting high pressure on and intervention in final rating process could have brought the desired results in line with the main purpose of applying BSC. Such circumstances are evidenced by the fact that top managements had not been adequately discharging their sponsorship and leadership responsibilities that basically aimed at gaining credibility and trust. Had it been the other way round, employees and all participating stakeholders would have believed and buy-in the BSC process as an important tool for improving company's strategic performance.

It can be said that there is no strong platform on the bases of which senior management commitment and quality leadership have soundly be demonstrated with strategically focused theme that followed SMART approach to develop KPIs and communicate them appropriately across all business and corporate supporting units. Strategic Map is properly utilized to cascade the strategic objects and establish a cause-and-effect relationship as stipulated by Kaplan &Norton (2010).

4.2.4 Lack of Balanced Scorecard Education and Training

Most organization including Ethiopian Airlines are attracted by BSC's design and popularity. To successfully implement and get benefits out of its adaption and implementation, however, there is a need to have in-depth education and trainings. Luck of education and BSC basic knowledge of top management and BSC project team

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members in charge of building company's BSC would certainly be a big minus. If BSC is to play its important role as a tool of executing strategic objectives, peoples who are *responsible and participating in the implementation process need to understand in-depth the nature of the tool and how it is operated so that they would be capable of steering the wheel to the right path for the successful achievement of the objects at disposal.*

In 2004, at the time when Earnest & Young (2004) proposed the adaption of BSC by Ethiopian Airlines as part of 'Vision 2010' and later introduced by CEO's dictions in 2010, the level of knowledge about Balanced Scorecard was very low at company's and as well as national levels. There was little evidence about the use of the tool and there were few opportunities to learn anything about the implementation and use. Hence, at the beginning Ethiopian Airlines did not do much to learn about the BSC like holding seminars, organizing workshops and basic BSC training courses that focused to create ground working knowledge and concepts. The only source of information was the BSC implementation draft proposed by Yong and Ernst (2004) that submitted to Ethiopian Board of Directors for rectification.

There was no as such appropriately designed educational platform by which the initiated BSC bases were to be built on and launched. The underlying assumptions and philosophy of BSC which is to be expressed in terms of corporate balanced scorecard and forming understandings that they have to be driven form organizational visions and value statement were not appropriately owned and addressed. Formal training sessions and workshops specifically designed for the purpose were virtually non-existence for both HRM assumed project team and those Business units' leaders who were sought to have a pivotal role in implementing the Airline's BSC. Absence of such well organized and planned BSC education might be the cause for the implementation process somehow to be very challenging for the project team and the process to sluggish. The assumed HRM project team has got it difficult to create understanding and make use of operational model that effectively communicating to the stakeholders of the company

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how to use BSC in the process value-creating chain in the best interest of the company and all those involved in the process.

The impact is visibly evidenced by the fact that there is a huge knowledge of a sort in all areas of the layer in the hierarchy the company. Lack of adequate and appropriate training on BSC's concept and the architect of implementing it (possessing both its technical and non-technical aspects) might resulted in not having well defined scope of the scorecard project, limited understanding as to how address the strategic issues like cascading the objectives at the top down to operational and individual employees' level. It further complicated the way where higher-level guidelines, policies and strategic priorities are clearly perceived and embedded in each steps of BSC implementation process so that its principles would be applicable to the specific operational environment of the company.

We may also say that adequate resources required organizing workshops and preparing circulation bulletins were not allocated in order to disseminate the concept and accelerating the cultural changes. It had limited in creating conditions that enable the employees recognize the importance of BSC and clearly understand how to align organizational strategic objectives with that of their day-to-day activities; the role they can play in contributing for overall achievement of strategic objectives.

Indeed, a kind of half day workshop has been recently organized by Human Capital Development Department of the company. It is however done twice a year- at time when semi-annual and annual performance evaluation is scheduled to be conducted. The main agendas are largely focused on the technical aspects of rating using metrics in the four perspectives. Emphasis are most of the time given to the technical terms of maintaining balance according to the correlation table developed by HRM giving little weight in creating awareness and developing the skill as to how align the strategic objectives to that of Business units or individuals. Such workshops are so deficient in their scope in educating the practitioners that performance derives results by identifying objectives and measures expressed in terms of strategic priorities and their time table;

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how to establish logical cause-and-effect relationship among the perspectives and across business and corporate units; and lastly how to attain the overarching aim of implementing BSC as genuine alignment of strategic objectives with that of efforts throughout the company.

Though again there is a recent attempt to introduce BSC related rewarding scheme, the employees are not educated so that they would have a mind setup ready to establish a common consensus that fosters measures and rewards are logically linked so that efforts are directed toward aligning company's objectives with that of individuals. The impact it would have on motivational factors and communicating the message that would lead to innovation and change to all members of the company is therefore minimal.

In addition to these problems, the rewarding system is designed in such a manner to incorporate the concept of differentiation rule of 20/70/10. The merit and demerit of combining this rule with that of BSC are yet needed a separate study. There is no evidence of a sort as to whether or not it previously applied by any other organization to know its actual effect. However, in a situation where employees are not well aware of and do not have a clear picture about the linkage we are talking about BSC and Reward, it is unlikely to think of the motivational and demonstrating impacts it would have in attaining the business units as well as the company's objectives.

4.2.5 Lack of Adequate and Effective Communication

It is the fact that when implementing the Balanced Scorecard or any strategic plan, the scope of an organization's internal communication strategy can make or break the efforts (www.clearpointsstrategy.com). On the same issue Paul R. Niven (2008) outlined the following common objectives and key elements for developing internal communication strategy.

- Build awareness of the Balanced Scorecard at all levels of the organization
- Provide education on key Balanced Scorecard concepts to all audiences

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- Generate the engagement and commitment of the key stakeholders in the project
- Encourage participation in the process
- Generate enthusiasm for the Balanced scorecard and strategic plan
- Ensure that team results are disseminated rapidly and effectively

With reference to these affirmation objectives, while developing and implementing BSC in Ethiopian Airlines, we may say they were not adequately explored and given priorities in the communication plan. The purpose of communication in BSC after all is to convey the original objectives behind implementing it by generating engagement and commitment to the specific objectives stipulated in each perspective and to determine the frequency of communicating to the individuals so that the achievement of individual targets would be aligned to that of the strategic.

John Kotter says "without credible communication and a lot of it, employees, hearts and minds are never captured." Unlike this generally accepted idea and the result expected from the purpose of effective communication, there are evidences that indicate the actual practices most often characterized by one way communication that favored top-down Street. HRM department which is responsible to administrate the BSC implementation often imposed measures and targets without seeking inputs from the participants. It was as the result felt ignored by most of them. That may, apart lacking transparency, contributed to climate of distrust and alienation that hinders the fast development of BSC's metrics and its successful implementation.

Throughout the interviews, the researcher observed that there are loud and apparent variations in the level of awareness about the fundamental essence of BSC and its purpose of employing as a system in the company both among the top management, operational and all employees down to the lower level layer in the organization structure.

One of the contributing factors for such variation might be explained by the fact that the dominant social and cultural environment prevailed in the organization overshadow the

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effort in transmitting the right message at the right time. The company's communication practices have been so undeveloped to inject a culture that fosters innovative, participatory and proactive initiatives to develop and implement the core elements of the BSC. Team building based on shared or common vision and creating an atmosphere for cooperation between business units, management and employees of the airlines were really challenging. Such practiced has constrained for the development two-way communication which is strongly recommended to be cultivated for an effective communication to bless BSC's concepts at corporate wise.

Evidences gathered for the semi-structured interview questionnaires supported the above general observation. Inputs to target setting by the operational level to that of the higher level management in the business units is usually minimal and it impact on the weight assignment to the specific strategic objectives for perspectives under consideration is almost negligible. In addition, the weights are usually rough estimates that did not exactly reflect the strategic elements such as alignment and cause-and-effect relationship that should have with that of the specific job at the operational and lower at the bottom individual level. Further to this, too less time has been spent than required to device a system that enhances discussing strategy over and commonly agreeing on next time target setting and evaluation process.

According to Jones(2008), communication has two main challenges, i.e. understanding people and failing to introduce strategy out to people. These two communication challenges have been crystal sound in Ethiopian Airlines case. They were cause for the existence of limited awareness of all employees to develop and promote a culture of thought that based itself on common and shared-vision of the company; to exert concerted effort that absolutely linked with the achievement of the corporate objectives of the company and clearly communicate the golden idea that employees are not coming to work only to accomplish their daily jobs, receive the salary, go home happily, but would get satisfaction from the results performed. Though recently there are attempts to lay a foundation for such a communication platform, the power it has to influence the participants is not good enough for them to internalize the BSC concepts.

It is not well formed in the mind of those involved how individual actions, responsibilities, time, aim, tools, measures and work plan are to be used to describe and define the whole BSC implementation process. Absence such a plan coupled with no appropriate forum to discuss about with employees might resulted in unpreparedness on the part of employees for the anticipated change from the BSC implementation process.

Generally, there was no formal BSC communication framework by which BSC concepts flatly flow deep inside each and every participants and bring an emotion that trigger the required reaction if it was appropriately disseminated and communicated to the entire company. It is undeniable to look recent development that intranet communication system has been in place. However, it can be said it is underutilized to bring the behavioral and attitudinal change in the pace and direction it is required.

4.2.6 Inadequate IT Support

Collecting data, analyzing performance and communicating results have been somehow cumbersome tasks for most of management groups in the company. It is, however, believed that development in performance management software can improve the design of strategic map and thereby help alleviating problems existing in key parts of understanding, communicating and reviewing performances. They also allow the potential user to feed the maps with information about the relationship and underling measures.

Though Ethiopian Airlines acquired and started using an Enterprise Resource Planning (SAP), the system was not well customized and redesigned to serve company specific purpose and unable to provide appropriate scorecard information automatically from. transaction system that the company is currently used.

Most of the metrics and measures for the targets and result achieved are usually inserted in the system manually. Similarly significant amount of data that required for performance review have been separately captured on and prepared with using

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unlinked Excel formats. These Excel formats have been also used for managing a number of reports and analysis.

The failure in customizing the current ERP (SAP) system to enable it supporting the BSC process and establish an integrated information system might make the implementation process somehow challenging. Following are some of the factors that are significantly affecting the BSC development, implementation and review process.

- Insufficient availability of information- in many cases data was not available to all potential users. Managers and Team Leaders are heavily relied on manually collected data. The installed BSC features in the SAP are too generic to be usable and compatible with the specific measurement needs required by the unit or department. It is, therefore, difficult to get adequate information from such automated system.
- Lack of comparability- many problems occurred when there was a need to compare data created in several unlinked data base on Excel formats. The limitation in this area of the system raised issues of the validity and accuracy. Measures are usually exposed to manipulation and judgmental or arbitrary decisions.
- Rigidity- some data are only available in summaryreport like for example monthly revenue for the unit or department. The actual task, however, need to review an individual employees' contribution to the sum reported. To that end, a large amount of "hand work" has been necessary to build a report to match with that of the aggregate to the department.
- Time-consuming with the threat of errors- preparing reports from data stored in different Excel sheets and very grossly defined metrics that could be derived from EPDMS(Employees Performance Management Diary System) reports likeH,M,L require huge amount of time and effort. This was especial true in case of Business Units like Commercial and Maintenance, Repair and Overhaul from which a huge amount of individual performance reports are required to be accurately tally with that of the summarized.

The other issue worth mentioning here is that there are mixed or confusing standards on the bases of which measuring KPIs became a problematic area that need to be addressed. Additionally, due to lack of sufficient recorded data in either manual in Excel or automatically in SAP system, sometimes only few measures are incorporated and considered in the reviewing process that are incapable of covering the analyses for whole area of detail activities the shop level. On the other hand, inappropriate or irrelevant metrics are usually used to measure the actual performance which led the results to be distorted. The sum of all these may result in making BSC not dependable to support decision making and to play proactive role in predicting future action to pursue.

4.3 BSC as Strategic Alignment Tool

While the Balanced Scorecard has been touted as an effective tool for creating organizational alignment, the actual success of the system as an alignment tool can vary depending on the strategic focus of the scorecard, the success of its implementation and whether or not the organization successfully cascade the scorecards(www.BalancedScorecard.org).

Cascading the corporate strategic objectives (corporate wide scorecard) of Ethiopian Airlines has been in principle done down to first business units, support units or department and then the individual. However, the actual practice has not properly followed the pattern that foster formation of organizational alignment that propagated in scorecard cascading principles. It is not clearly and visibly demonstrated through continuously and consistently using the useful strategic map, well articulated performance measures and targets and initiatives at the top are exactly translated, with minor modification to contextualize them to the specific operational environment and jobs, to lower individual employee's level. It is not well orchestrated and communicated to create a sense of accountability through objective and performance ownership and brought about desired employee behavior that incentivized with recognition and rewards.

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So far, the cascading practice, except exercising it as a means of simplifying and facilitating the evaluation of individual performance results base on pre-defined measurement figures and targets set and initially cascaded down at the top (which actually used as a simple performance measurement dashboard), the impact it had on strategically focused alignment across the business units, divisions, departments and individual have been pretty minimal.

Some of the common challenges that may be attributed to be cascading problems for the company include:

- Employees do not clearly understand what is expected from them and how to effectively discharge their responsibility and contribute their part in achieving the corporate goals
- The cascading approach followed by the company have been poorly planned and characterized with simple imposition of too highly stretched corporate targets to attain down to operational and departmental levels. That in turns resulted in superficially colored performance with little core elements that would have a positive impact on alignment aspect of the process.
- There is a disconnection between various level of cascading layers (corporate, operational business units, support units and individual employees) due to delegation and other problems.
- The organizational level scorecard which base itself on vision's strategic objectives breakdown to annual business plan is usually misunderstood or not well communicated to the level down employees to get buy-in and ownership by all participant at each cascading level.
- While some business units like commercial are cascading well at their operational level, others are frustratingly lagging far behind.

In general, the strategic focus alignment through cascading is yet to develop well in order to tap the benefit and close the observed gap of variation in its application.

Chapter Five

5. Conclusions, Recommendation and Limitation

It is known that adapting and implementing BSC has got a worldwide popularity and acceptance as a powerful performance management and strategic execution tool. Significant numbers of organization (previous studies indicated 70% of them failed) have encountered different challenges of various degrees when trying to introduce Balanced Scorecard in their business. A majority of the organization have either implemented the BSC but ended up without gaining any significant performance improvement or totally failed at the implementation stage.

This study, based on findings discussed on the previous chapter, revealed the above general facts as found in the literatures. Same is true to Ethiopian Airlines. The purpose of this study is, therefore, to identify those challenges and reasons why Implementation of BSC in Ethiopian Airlines as performance management and primarily as strategic execution tool has been so difficult. Accordingly, we may conclude that encountered number of challenges and deficiencies listed the previous chapter has resulted in yet matured enough in implementing BSC in the airline so as to bear the promised and potential benefits that can be derived from adapting it.

As per the finding of this case study, the most significant problem is found to be lack of sufficient and basic BSC knowledge. This problem had a multiplier effect on other actions required in the development and implementation process and hence become the source of cause for many subsequent problems of the listed. Loose and insufficient senior management sponsorship and committed support on timely bases had also contributed a lot in making the implementation process to be sluggish. Added to this, inadequate IT support together with the apparent unwillingness of some members of the airline to change made the process to be complicated. It is still felt by some that there are unresolved problems which need to be properly and urgently addressed if the airlines are to successfully implement BSC and get the potential benefit from it. Those issues related to developing appropriate measurement, setting and objectively defining

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targets, making communication two-way that ensures sufficient involvement by all members of the Airline in process of target setting, deployment and reviewing performance results for the successful alignment to and achievement of the strategic objectives.

Despite the challenges Ethiopian encountered, however, BSC as a performance management and Strategic implementation tool has shown a progress and seem to be on the right track. Some basic and important elements have been incorporated in the system and the underway implementation process embraces the underling BSC philosophy –“creating a shared vision of objectives and goals of the company”. The recent development in the BSC implementation process indicated that employees are coming to understand and recognize that their contribution to the successful achievement of the strategic objectives means a lot. In addition, the concept of alignment to strategic objectives and establishing cause-and-effect relationship between the four perspectives and business units are currently started to be well perceived by the majority of employees.

Recommendation

Companies like Ethiopian Airlines with great vision ("Vision 2025") and the most ambitious growth strategy should undoubtedly adapt the use of Balanced Scorecard as its Performance Measurement and Strategic Management tool. However, the challenges or barriers that hindered the pace and successful implementation have to be removed or appropriately resolved. If the necessary education/training are provided and properly communicated top-down as to how BSC works and the specific steps are strictly followed in the process like cascading, developing relevant measures, setting targets, collecting and analyzing data, creating alignment to strategy and establishing cause-and-effect relation between perspectives and business units of the company, the prospect to have success theory will be inevitable which based itself on shared-vision and common consensus on goals to achieve. Hence, conducting continuous training sessions, workshops and disseminating the BSC information through all media channels like bulletins, intranets, etc. to all members of the airlines.

Top management, the other hand, need to 'lead by example' and create operational environment that maintain a balance between the BSC perspectives and business units. The current trend of putting overstretched targets and giving a high weight to financial perspectives would have a negative impact on the part of the employees. It is mainly because that the targets are too stretched to attain whatever extra effort is exerted. It would then led to frustration and reduce the potential innovation to be incentivized for outstanding performance.

The study further recommends that there should be a comprehensive BSC framework and clear implementation guidelines that commonly serve all business and supporting units of the company. There should be somehow standardized way handling and know-how to treat the elements and measures of each four perspectives and align with other business units and strategic objective so as a holistic approach would be prevail across the company.

Limitations

The findings of this project research are based on the research of literatures which tells us the story of how Balanced Scorecard has been practiced since the beginning of its introduction in 1990s as a performance management system. Reasons or barriers for unsuccessful adaption and implementation of BSC have been stated. The obstruction to the successful implementation of the tool might to be exhaustive. It should be noted that there may be other possible barriers that have not yet covered by the existing research and literatures. Same is true for those not yet defined usage of BSC.

According to Niven (2006), no two BSC implementations are completely alike. Further, the same author states that organization which decided to implement the tool should do so in a way that fits the individual culture, current management processes, and readiness for such a major change initiatives. Therefore, the findings, results and recommendation of this project research cannot be generalized and taken for granted by other companies, researchers or other interested in the topic.

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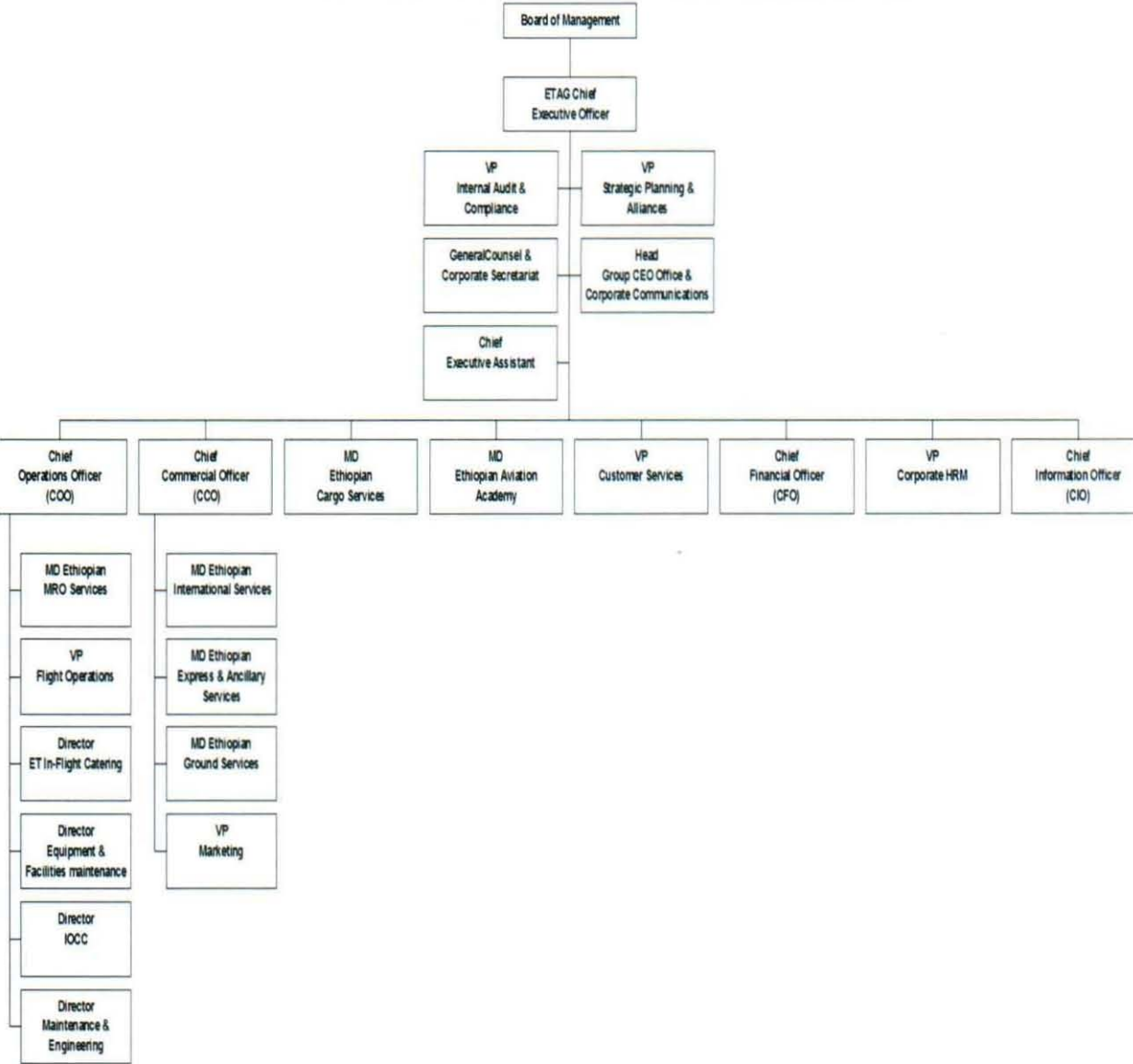
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Appendix A Organizational Structure of Ethiopian Airlines Group

Organization Structure of Ethiopian Airlines Group



Challenges and Prospects of BSC Implementation in Ethiopian Airlines

Appendix B BSC Target Setting Template

2017/18 - BALANCE SCORE CARD (BSC)
PERFORMANCE APPRAISAL TARGET MANAGEMENT

Name _____
Position _____
ID No _____
CC _____
Sec./Div. MD Ethiopian Express And Ancillary sales and service

Validity Period: 01/07/2017 - 31/07/2018
Establishment/ Revision Date _____
Revision No _____
Employee Subj: Management

No.	Perspectives	Perspective Weight out of (100%)	Strategic Objectives	Key Performance Indicator (KPI)	KPI Weight	Targets Per Quarter				Annual Target	Initiatives/ Programs	
						Q1	Q2	Q3	Q4			
1	FINANCIAL	30	1.1 Increase Revenue	Ethiopian Express (ETB Billion)	6%	0.71	0.70	0.71	0.68	2.8	- Revenue Maximization	
			1.2 Reduce Cost (Cost Leadership)	Opex Budget (ETB Billion)	6%	74.48	73.78	75.29	76.56	300.42	- Tight control of budget and efficient resource utilization	
			1.3 Increase profit margin	Cost Saving Target (Million)	6%	0.32	2.21	2.24	2.24	7.02		
			1.4 Asset Utilization	Net profit (ETB Billion)	6%	0.26	0.25	0.26	0.23	1.01	- sustainable profitability - Reduce cost while maximizing revenue (R-C)	
2	CUSTOMER	25	2.1 Star Alliance Rating	Star Alliance overall satisfaction percentage	2%	65.00	65.00	65.00	65.00	65.00	- Standard Customer Service in value chain	
			2.2 Increase Traffic	Number of passengers (million)	3%	0.46	0.43	0.45	0.44	1.79	- Market Diversification - Marketing Mix implementation	
			2.4 More Customer retention	FFP members (million)/Repeat business(Active/Total member ratio)	3%	1.92/4 0%	2.07/4 0%	2.23/4 0%	2.39/4 0%	2.39/4 0%		- Promotion and enhancement of FFP program
				Claim settlement in 7 days	2%	100%	100%	100%	100%	100%		- Claim to be settled in 7 days upon final confirmation
				OTP Target %	3%	99.70	99.70	99.70	99.70	99.70		- Service Excellence
				Bag irregularity target/1000 pax	3%	3.5	3.5	3.5	3.5	3.5		
				Customer Satisfaction rate %	2%	75%	75%	75%	75%	75%		
				Complaints/1000 pax	2%	0.75	0.75	0.75	0.75	0.75		
			DB & Misconnection/1000 pax	3%	4	4	4	4	4			
			Risk (USC)	2%	12.67	12.5	12.57	11.88	12.4			
2.5 Star Airlines with 5 star service delivery	Four star rating achievement and consistency	2%	100%	100%	100%	100%	100%		- Service enhancement and Sky Trax rating - Consistency			
3	INTERNAL PROCESS	25	3.1 Speed to Market	Compliance with national, regional and international regulations and internal Standards, Regulations, Policies and Procedures	5%	100%	100%	100%	100%	100%	- Promote ET Standards, Regulations, Policies and Procedures - Compliance to Airline operation regulations (IATA, IOSA) - Improve Safety & Security performance - Suggest incident/accident prevention ideas	
			3.2 paperless work process/Digitalization	Increase online sales, %	5%	20%	20%	20%	20%	20%	- Increase online sales out of the total sales	
			3.3 3Es (effective, efficient, & economical) work process	ACE Gold sustainability & value stream certification	5%	25%	50%	75%	100%	100%	- ACE Gold sustainability & value stream certification - Full ICT system implementation - SLA full enforcement	
				Passenger LF%/Yield USC	5%	78/16 12	75/16 64	78/16 07	75/15 45	77/16 07		- Improve load factor and yield with highly valued product
3.4 Customer Intimacy	Meet manufacturers standards on A/C turn around time Q400, 737, 767, 787, 777, A350	5%	100%	100%	100%	100%	100%		- Cooperated effort to meet best standard turn around time			
4	HUMAN CAPITAL MANAGEMENT	20%	4.1 Adequate No. of qualified and skilled employees	Zero Vacancies	3%	100%	100%	100%	100%	100%	- Monitor vacancies, initiate requisitions and work with HR to fill vacancies	
			4.2 Hire for attitude and train skill	HRD Initiative (SP, Mentoring, Coaching, T&D)	4%	100%	100%	100%	100%	100%	- Identify 2 Successors and groom for leadership skill. - Facilitate mentoring program - Guide, tutor, coach, train & consult staff - Schedule staffs for training	
			4.3 Enhance Employee Productivity	Productive /Non Productive man-hour ratio %	3%	97/3	98/2	98/2	98/2	98/2	- Reduce avoidable absenteeism, tardiness while increasing productivity - Enhance employee effectiveness	
			4.4 Promote unity of purpose and direction	Employee Satisfaction, %	4%	80%	80%	80%	80%	80%	- Directing work, employee engagement	
			4.5 Integrity in performance management with differentiation	Problem resolution horizontally/SLA targets	3%	100%	100%	100%	100%	100%	- Ensure teamwork and horizontal resolution along the value chain	
				BSC and differentiation (20/70/10 Rule)	3%	100%	100%	100%	100%	- SMART target setting - EPOMS data logging and continuous feedback - Timely completion of target and rating - Fair and transparent evaluation - Low performers engagement		
Total		100	Total		99%							

Prepared By _____ Sign _____ Date _____
Name of Employee _____ Sign _____ Date _____
Approved By _____ Sign _____ Date _____

Appendix C

A Questionnaire on 'The Challenges and Prospect of Implementing BSC (The Case in Ethiopian Airlines)'

Dear esteem respondents,

I am a graduate student at Addis Ababa University, College of Business and Economics and currently conducting a research for the completion of my Executive Master of Business Administration (EMBA) degree. This semi-structured questionnaire is designed to collect data on assessing the challenges Ethiopian has been facing since adapting BSC both as its Performance Measurement and Management System. I kindly request you to lend me few of your precious time to answer the questions here under on your overview and personal experience with regards to BSC implementation process, its challenges and prospects in EAL. Your willingness and cooperation in providing me with genuine information would be highly appreciated and the information you provide will primarily be consummated for academic purpose and may be discretionally used as feedback and input to the company if found to be useful. Indeed, the confidentiality to the individual information will be kept well.

Thank you in advance for your cooperation!

Instruction: **Please mark your answer with a tick mark (√) in the space provided.**

PART 1: General Information of Respondents'

1. Position: _____
2. Gender: Male Female
3. Age: 18-25 26-35 36-50 Above 50
4. Your Educational Background:
 <12th Grade Diploma Master Degree
 12 Complete Bachelor's Degree PhD

Instruction: Please answer the following open-ended questions in writing by considering it as simulated interview session

PART 2: Basic information on BSC implementation in Ethiopian Airlines

1. What are the major components of the performance monitoring and management system?
2. How does the system work? How and what types of processes were used by you (the manager) in putting the system into place? How, by whom and for whom the performance indicators (PIs) were developed? And how and where the data are collected and outcomes are communicated?
3. Why does the system work? How and why the system works at strategic, tactical and operational levels? And please give some examples of how this is accomplished.
4. What problems does the system have (any problems the system had and the challenges posed in implementing it in terms of planning, deployment, review, motivation, leadership, resources, communication, measurement and data collection techniques, and the role of knowledge management)?
5. What are the main challenges in the implementation of the BSC?
6. How does the employee reward system work?
7. Is this experience transferable to other program/division/government institution?
8. Please provide your overall view regarding issues such as staff involvement, the importance of performance monitoring, resource allocation, positive and negative impacts, decision process, organizational culture, accountability, transparency, governance, organizational change, and consensus on performance indicators, the relationship between outputs and outcomes and changes in organizational behavior?

Appendix D. Transcripts of Semi-structured Interviews and Questionnaires

1. What are the major components of the performance monitoring and management system?

"It is all rounded, on employee's contribution towards the airlines profitability, his/her customer service, contribution towards process improvement and cost minimization activities and HR issues as an employee or as a manager or supervisor."

"The components parts are: - Revenue

- Customer satisfaction
- Internal Process
- HRD"

"BSC & ISC"

"PMS- BSC is used for Management staff

-ISC is used for non-management staff"

"It is regarding about management system and professional system."

"It is BSC performance template preparation on four perspectives namely Financial, Customer service, internal process and Learning & Growth and entering employee higher supervisors and HR as header data."

"It has 4 perspectives, financial, customer HCM, and process. Each perspective has a weight and the program or initiatives that help to meet the target."

"It composed of perspectives, perspective weight, strategic objectives, measurements(KPIs), target per-quarter, annual targets and initiatives or programs."

"Composed of the vision of the company, annual target, strategy and communicating them down the organizational structure."

"The major component of performance monitoring and management system in Ethiopian Airlines is the target and the actual achievements that is to be attained at the end of every six months."

"Strategic objectives and performance measures which include quantity of work, speed work, timeliness, completeness, competence, effectiveness, efficiency, satisfaction, compliance, etc."

"Input and output relationship, quantifiably define works and set target. It is an assignments of quality, decision making process and cascading by securing the required alignment."

"They are: - defining the company objectives and goals

- Setting target(goal)
- Monitoring the achievement

Challenges and Prospects of BSC Implementation in Ethiopian Airlines

-Appraisal process”

“The major component PMS are planning → monitoring → evaluation → development and rewarding.”

“Strategic objectives are set in four BSC incorporating four components, finance, customer, internal process and human capital management. Under that, we have lots of components. In our case components of performance monitoring include number of safety audit findings, investigation, recommendation, training conducted, safety awareness bulletins released, number of accidents and incidents reduced, budget utilized, etc. to be monitored against set target. In addition, some of our activities such as accident investigation and safety audit are also monitored. There are others we monitor for improvement of our internal performance. Some of these include ACE activities, revisions of manuals and documents, closure of safety audit findings and investigation and recommendation.”

“The major components of performance monitoring and management system at Ethiopian Airlines are target/objective setting at the beginning of the budget year and performance measurement at periodic intervals. Both the target/objective setting and performance measurement have four perspectives-Financial, customer, internal process and human capital management.”

“Corporate goals of the airline that was cascaded down and used to establish targets.”

“Target setting – performance planning

Performance appraisal

Feedback on performance appraisal

Reward system

Improvement”

“The major components are planning, monitoring/measuring and rewarding.”

“The major components of performance monitoring are employee’s daily plan, meetings, coaching and mentoring, daily employee’s performance record, etc.”

“The airline use BSC system to monitor performance and this BSC is captured into the SAP-HCM module. The performance measurement is based on four categories of financial, customer service, internal process and HCM. Generally the processes are derived from the job description of each individual and it should align with the corporate objectives of the airline. Then each strategic objective more indicative through the KPI and target required to be achieved. We try to be as objectives as much as possible. Once the BSC is developed, it is upto the Team Leader to monitor performance by collecting the relevant data on periodic

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bases. We use a system to accomplish such data so that some control be used during assessment.”

“Management, employees, KPI/deliverables, objectives.”

“Financial –Revenue	Customer	internal process	HRM
-CASIC	- customer Satisfaction	- OTP	-Rev./Employees
-Yield	- customer complaint	- Aircraft utilization	-Quality/quantity
-Load Factor	- Baggage irregularity		-Training/Dev't.”

“- productivity that is measured by output such as: Revenue/Sales; volume of product; (Traffic uplift); etc

-Customer Satisfaction: that is measured by parameters such as OTP, service quality, standard (using international bench mark), irregularity level (baggage service), etc.

-Response Time: this is a key to success in today’s highly competitive business environment

-Efficiency: Delivering quality product /service at lowest possible cost

-safety: operating within/towards safe environment”

- “→ KPI identification
- process understanding
- people/employee
- Technology/automation
- Policy & procedure”

2. How does the system work? How and what types of processes were used by your (the manager) in putting the system into place? How, by whom and for whom the performance indicators (PIs) were developed? And how and where the data are collected and outcomes are communicated?

“- Through (common) goal/target setting and aligning it with the company’s objective

- Nevertheless, there have been challenges of cascading it down from the top to down

- In addition, there have been some observations with respect to horizontal (SLA) and vertical alignment of set targets

- Recently, it has been noted that target and objectives were revised number of times during the same operating fiscal year resulting in lack of focus on the already set objectives for the year.”

“It works by application of strategic objectives in SMART way across 4 perspectives. Process used in such a way that we’ve applied BSC as per the company policy & procedure. The addition could be, we collect daily/weekly BSC report from each staffs to help them run self-assessment regularly as well follow trend analysis for further

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discussion. Performance Indicators, in our case KPIs developed by the section manager following cascaded feedback from Head IT services & operation. Generally we follow top bottom approach (cascading). However, we regularly check inputs from staff especially at KPI level so as to ensure same is realistically in its nature. Data collection for BSC deliverables are collected from various sources such as intranet (portal page), automated solution from ITSM (IT Service Management)-support request handling, observation, peer assessment and rework reports. Outcomes are reported through rating which is communicated to each staff twice yearly. Regular discussion on ad hoc basis conducted with employees.”

“The system works in such a way that continuous data and information will be collected about employees, it is communicated to them to take corrective actions as soon as possible, then the evaluation will be done twice a year and ratings finalized. We have performance management system in our SAP-ERP system.”

“It is everyday activity that there are requirement to keep record of employee performance. i.e real-time performance as it happened instead of waiting for ending year of performance. It is done;

- Preparation of all the required inputs
- Various reports are consulted
- Data are collected and summarized from internal sources.”

“The way the balanced scorecard works is through cascading from top to down at all management level that is from the Chief Executive Officer up to Team Leader and then to non-management employees where the latter involves top-down and bottom-up communication on the draft BSC until agreed and signed by the immediate supervisor and the concerned employee. In all of the process the strategic objectives are derived from the annual plan which is part of the long-term plan of the organization.

For simplicity and ease of monitoring, BSC are crafted to facilitate smooth understanding of expectations of the deliverables from each member of the organization by employing the SMART approach.

In as much as possible the key performance indicators (KPIs) are expected to be quantifiable and measurable in terms of time (speed) and quality and progresses are communicated and discussed based on system generated outcomes and to some extent using manual sources.”

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"The system works by setting a target which is agreed by each individual and signed at the start of the budget year and employed will be evaluated based on the target and their performance twice a year.

We try to quantify the target as much as possible when we are setting the target. We clearly set what the employee has to perform to get which grade. Each employee target was set based on the cascaded target of the CEO all the way down to each employee. CEO-CCO-MD-DIRECTOR-MANAGER-TEAM LEADER-EMPLOYEE. The data extracted from the system are taken from different departments monthly reports."

"The target will be set and cascaded down from top to down up to final management level and will be converted in to ISC so that the actual staff performing the duty will be given a specific quantifiable target will be given. Targets were discussed and set by the team members and approved by management after each staff accepts and signs the set target. Targets were set collectively both by the staff and management team and reviewed by management. Data are found from the company's financial reports and other sources, feedbacks from customers and staff are communicated their rating against set target and will be discussed/mainly if the target is set objectively then this process will be smooth but very challenging since many subjective target setting were made to ease the challenges at time of target setting."

"The system is designed to work:

- By aligning it with the company goals and objectives
- Developing (PI) performance indicators using SMART approach, giving them appropriate weights by managers and discuss it with respective subordinates
- Cascading down at time of planning and cascading up during evaluation phase
- Evaluating employees based on the actual their performance collected from periodic (daily, monthly, quarter, semi-annual & annual) reports, surveys, customers and peers feedbacks and discuss with them"

"KPIs are developed based on previous daily activity reports and are prepared by me where employees can question on the KPIs before signature. Results are normally communicated twice a year. But currently I am trying to give feedback on monthly bases."

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"A balanced scorecard is a systematic approach to tracking the effectiveness of your organization's implementation of strategic vision."

"It works well but in some areas human intervention is involved. Data based on evolution is involved to make effective the process. The performance indicator is developed by immediate supervisor for the subordinates. The data are collected from the system during evaluation time."

"it follows top-down approach, key strategic issues are planned at CEO levels and it comes to VP Corporate HRM. Particularly, the Human Capital Management (HCM) is downwardly given the same to all BSC targets. Accordingly, departments plan financial, customer and internal process of their own. The manager also plans BSC following the director's targets. Then, Managers, Team Leaders and Officers prepare their own BSC targets accordingly.

The performance indicators are prepared by either the Duty Manager or Team leaders and are discussed among officers. Data are collected daily but it is recent phenomenon. Previously, data were not being collected daily; it was prepared on the basis of no record. It was more or less biased result given to officer and management."

"BSC is currently used as a replacement to the Traditional management system which used to be in use for long time ago. As Manager, it is expected to set, 1st target shall be set before the starting of the fiscal year and the target should be SMART (specific, measurable, reliable and time bounded). The performance indicator is developed based on the selection job activity and alignment of the strategy and developed by the respective Team Leader/Manager/Director/VP whichever is applicable"

"I collect data and record the day to day performance of each employees, the data that I collect has to be reasonable affect the individual performance on both way (either contributing for better performance or if it is low on learning and teaching the staffs). The performance indicators are developed for the staffs who are working under my supervision and first I will collect my BSC and then I will cascade these KPI horizontally or vertically. The sources for the KPI are targets from senior management cascade my BSC and which are adjusted per our requirements."

"The data source can be different depending on the respective division for e.g. for commercial, the data source is BI(for revenue and Expense), for Finance division for other major KPIs until the PMS becomes functional. We are using the hard copy to communicate employees Target and Result."

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"The system works by using SPA portal separate access, integrated with the main SAP. Access to both SAP and the PMS portal, relationship per the approval hierarchy (reporting hierarchy) need to be created, accordingly the hierarchy set up populate staff working under the manager/supervisor by the system. It is delivered both in the system and hard copy for management, while hard copy for non-management. However, all employee performance data is captured to the system even though staff has no system access. Data collected by supervisor per each staff performance on daily/weekly monthly bases."

"The system works by putting annual target for each component. Each component is further split into different parameters. The department manager in coordination with the team leader will develop the performance indicators for each employee under his supervision. Data will be collected from different market intelligence system tools."

"The system has the following phases: planning BSC/ISC, Review BSC/ISC, Employee agreement, Higher Supervisor Approval, Process rating, Employee agreement and Higher Supervisor Approval. The KPI is cascaded from CEO then CIO and then to our section, we have discussed with staff in the section and higher supervisor and we set the KPI for both the manager and employee performance assessment. The data are collected from previous KPI and Annual Action plan and budget."

"Through target settings under different KPIs at the very beginning of the physical year and measurement of performance based on targets set and agreed at the end of a period on semi-annual bases. We have various processes under major KPIs such as sales, revenue, operation, loyalty program, customer service, revenue generation, etc. developed based on targets on a SMART way. In my case, by the regional directors to managers under me."

"As far as Ethiopian airline's performance management system is concerned, several efforts have been made. Our department specially was working along different departments to improve the quality of the system. The performance indicators are cascaded from the higher management and it is being implemented depending on the position of the staff. The performance data will be conducted and target will be set the beginning of every year and follow up will be done as necessary and appraisal will be conducted semi-annually."

"We make the system work by regularly reviewing and making the proper follow-up on each employee, coaching through PL, preparing the explaining of the job description. Pls are developed following the BSC and strategic objectives set. The performance indicator

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is prepared by the manager and will be discussed with the employees. It is developed for employee to perform same.”

“The components defined above works in vicious circle to set objectively quantifiable/measurable target and identify improvement/change areas through the process to go through continuous improvement. In general, the organization, including my departments, continuously is revising the BSC/ISC from year to year by taking the feedback from HR and other stakeholders including the staff under my jurisdiction. While BSCs are defined for directors/mangers, the KPIs are developed for staff under the supervision of managers by cascading to respective sections target. Previous period's performance trend, staff and other stakeholders input, available manpower experience taken as input and outcomes are discussed at each level.”

3. Why does the system work? How and why the system works at strategic, tactical and operational levels? And please give some examples of how this is accomplished.

“The scorecard lets managers introduce four new processes that help companies make that important link. The first process- translating the vision-helps mangers build a consensus concerning a company's strategy and express it in terms that can guide action at the local level. the second- communicating and linking-calls for communicating a strategy at all levels of the organization and linking it with units and individual goal. The third- business planning – enables companies to integrate their business plans with their financial plans, the fourth- feedback and learning- gives companies the capacity for strategic learning, which consists of gathering feedback, testing the hypotheses on which a strategy is based, and making necessary adjustments.”

“Target is set employee agree to it, evaluation conducted smi-annually by using available data. Higher supervisors concur on all targets and evaluation.”

“The system is useful if it is done properly.

- It helps employees what to do and how they should do
- Reduce problems, errors, occurring on the job
- Helps to identify barriers of communication
- Strength team work and cooperation
- Increase commitment to ET values”

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"Normally there is the overall objective of the airline which is indicated in the BSC of the CEO. These objectives will be cascaded down to the relevant divisions and in the same manner such as and in the same manner such activities will be transformed to concerned units. Once it reached to the manger level detailed activities will be targeted and specific targets will be developed for lower levels. These specific targets will reflect the job descriptions of the lower level positions."

"The system works to employees' training and development needs and opportunities; to insure that employees are well communicated on the company's overall objectives, determine rewards; and promotion of employees. The system works in three levels similarly except that the measurements are becoming wider in scope as we go up."

"If the target is once defined as BSC as strategic level, it has to be cascaded down to tactical and operational level for its actual performance achievement."

"BSC is in line with the airline strategy and corporate goals. It reflects vision, mission and values statements.... This reality is derived in SMART principle while setting target BSC. For example revenue target to be distributed to each AM/TSM."

"The system works because it's objective and it's aligned with the over-arching company goal & objectives."

"The system work due to the reason that it is a good way to manage company activities and enable achieve its objectives. In addition, there is subsequent follow-up for the system to work. The system works at all level due to the reason that it is interconnected and cascaded from senior management to shop floor employees. Failure at low level will be directly manifested at the top. Therefore, strategic, tactical and operational activities should go hand in hand."

"the system works because the management took it as a means of engagement and to increase productivity. Meaning it has the attention of the management. It has two layers:

- 1) Management –BSC
- 2) Non-management

So, all levels of management has BSC which starts from mega level of a process at higher level to sub process to lower level of management."

"The system works because it is perfectly implemented and well designed."

PMS works to evaluate employees as well company's performance status with regard to those 4 perspectives. The system works at all levels similarly. Differentiation is one of

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the reasons behind implementing PMS to recognize individual differences and to work to work in identifying gap.”

“The system works as the strategy is designed to accommodate tactical and operational activities at the respective span of time. That is, strategy which is a long term direction should be translated in tactical and operational plans in due course; in other words without proper planning and execution of the short term objectives (tactical & operational) it is highly unlikely to realize long term strategy. Performance management is one of the tactical tools that assure realization of strategy.”

“Because it is one of the annual activities. We are required by procedure (either manually or through PMS. Follow up by HRM. Initially

Each department is communicated to prepare the BSC's i.e. by HRM. Usually this comes along with the cascading. Date is set for tuning them back signed then follow-up months. Usually there are few minutes to a day (in case of outstation offices) to look at the target and sign (by employee his respective sup and the next higher.”

“Given targets or KPIs shall have initiatives or programs that help to achieve the set target? Example is that target is to increase sales volume, initiatives shall be increase area of coverage of service like toll free telephone lines, or it can be coaching staff to be a better sales person or selected processes shall be improved for better customer service. ACE is the great help for this.

“The established BSC is designed in such a way to reflect the overall objectives of the company and the specific roles to be played by the given dep't and the staffs involved. For example, the main objective of our Region office is to support field offices to deliver quality customer service and thereby to generate/maximize revenue. Hence the BSC of the staffs at the region office includes Financial and customer service parameters.”

“The system is working as far as it is the one of the company 'HR' strategic objective.”

“The four major pillars are cascaded from the CEO and each division take there on pare and add there are of Expertize.

For example one of the major remarks in the customer service are is on time performance. For this KPI the CEO target 86% achievement and to achieve all responsible stakeholders take their share.”

“the system works on all levels especially for the financial and quantitative parts as everyone has a clear target and it is easy to calculate the deviations.”

“The system work because of the culture develops for long time. The targets like revenue target are cascaded from the vision down to line.”

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"It is very qualitative and become difficult to rate employees."

"there is one thing to be clear in your mind that there is clear operating system put in the operation within the organization, the given levels which you mention easily flows from top to down and you will communicate the target with the individual activities since it is integrated system, so as the BSC or the CEO targets are cascaded, the system will let you know what expects from you."

"BSC is a well-known tool to facilitate tasks to be done on time. So, the system is important at levels, however, the implementation in our department has some gaps. It is not yet clearly designed, communicated and followed. The direction given from HR has also some instabilities and vagueness. So, it is not yet clearly practiced at department and institution level."

"Current BSC practice requires both vertical and horizontal cascading which enables alignment of objectives."

"The system works provided the staff and management took their time and agrees on the targets and objectives to be set. It works more easily at the strategic management level as setting this target and implementing them is more or less their major activity but at the operational level this will be considered as diversion from routine work and additional burden to the already overburdened work force."

"The need for BSC arises from individual differences in passion, commitment, behavior (discipline) & etc. of employees in an organization. In an operating environment of such type there is always a dire need for performance measurement tool to differentiate the best performer from the rest of the employees where balance score card is found to be the most tested performance measurement tool of the of the Western Economy. As explained above the tool requires a corporate BSC that is the CEO's BSC being cascaded to divisions, department section up to the individual level. As an example the Corporate KPI to generate revenue can be cascaded to the different Strategic Business Units depending on their revenue generating capability that goes to the individual level in terms of revenue target, turnaround time, avoidance of revenue leakage & etc."

"In order to have balanced and completed view of the entire performance period and thereby take a lesson and plan for the future to attain the desired level. The future is indeterminate and in order to stay capable and committed at all times or every stage has to be reviewed and adjusted accordingly."

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"The system simply works b/c same was a research result at university. Further it considers Vision & strategy as focal point during development & much focused on value oriented outlook."

4. What problems does the system have (any problems the system had and the challenges posed in implementing it in terms of planning, deployment, review, motivation, leadership, resources, communication, measurement and data collection techniques, and the role of knowledge management)?

- . Lack of comprehensive understanding of the BSC tool
- . Difficult in properly cascading down of targets & objectives
- . Horizontal and vertical synchronization of activities
- . Establishing measurable performance targets for all activities/initiative"

"The challenges noted:- demands in depth training both technical as well non-technical for proper understanding of strategic objectives as well implementation

- Process understanding
- Automation constraint...data analyses
- Best practice adoption limitation"

"The PMS system has of course problems. The first problem is most targets couldn't be objective and quantifiable. This leads to subjective elements of performance evaluation, which ultimately leads to biased evaluations. One supervisor may give the ultimate but yet the other will give the minimum for the same evaluation."

"As the system doesn't have any problem but it requires to be understood and mature as a sole performance management system. As explained above the individual differences are the major challenge for implementation as in as much as the best performer likes the system the rest in the other extreme feel like challenging it so that it may not be implemented so that to live-up-to the conventional and traditional way of performance evaluation which by and large focuses on last positive or negative incidence and most importantly the evaluation is being influenced by the relationship the employee has with his immediate supervisor than individual output.

In addition, the following factors affect the intended purpose of the BSC making it even more complicated and difficult for implementation.

- Rating Bias by the immediate Supervisor
- Hypocrisy and clique influencing the rating process

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- Poor informal feedback to the employee during the course of the performance period
- Poor communication during formal feedback session attributing the result as a given directive or any other excuse than basing on objective evidence
- Rating error
- Self-appraisal mismatch of the appraiser taking his performance as a benchmark to rate his subordinates
- Lack of self-confidence by the immediate supervisor”

“the major problem area we faced is with quantifying the areas which need subjective rating like the internal process and human resources development. This involves subjective-ness and makes the rating difficult as the way each manager perceives each rating differently.”

“Major causes for the system failure are illogical handling of some directors and managers that are contrary to its design:

- ISC that is not aligned with company goals and objectives
- Assigning subordinates to develop the plan and fixing/rigging ratings and cascading down to lower level
- Bias
- Setting different criteria from the agreed one at time of evaluation”

“Major problem is finding an objective measure and means of data collection.”

“The main problem is that does not provide practical guidance for deployment, and some executives view it as a “quick fix” that can easily be installed in their organization. Implementing a balanced metrics system is an evolutionary process, not a one-time task that can be quickly checked off as “completed”. If executives do not recognize this from beginning and fail to commit to the long term, then the organization will realize disappointing results.”

“The following are problems on BSC:

- Lack of consistency on the format
- Personal judgments are involved when data are not available.
- Lack of knowledge on BSC
- 20/70/10 system is imposed by management rather it comes naturally”

“As I said earlier, the system has its own defect at institution level. It is not well communicated to employees and managers on its practices. Moreover, different

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department practice it differently. So, the overall measurement is not objective and it doesn't create motivation among employees as the performance evaluation is highly subjective. Hence, it can be said that there is poor planning, leadership and communication in the implementation of BSC and as a result, it doesn't create motivation and rewarding environment in the institution."

"Previously there was lack of awareness & understanding currently detail training is given & these issues are resolved as my opinion for generalization needs detail survey."

"In area where the job is not quantifiable, it very difficult for rating."

"Speed/internet connection and some of the KPI lack data sources."

"The problem that could be mentioned here is up on the assignment of new supervisor, there are some times gaps created till assimilation with the respective unit evaluation mechanism."

"The system can only support to set target and then feed to evaluate the final result, other activities related to data collection and analysis is done outside the system and the system has not support of such activity."

"The system do not have problem it need only give proper awareness to all employees."

"It is a little unclear on how to set the target of the employees, how to cascade and there is a confusion how much target is expected for individuals and also the systems problem is mostly on the qualitative data part where it is not easy to be subjective."

"It is not user-friendly. Sometimes data is corrupted."

"It has challenges on implementation as it is a new evaluation system for all employees and even on the country."

"Actually it is a smiles system except that it doesn't consider exceptions that hinder the employee from achieving the assigned target."

"quantifying all outputs or performance is a challenge, getting clean data is a challenge too. Targets are normally set at a higher level and might be hard to convince lower level employees. The differentiation rule is hard to implement too."

"The system has two kinds of problems:

- a) Even if it is bes format used to encompass all measurable indicators, it would be very difficult to measure all the tasks. There are qualitative issues to measure in terms of other scales and it would be difficult to ignore the subjective nature of the evaluation. This might demotivate employees. In addition the over stretched nature of objective can work against motivation.

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- b) The system developed by IT to capture the performance system through automation makes life easier but it has its own drawbacks as it is not user friendly and immature system.”

“Basically such system requires three things:

- 1) Candid organization
- 2) Effective targets and
- 3) Effective assessment

Thus if there are any issues on these three items the system will not be effective. From ET side the target setting side is the problem. The complexity of the targets coupled with the measurement issues will make it difficult to implement the system. There is also the cultural and human factor. Not the least the system capability and its friendliness is another problem.”

“Some of problems which challenge the implementation are:

- Lack of understanding by employees
- Lack of record
- Lack of measurable targets, etc.”

“Some of the problems are absence of objective measurements in some KPIs, stretched targets which may not be achievable, dissatisfaction by employee as result.”

“The main problem is that it does not provide practical guidance for deployment, and some executives view it as a “quick fix” that can easily be installed in their organization. Implementing a balanced metrics system is an evolutionary process, not a one-time task that can be quickly checked off as completed.”

“the system is not user friendly to write every detail of the employee’ day today performance, furthermore it is not secured (can be visible by everybody including the subordinate himself before face to face discussion which can affect the boss subordinates relationship negatively.”

“generally there is a tendency to standardize KPI’s. As such targets are not set by considering individual circumstances. Intervention in most of the cases is minimal (finding weak points and equipping the individual to get or perform better).”

“A lot need to be done to improve the objectivity of the target setting part.”

“Some jobs are measure in qualitative terms, which will have a space for human judgment.”

“Previously, the BSC lacks clarity and there was an input and /or output constraints. It is used to lack clarity to directly align with the vision of the company. However, currently

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the KPIs are revised and it is more of objective and directly aligned with the company's goal and vision.”

“The problem of the system are:

- It is very difficult to divide activities
- Difficulty to develop KPI for activities
- Subjectivity of evaluation
- Lack of communication
- Lack of monitoring throughout the period
- Lack of objective clarity for employees
- Knowledge of defining activities at all levels of management is very low
- Lack of clarity on how to achieve the objectives by employees
- Lack of knowledge on how to implement BSC “

“i) few measures to measure our performance as our department is handling many activities (EMS, industrial safety, ERP) they all contain detailed activities to be evaluated and seen distinctly.

- ii) Measures such as number of findings and investigation recommendation are not appropriate measurement for our situation
- iii) Lack of understanding of the subject (sections duties and responsibilities) matter by the BSC (high-level developers)
- iv) The tendency to incline only to operation and neglecting the activities of the section
- v) Not clearly including/indicating safety, environment and ERP in company strategy.”

“The major issue the system has is the difficulty to convince employees to accept higher targets/objectives at the beginning of the budget year (low-balling) and the tendency to over-estimate their achievement at the end of the budget year during performance assessment (high-balling).”

“Uniformity across divisions, degree of awareness, internalization of BSC concepts to employees, readiness to change”

“the difficulty in defining objective measures to each activities, difficult to reach into consensus on all goals set, lack of practice to record each relevant evaluation data continuously. Moreover, there is no organized knowledge management system that facilitates the system's efficiency.”

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"the major problem is lack of full awareness on how the system shall work effectively, i.e. linking overall objective of the company to the measurements down to the hierarchy (cascading) and the interaction between each perspective each other, lack of real time and continuous feedback and communication between the supervisor and the staff, etc."

5. What are the main challenges in the implementation of the BSC?

"Cascading corporate target, determining quantifiable target at each level of the hierarchy, measuring each activities objectively and understanding the system and the environment it works effectively."

"Resistance of employees and 20/70/10 principle"

"I suppose the main challenges are aligning the company target (vision) with the performance management system."

"Target setting wasn't SMART, Targets weren't properly cascaded, and the evaluation weren't done objectively."

"Awareness, expertise, lack of continuous exercise, etc. are some among others"

"The main challenges in the implementation of BSC include lack of record keeping culture on achievements and failures and the social values of the country that wouldn't let the manager to face his subordinates openly on third areas of problem."

"Once the BSC's are signed changes are not usually made afterwards (even if necessary unless these changes are applicable to the entire system. Inputs to the targets by operational level personnel are generally minimal. The weight assigned to objectives is a very tough estimate. There is not as such thorough discussion during setting target or evaluation (it is as if the BSC form is on a conveyer belt)."

"The challenges faced while implementing the performance management system are:

- Complicating the initial implementation; there is a high tendency to get lost in details and technicalities of the Balanced Scorecard. The strategy themes, strategy maps and cascading to individual level could cause a lot of confusion around the initial approach.
- Cascading to individual level is a challenge; cascading to individual level requires engaging the hearts and minds of your workforces. This entails getting their agreement and commitment to set targets. If that engagement is not achieved the individual level BSC becomes nothing more than a documentation exercise at the end of each reporting period. The behavior of your workforce will not change. The best remedy for this to engage the team in formulating the

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balanced scorecard (objectives and targets) and have them participate in setting the target.

- Getting lost in the mechanics of tracking: the absence of automation to record and roll-up results early in the implementation can severely derail your team into the mechanics of recording actual vs targets.

“Below are some challenges in implementation of BSC:

- 1) Management bias on rating of employees base on friendship, approach and other things
- 2) Lack of evidence & documentation on rating
- 3) Unable to receive feedback from employees on the rating
- 4) Lack of consistency
- 5) Errors occur while rating”

“The objectives are too much over stretched and might result in despair. Employees will not agree on their rating in fear of not getting low result which might have other negative consequences.”

“Being new by itself is a challenge. Transparency problem in the evaluation, subjectivity or biased on some employees and awareness on problem-lack of awareness on overall BSC/ISC.”

“The major challenge is to change every activity to measurable.”

“Implementing the 70/20/10 rule in limited number of employees is a challenge.”

“Majority activities are subjective in nature and difficult to make specific measurement. Further there is some lack of clarity and implementation approach problem (clear understanding of the ground reality) visa Vis BSC rule.”

“The automation of the process requires too much manual work and there are some features that the systems do not incorporate.”

“Lack of proper record for the tangibility of the rating & unmeasurable target are some.”

“The main challenge in implementing the tool is that there is no clarity and consensus among the owners to effectively use it as a system. Moreover, the leadership of BSC is not so strong at company level and is still practicing it by trial and error without clear direction on how to cascade it downwardly. Following the restructuring (without using BPR or any other way), BSC is enforced to be implemented with no clarity on its implementation. This creates confusion among managers, team leaders and employees in general.”

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"Vague strategy, absence of a common vocabulary, complicating the initial implementation, cascading to individual level is a challenge & getting lost in mechanics of tracking."

"Inconsistency in HRM procedures and abuse by middle management are major challenges."

"The other problem is convincing the employees of the rating out of 5 as most employees understand and accustomed to a rating out of 100%. With the rate out of 5 an average employee is expected to get 3/5 if he achieves what he is normally expected to work. He can get above 3 if he/she is exceptionally good. In the rating out of 100 if an employee gets above 90% is exceptionally good and if he gets less than 60 it was assumed he performed poorly. Because of this difference in the rating system it was very difficult to convince the employees of the rating system and it has taken a long time to implement this rating system in my opinion."

"fearing of offending a subordinate, incomplete data source for evaluation, challenge in setting targets/making them achievable and stretched at the same time/."

"The main challenges are lack of ownership at frontline leadership level due to the potential argument that may be poised by the subordinate which the leadership tend to compromise in order to avert same and settle amicable than objective assessment while on the part of the employee most at times lack of trust on the immediate supervisor at the time of target setting and rating."

"Understanding of the parameters at respective stages is the main challenge."

- "the first is target setting problems
- Unquantifiable targets are problem areas for evaluation
- Knowledge gap-the way we understand BSC is in most cases completely different from the reality
- Mixed standards-the understanding in one unit is different from the other, which ultimately resulted lack of standardization."