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**Assessing challenges and prospects of Balanced Scorecard (BSC): in Performance  
Appraisal: the case of National Lottery Administration**

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## ACRONYMS

BARS	behavioral anchored rating scale
BSC	Balanced Scorecard
BPR	Business process Reengineering
CSA	Civil Service Agency
FIT	Full time evaluation
HRD	Human Resource Development
HRM	Human Resource Management
KPIs	Key Performance Indicators
IT	Information Technology
MBO	Management by Objective
NLA	National Lottery administration
NR	Number of Respondents
SVA	Shareholder Value Analysis

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## **Abstract**

The performance of employees in public sectors of Ethiopia were measured in traditional measurement methods. The traditional method was focused on only employee behaviour and financial results. And the work process was also too long that could not bring about satisfaction of the public; to re-design the work process public sectors undertook BPR, and picked up BSC to measure performance. The purpose of this research is to assess challenge and prospect of BSC for performance appraisal with the case of National Lottery Administration (NLA). In light of this, primary data were collected with the help of questionnaire from managers and employees from all departments of the NLA using stratified technique, and within each stratum (department) random sampling was employed. Hence, from the total number that's 696 staffs 138 respondents were selected. And also interview were conducted with key informants both in NLA and customers to obtain qualitative information. The collected data has been analyzed qualitatively and quantitatively. The study results show that among four BSC perspectives; learning and development, internal process, customers and finance, NLA focused on financial perspective and has brought significant change on sales of lottery tickets. However, these positive results cannot be sustained unless the focus of NLA turned to learning and development, and internal process and unless due attention is given to customers. Performance appraisal using BSC requires motivated, knowledgeable works and strong support of Information Technology and the results of performance appraisal need to be employed for rewarding good performer and organize training for poor ones. NLA did not give proper attention to motivate its employees; almost there is no salary increment and other staff benefits. Supporting jobs with Information Technology is not as desired. Moreover, the study highlights positive and sustainable financial change ought to be made by NLA.

# Chapter I

## Introduction

The Ethiopian Public sectors employees' performance appraisal has stayed with us for a long time following traditional performance appraisal system. The traditional performance appraisal system more focuses on individual behavior and issues which are not related directly with the jobs and jobs performance.

According to Bratton and Gold traditional performance appraisal methods are a broad and potentially vague category that has traditionally been concerned with listing traits or personality attributes. Typical attributes are dependability, loyalty, decisiveness, resourcefulness and stability (Bratton and Gold 2007). These attributes were not directly related with the actual performance of the employees and the appraisal was not encouraging employees to provide services for service seekers. Because of this the service seekers were dissatisfied. It was obviously observed that the service that could be done by fraction of seconds could take weeks, so that people were forced to find their own way in order to get the service that they need from the sector.

The service delivery of public services is highly related with the way of doing the jobs and the appraisal of the performer. Unlike the former governments of Ethiopia the current government tried to improve the working process and performance appraisal. First, it tried to implement management by objective (MBO). This performance evaluation method is more important to public sectors which are engaged in production, and service giving organization as well. However, it requires the entire co-operation of employees in the organization. For MBO to work successfully here should be willingness to accept change, spend sufficient time and put inward the work (Saitadoin 1999) without examining the employees' acceptance and how far they comprehend the concept; the government tried to implement MBO Across the board. The government had spent a lot of resource on implementing this method. That's a lot of time and money was employed to train employees and managers. After the training undertaken indiscriminately, all public sectors tried to implement this evaluation method. The result was not as expected. After it

consumed a lot of time and money it has failed. Hence, the government gave up MBO and shifted to improving the working process. Second, the government introduced Business Process Reengineering (BPR) under the supervision of the Ministry of Capacity Building. BPR as the name implies focuses on only the improvement of the flow of the work. It did not give attention to the appraisal of the work force.

As processes organized by their own flow of work has strong management system ;BPR also need strong support from a management system which could go along with its character .among the support systems the one which is productive ,widely implemented and best system is Balanced scorecard.(Hamere:2011) .so that public sectors who were ,implemented BPR, have been taken BSC for measuring their performance measurement. Hence, thirdly, the government picked up Balanced Score Card (BSC) which, unlike many other evaluation methods, measures both financial and non-financial performance of the organization. BSC evaluates the performance of organizations in four areas of concern; Finance, customer, the internal process, and the growth and learning, and makes organizations capable of allocating resources and developing strategies.

In fact, BSC is an integrated performance evaluation system in terms of strategic financial indicator and is a framework to convert the vision of the organization into a set of existing performance indicators in the four above-mentioned areas.

<http://www.balancedscorecard.org>

In public sector or any other business to fulfill the vision, mission and objectives of the organization human resources play tremendous role. Therefore, human resources have to be managed properly and their performance should be continuously evaluated. Regarding performance evaluation there are a lot of performance evaluation methods to choose from. Organization that have undertaken BPR to re-design their work and also they took BSC to measure their performance. The responsibility of directing the implementation of BSC was given to Ministry of civil service. The ministry tried to implement BSC and also prepared one manual and guideline for all public sectors. In this research I have tried to assess the challenge and prospect of BSC in public sector performance appraisal with a particular case of National Lottery Administration (NLA). NLA has implemented BPR to re-design its work process and implement BSC to measure its performance. And the enquiry that can be pursued here is related to the extent to which BSC influences employees' performance

evaluation and its effect in increasing employees' efficiency and effectiveness, as well its impacts on service delivery. I have tried to pursue this enquiry in particular and assess its contribution in general.

## **1.2 Background of the organization**

NLA was established in 1962. since this time it engaged in lottery business; and it is the only organization to do this business in Ethiopia. Although NLA worked this business for about 51 years under the legal frame work: the government re-establishes under regulation number 160/2009 as an autonomous federal agency having its own personality. Its objective is to generate, revenue that could contribute in financing the country's economic and social development programs through undertaking lottery activities and supervise lottery activities throughout the country. NLA duties and responsibilities are specified by law; among these undertaking lottery activities and providing necessary information to the public like announcing winning numbers, performing any lottery activity under the legal frame work which enables it to attain its objective .NLA also has the duty and responsibility to control illegal lottery activities.

NLA started its business with small quantities of pre-numbered lottery tickets, and its distribution was also covered small geographic area especially it was bounded by the capital city Addis Ababa. And the number of its employee was not more than 246 until 2009. Gradually it improve its activity, nowadays the number of employees is about 600 and its distribution is covered almost the whole country by its 54 branches, and 80 agents. NLA also improve the lottery type that it offers to the market. It has 11 types of lotteries of which two are instant, one is lotto and one is regular lottery; the remaining seven are high prized seasonal lotteries.

In addition to this NLA has made tremendous endeavourer to go along with the technology. In this regard it offers a bid for those who are interested to do with joint venture agreement on the online lottery. As soon as the bidding process completed the business would be announced to the general public. NLA is a regular member of world lottery association (WLA) with level one. Regarding performance appraisal of the employees it used BSC for the last one year and half.

## **1.2.1 Mission, vision and objective of the organization**

### **1.2.1.1 Mission**

To increase the entertainment and satisfaction level of public from lottery games; to effect prompt payment to prize winners; as well as to generate increased revenue by allowing private sector participation in legal game areas and undertake regulatory activities through establishing modernized organizational setup equipped with trained manpower.

### **1.2.1.2 Vision**

To see a modern and diversified of recreational and attractive lottery activity in country this, can contribute to the socio-economic development of the public.

### **1.2.1.3 Objective**

To operate and administer money lottery, tombola and sport betting throughout the country in order to fulfill its mission and vision; as well as protect the public from illegal gaming.

## **1.2.2 Strategic plan of NLA**

According the principles of BSC, organization must think strategically and should design their strategic plan. Hence, in order to prepare the strategic plan, NLA identifies two strategic themes.

### **1.2.3 Strategic themes**

A strategic theme is prepared based on organization vision, mission and the activities of core process (sales and distribution department and control and licensing department). The analysis, because the issue requires special attention on the need of customers, is made based on the information gathered from internal and external factors. Hence, the strategic themes would be:

1. Providing modern entertains able lottery game to the market.
2. Control illegal chance of games.

These strategic themes are expected to:

- Changing the vision of the organization in to concrete operational jobs.
- Increasing the awareness of employees in making the themes part of their day to day activities.
- Enabling the organization to have continuous process
- Ensuring that all activities under taken in the organization are aligned with strategic themes

### 1.2.4 Strategic results

The strategic results are the outcome of well performed strategic themes. Moreover they attained with the interaction of different activities which are reflected on the fulfillment of organization's mission and vision.

NLA identified its strategic results with regard strategic areas of the organization.

**Table 1 strategic themes**

	Strategic themes	Strategic results
1	Providing modern enjoyable lottery game to the public.	Increased income
2.	Control illegal game of chance	Legal game of chance

Source: NLA strategic plan,

After stating the strategic themes, NLA prepare its strategic plan for five consecutive years starting from 2009/10 to 2014/15

The strategic plan and its explanation of units of measure are annexed.( See annex )

### 1.3 Statement of the problem

In improving the Ethiopian civil service delivery the government has been trying a number of methods like performance appraisal and working process. In changing the civil servant

performance appraisal, MBO was the first method introduced by the former Civil Service Agency (CSA) although this method was unable to bring about the intended result. The second government attempt was implementing BPR for the improvement of working process by spending a lot of time and money. The aim of BPR is to improve the work process and bring about successful service delivery. However, BPR re-designs the work process it overlooks the measure of performance. According (Dessler 2003) BPR could not set up HR practices like performance appraisal. Hence, among a lot of performance measurement methods BSC is more suitable for public sectors that were implement BPR for re-design their work process. The focus of BSC is on strategic plan of organization, and the performance of employees. NLA has implemented BPR and changed its work process and implement BSC. The implemented method is measuring all aspects of the organization. In measuring the organization overall performance measuring the performance of employee is the problematic areas that have impact on the success and failure of the organization.

The reason for focusing on NLA is because it is one of the public sector that generate revenue for the countries development activity and studying the practice being used in NLA for performance appraisal using BSC can be a learning curve for all public sector. Moreover the researcher was initiated to focus on NLA because of continuous complaints of employees and customers. This research is designed mainly to assess NLA employees' performance evaluation using BSC and its impact, challenges and prospects. And also assess the contribution of the performance evaluation on attaining the mission, vision, and objective of the NLA

#### **1.4 Research questions**

This research study answered to the following questions:

1. What is the impact of BSC on performance appraisal of NLA employees?
2. Has the performance appraisal increasing the efficiency and effectiveness of the employees?
3. What are the potential sources of employee dissatisfaction regarding performance appraisal?
4. What are the challenges NLA faces in using the performance appraisal with BSC?
5. What is the awareness level of employee about the concept of BSC?

## **1.5 General objective of the study**

The major objective of this research is to assess, identify the challenges and problems of performance appraisal using BSC in NLA and give recommendation with regard to organization overall success.

In light of the above general objective, the specific objectives of the study were:

1. To explore the potential source of problem underlying the performance appraisal in NLA ;
2. To evaluate the results of performance appraisal to the improvement of efficiency and effectiveness of employees;
3. To examine the relationship of the current performance appraisal and one to five structure;
4. To assess the customers' satisfaction after BSC implemented to appraise performance of employee. and
5. To assess the contribution of performance appraisal to the attainment of organizational mission, vision and objective.

## **1.6. Significance of the study**

This finding of the study will benefit NLA to look into its BSC role to performance appraisal and its contribution to the attainment of organizational objective. It will also benefit NLA in understand the level of satisfaction of its customers; the finding and recommendation can be used by the concerned bodies as base to take corrective action to reduce the pitfall. I hope the findings of this research also will help as a source of knowledge for future reference by people who are interested to gain insight about performance appraisal using BSC in public sectors.

## **1.7 Research Methodology**

### **1.7.1 Research design**

The research used both qualitative and quantitative approaches for data collection. Both primary and secondary data will be generated; the former by using survey questionnaire and the latter through key informant interviews, and secondary data will be collected from internally generated documents by the organization as well as from external sources such as information from internet, books, brochures and other miscellaneous materials available in the library.

Descriptive statistical technique has been used in data analysis, interpretation, discussion and charts and graphs had been employed as appropriate to present the findings of the study.

### **1.7.2 Instrument for data collection**

Data collection instruments used for this research are the questionnaire and interview. Two types of questionnaires are employed. The first one was designed for management committee members and middle level managers. The second one is prepared for employees. Interviews are conducted with focal persons that are believed to be conversant with the issue of the research.

### **1.7.3 Sampling method and sample size**

The sample size and sampling technique play great role for accuracy and validity of the information gathered. The appropriate sample size has been selected from the current management members located at all levels and employees of the organization.

The total number of NLA staff is 696 out of which 465 are from the two core process (distribution and sales department and licensing and control department) and the remaining 231 managers and employees are in the four support process and five coordination offices. This research used stratified sampling technique within each strata (department) random sampling method employed to select the sample from the total population of 696 managers

and employees. Based on the number of employees and managers in each department 158 sample respondents were selected as depicted in table 1 below.

**Table 2: Distribution of Selected Sample Respondents among Departments of the NLA**

S.N.	Departments	Total number of staff	Number managers	Number of employee	Sample selected from managers	Sample selected From employees
1	General director	14	1	13	-	3
2	Deputy G/director	2	1	1	-	1
3	Distribution and sales (head office)	16	2	14	2	4
4	Distribution and sales (branch offices)	442	49	393	10	79
5	Public relation	7	1	6	1	2
6	Licensing and control	15	2	13	2	3
7	Audit and inspection	21	2	19	2	4
8	Purchase, finance and property administration	71	2	69	2	14
9	General service	62	1	61	1	12
10	Human resource	9	2	7	2	2
11	Planning and research	6	2	4	2	2
12	Information technology	2	1	1	1	1
13	Southern region	29	1	28	1	5
	Total sample selected				26	132

Source NLA 2013

## 1.8 Scope and limitation of the study

The Ministry of Civil Service has tried to implement BSC in all public sectors in Ethiopia. However this study has focused on assessing the contribution of BSC in performance

appraisal in the case of NLA. And BSC measures overall organization performance, this study limits itself on assessing the measurement of performance of employee. The major limitation of this study was unavailability of sufficient reference about BSC in Ethiopia; hence the study does not claim itself comprehensive about the Ethiopian civil servant measuring performance.

## **1.9 Organization of the study**

This thesis has four chapters the first chapter contained introduction the second chapter deals with the literature review that assesses the related literature on BSC and performance appraisal the third chapter will present the data analysis and finally in the fourth chapter findings, conclusions and recommendation has been provided.

## Chapter II

### 2. Literature review

#### 2.1 Balanced Scorecard Basics

The balanced score card is a strategic planning and industry, government and nonprofit organizations. Which aligned business activities to the vision and strategy of the organization, improves internal and external communications, and monitor organization performance against strategic goals.

It was originated by Kaplan (Harvard Business School) and Norton as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executive a more “balanced” view of organizational performance. The phrase balanced scorecard was coined in the early 1990s the roots of this type of approach are deep, and include the pioneering work of General Electric on Performance measurement reporting in the 1950s and the work of French process engineers (who created the *tableau de Bord* – literally, a “dashboard” of performance measures in the early part of the 20<sup>th</sup> century

The balanced scorecard has evolved from its early use as a simple performance measurement framework to a full strategic planning and management system. The new balanced scorecard transforms on organization’s strategic plan from an attractive but passive documents into the “marching orders” for the organization on a daily basis (<http://www.balancedscorecard.org>)

A holistic measurement framework is Kaplan and Norton’s (2000) balanced scorecard in which a variety of perspectives are considered under the headings of customer, financial, internal business and innovation and learning. Measures can be set for each, which can then be aligned with strategy. Managers and employees can than develop their own measures in response (Bratton and Gold 2007)

#### 2.2. Performance management

Significant attention has been paid to setting organization goal and direction to improve business performance and importantly, to how such improvements can be measured. Based

on the well-known dictum that “if you cannot measure it, you can’t manage it” finding ways of measuring performance has become a major preoccupation in many organizations, in both the public and the private sector. All organizations have some means of measuring performance, and which ever method of measurement of the organization (Kennerley and Neely 2002) performance management is a continuous process of identifying, measuring, and developing performance with the strategic goal of the organization (Aguinis 2009).It is not a onetime event that takes place during the annual performance review period .Rather, performance is assessed at a regular intervals, and feedback is provided. So that performance is improved an ongoing basics (cascio and Aguinis 2011)

### **2.3 The purposes of performance management**

A performance management system can serve multiple purpose and it is important for the organization to strategize why the system is being used further design decisions can be at made .the organization also needs to ensure that if the system is developed to serve several purpose not be at odds with each other and that any purpose not undermine data collection for the other (s)

- ❖ It helps to facilitate employee development by assessing deficiencies in performance level and skill; an organization can determine specific training and development need.
- ❖ It enable to determine appropriate rewards and compensation ,salary, promotion, retention and bonus decision are frequency based on data collection as part of performance measurement.
- ❖ To enhance employee motivation a formal process that allow for employee acknowledgement praise can reinforce the behavior and outcomes that are beneficial to the unit or organization employee can inform their employees of the types of job assignment and responsibility they desire.
- ❖ To facilitate legal compliance claims of unfair dismissal and /or title violations are best supported when the organization has documented of performance deficiencies
- ❖ It facilitate the human resource planning process performance data can alert the organization to deficiencies in the overall level and focus of employee

skill and can be used in critically planning for future staffing needs relative to the skills and abilities of current employees. (Amello; 2010)

## **2.4 classifications of performance measures**

Performance measures may be classified into two general types objective and subjective. Objective performance measures include production data (dollar volume of sales units produced numbers of errors amount of scrap) as well as employment data (accidents, turnover, absences, tardiness e.t.c. Objective measures focuses not on behavior, but rather on the direct outcomes or results of behavior. on the other hand subjective measures depend on human judgment they are prone to the kind of biases .they must be based on careful analysis or the behavior viewed as necessary and important for effective job performance.(cascio and Aguinis 2011).

## **2.5 Definition of performance Management, appraisal and feedback**

### **2.5.1 Performance appraisal**

Performance appraisal is a process that involves determining and communicating an employee how he/she performing on the job and ideally establishing a plan of improvement. when properly conducted, performance appraisals not only let employees know how well they are performing but also influence their future level of effort and task direction. Effort should be enhanced if the employee is properly reinforced. The task perception of the employee should be clarified through the establishment of a plan from improvement. (Byars and W.Rue; 1994)

### **2.5.2 Performance management and providing feedback**

Performance management is a means through which managers ensure that employee' activities and output are congruent with organization's goals. After assessing the performance of employee, providing them feedback to encourage their good performance and help them to correct mistakes and improve their weakness. Feedback means the process of providing employees information regarding their performance effectiveness (Noe and Holenbeck.etl; 2010)

## **2.6 The uses of performance appraisal**

Performance appraisal is conducted to know how far the jobs performed are going along with the organization goal. According to Dessler, Performance appraisal can provide several valuable benefits to both employees and the company .An important part of appraising performance is to establish employee goals. Which should be tied to the company's strategic goal; the performance appraisal process tells top performances that are valued by the company. It requires managers to at least annually communicate to employees their performance strength and deficiencies. A good appraisal process ensures that all employees doing similar jobs are evaluated according to the same standard. The use of technology, such as the web can reduce the administrative burden of performance appraisal and improve the accuracy of performance reviews. Also a properly conducted appraisal can help the company identify the strongest and weakest employees. It can help legally justify and HRM decision such as promotions, salary increase discipline and layoff (.Dessler :2003) In general all performance measures can be used for at least two purposes. The first is to help us to understand manage and control the organization; the second is to work with people outside the group.(Fitz-enz and Davison 2002)

## **2.7 Concepts of Balanced Scorecard (BSC)**

The balanced scorecard suggests that we view the organization from four perspectives, and to develop metrics, collect data and analyze it relative to each of these perspectives. The BSC emphasis that the organization on performance cannot be only determined by financial condition of the organization and it should pay more attention to capability of sustainable development of the organization itself and potential value create ability [www.journal.acs-cam.org.uk/](http://www.journal.acs-cam.org.uk/)

### **2.7.1. Perspectives**

#### **2.7.1.1The learning and growth perspective**

This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self improvement. In a knowledge worker organization, people the only repository of knowledge are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning made, metrics can we put into place to guide managers in focusing

training funds where they can help the most. In any case, learning and growth constitute the essential foundation for success of any knowledge.

Worker organization, learning, is more than training, it also include things like mentors and tutors within the organization, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed. It also includes technological tools.

### **2.7.1.2. The business process perspective**

This perspective refers to internal business process. Metric based on this perspective allow the mangers to know how well their business is running and whether its products and services conform to customer requirements (the mission). These metrics have to be carefully designed by those who know these processes most intimately; with our unique missions these are not something that can be developed by our standing consultants.

### **2.7.1.3. The customer perspective**

Recent management philosophy has shown an increasing realization of the importance of customer focus and customer satisfaction in any business. These are leading indicators: if customer are not satisfied, they will eventually find other suppliers that will meet their needs poor performance from this perspective is thus a leading indicator of failure decline, even though the current financial picture may look good. In developing metrics for satisfaction, customers should be analyzed in terms of kind of customers are the kinds of processes for which we are providing a product or service to those customer groups.

### **2.7.1.4. The financial perspective**

Balanced scorecard does not disregard the traditional need for financial date. Timely and accurate funding data will always be a priority and manager will do whatever necessary to provide it. In fact often there is more than enough handling and processing of financial data with the implementation of corporate data base, it is hoped that more of processing can be centralized and automated. But the point is that the current emphasis on financial leads to the “unbalanced” situation with regard to other perspectives. There is perhaps a need to include additional financial related data, such as risk assessment and cost-benefit data in this category. <http://www.balancedscoragd.org/>

## **2.8 The principal categories for learning and growth perspective**

According Kaplan and Norton organization must invest on people, system and procedure in order to attain their objective. Balanced scorecards across a wide variety of service and manufacturing organizations have revealed three principal categories of the learning and growth perspective: employee capability, this category focuses on employee satisfaction; this is because usually satisfied employees have satisfied customers. the next category is information system capabilities that helps employee to provide efficient services to their customers and the third category is motivation, empowerment and alignment; Even skilled employees, provided with superb access to information, will not contribute to organizational success if they are not motivated to act in the best interests of an organization or if they are not given freedom to make decisions and take actions.(Kaplan and Norton 2010)

## **2.9 The balanced scorecard- measures that drive performance**

What you measure is what you get senior executives understand that their organization's measurement system strongly affects the behavior of managers and employees. Executives also understand that traditional financial accounting measures like return on investment and earning-per-share can give misleading signals for continuous improvement and innovation activities today's. Competitive environment demand in current performance measurement systems, some have focused on marking financial measures more relevant. Others have said "Forget the financial measure improve operational measure like cycle time and defect rates; the financial results will follow". But managers should not have to choose between financial and operational measures they realize that no single measure can provide a clear performance target of focus attention on the critical areas of the business rather they want a balanced presentation of both financial and operational measures. The balanced scorecard allows managers to look at the business from four improvement perspective which links performance measures; it provides answers to four basic questions

- ❖ How do customers see us? (customers perspective)
- ❖ What must we excel at? (internal perspective)
- ❖ Can we continue to improve and create value? (innovation and learning perspective)
- ❖ How do we look to share holders? (financial perspective)

## **2.9.1 Organizations in the eyes of customers.**

How do customers see us?

Customers' concerns tend to fall into four categories: time, quality, performance and service and cost. Lead time measure the time required for the company to meet is customers' needs.

- ❖ Lead time can be measured from the time the company receives an order to the time it actually delivers the product or service to the customer. It represents the time to market or how long it takes to bring a new product from the product definition stage to the start of shipments.
- ❖ Quality measures the defect level of including products as perceived and measured by the customer. Quality could also measure on-time delivery the accuracy of the company's delivery forecasts.
- ❖ The combination of performance and service measures how the company's products or service contribute to creating value for its customers.
- ❖ To put balanced scorecard to work, companies should articulate goals for time, quality and performance and service and then translate these goals in to specific measures. In addition to measures of time, quality and performance and service, companies must remain sensitive to the cost of their products. But customers see price as only one component of the cost they incurs when dealing with their suppliers. Other supplier-driven costs range from ordering, scheduling delivery and paying for the materials; to receiving inspecting, handing , and storing the materials to the crap, rework and obsolescence caused by the materials, and schedule disruptions from incorrect deliveries.

## **2.9.2 Meeting customer expectation.**

What must we excel at?

Customer-based measures are important but they must be translated into measures of what the company must do internally to meet its customer's expectations. After all excellent customer performance derives from processes, decisions and actions occurring through to an organization manager need to focus on those critical internal operations that enable them

to satisfy customer needs. The second part of the balanced scorecard gives managers that internal perspective.

The internal measure for the balanced scorecard should stem from the business processes that have the greatest impact on customer satisfaction factors that affect cycle time, quality, employee skill and productively.

To achieve goals on cycle time, quality productivity and cost, managers must devise measures that are influenced by employee's actions. Since much of the action takes place at the department or workstation levels, managers need to decompose overall cycle time quality product and cost measures to local levels. That way, the measure link to measurement's judgment about key internal process and competencies to the actions taken by individuals that affect overall corporate objectives. This linkage ensures that employees at lower levels in the organization have clear targets for actions, decision and improvement criteria's that will contribute to the company's overall mission.

### **2.9.3 Continue to improve service and create value.**

Can we continue to improve and create value?

The customer based and internal business process measure on the balanced score card identify the parameters that the company considers most important for competitive success. But the target for success deep changing intense global competition requires that companies make continual improvement to their existing product processes and have the ability to introduce entirely new products with expanded capabilities.

### **2.9.4. Organization's contribution to shareholders**

How do we look to shareholders?

Financial performance measure indicate whether the company's' strategy, implementation and execution are contributing to bottom-line improvement. Typical financial goal have to do with profitability growth and shareholder value. Traditional financial measures do not improve customer satisfaction, quality, cycle time, and employee motivation.

Many have criticized financial measures because of their backward – looking focus, and their inability to reflect contemporary value creating actions. Shareholder value analyses (SVA) which forecast future cash flows and discounts them back to rough estimate of current values is an attempt to make financial analysis more forward looking. But SVA still is based on cash flow rather than on the activities and processes.

## **2.10 Employee development and measurement**

The balanced scorecard develops objectives and measures to drive organizational learning and growth. The objectives established in the financial, customer, and internal business-processes perspectives identify where the organization must excel to achieve breakthrough performance. The objectives in the learning and growth perspective provided the infrastructure to enable ambitious objectives in the other three perspectives to be achieved. The Objectives of the learning and growth perspective and the drivers are help to achieve excellent outcomes in the first three scorecard perspectives.

Managers in several organizations have noted that when they were evaluated solely on short-term financial performance, they often found it difficult to sustain investments to enhance the capability of their people, systems, and organizational processes, expenditures on such investments are treated as period expenses the financial accounting model. So that cutbacks in these investments are an easy way to produce incremental short-term consequences of consistent failure to enhance employee, systems, and organizational capabilities will not show up in the short run. The balanced scorecard stresses the importance of investing for the future, and not just in traditional areas for investment, such as new equipment and new product research and development. Equipment and R&D investments are certainly important but they are unlikely to be sufficient.

## **2.11 Strategy Maps converting intangible assets into Tangible outcomes**

An effective business strategy is a complex series of interconnections a set of cause- and – effect relationships. Employees must know exactly what they’re supposed to accomplish. They also need to know how they’re doing and that means being able to measure how well they’re achieving strategic objectives. And yet, the traditional ways to measure strategy have not provided enough insight to do next. That’s because the usual measurements of a company’s success have been retrospective, looking back-ward to previous quarterly and annual results rather than forward to the future. Thus, many companies have suffered from concentrating on what they had done. They paid much less attention to the intangibles that determined what they have to do now- and in the future. That’s why there’s been little emphasis on managing intangible assets. Whoever, they’re the resources that make up the foundation for tomorrow’s financial success. Before we go further, let’s understand what we mean by an intangible asset. It can be the knowledge that exists in an organization to

create differential advantage – and to satisfy customer needs. Intangible assets consist of things like employee capabilities, databases, information systems, customer relationships, quality, responsiveness, and products of services. In order to create value for shareholders and customers, they must be strategy maps to identify their critical processes and to measure how well aligned their intangible assets are to these processes.

Why are strategy maps important for you and your organization?

The answer is that it's critical for you and your employees to understand what the strategy is – and why it makes business sense. The maps provide visual clarity to help your people see, discuss, and understand the strategy. On one page, the map will highlight which processes and actions are critical, and which are secondary. If your business strategy isn't working as well as it should, strategy maps can help you figure out what went wrong and make it right.

The map takes companies from strategy formulation to strategy execution. If your company is missing even one element, it may have a potentially crippling gap in its strategy. The strategy map is based on four principles.

One is that strategy must balance contradictor forces. For example, companies must focus on creating sustained growth in shareholder value, which means they need to make a commitment to the long term. At the same time, however, they need to show improved results in the short term. The strategy has to balance both of these forces.

Secondly, strategy is based on a differentiated customer value proposition. You must articulate clearly the distinctive customer segments you target and the specific value proposition that will please each of them. There are four major value propositions:

- a) Low total cost
- b) Product leadership
- c) Complete customer solution
- d) System lock-in

Each of these value propositions clearly defines the attributes that the strategy must deliver in order to satisfy the customer. The third principle is that value is created through internal business processes. Companies must first identify and they focus on the critical few internal processes that deliver the differentiating value proposition.

Finally, the fourth principle states that strategic alignment determines the value of intangible assets. As we've already discussed, intangible assets consist of human capital, information capital, and organization capital. The points are that none of these assets is valuable by itself; the value comes from its ability to help the company implement its strategy.

A major purpose of strategy maps is to facilitate discussions among managers. The maps enable them to see and connect relationships among the objectives. There may be disagreements. But they should be matters of degree.

Achieving objectives doesn't just happen by accident. They're the effects that derive from specific causes. Also, fulfilling one objective allows the fulfillment of others. For example, improving employee capabilities in certain job positions- coupled with new technology should enable improvement in a critical internal process.

Additionally, the stronger processes should lead to better products. That would enhance the value proposition for customers, increasing their satisfaction, loyalty, and willingness to buy more products. These improved customer outcomes should result in increased revenues and enhanced shareholder value. Building a good strategy map requires intense reflection on how a company really creates value. That's not always self-evident. A company reduced cost by paying more attention during the design stage to environmental impacts, and by operating effective programs in product take-backs. Such efforts can lower the total cost of producing and recycling products. And they can improve the company's reputation as an environmentally friendly business and a good place to work.

## **2.12 alignments in human capital information capital and organization capital**

The synergy and co operation which resulted from alignment of mission, objective and action which we regarded as the application of the BSC helped the foundation improve its performance by achieving a higher surplus and creating a better image in the eyes of service users. ([www.scielo.br/](http://www.scielo.br/)) Good places to work embrace more than social responsibility. They also manifest a willingness to train their people in ways that allow them to execute the organization's strategy. The learning and growth perspective highlights the need to align intangible assets with strategy. The assets central implementing any strategy are; human capital, information capital, and organization capital. All intangible

assets succeed or fail based on their synergies. Their alignment with strategy is what creates value. Remember: intangible assets encompass such items as: patents, copyrights, workforce knowledge, leadership, information systems, and work processes. In the learning and growth perspectives, six objectives consistently appear. First, in human capital, the objective is to create strategic competencies. Second, with information capital the objective is strategic information with organization capital. There are four parts, so the third objective is culture the awareness and internalization of the shared mission, vision, and values. Fourth point is leadership, the availability of leaders to mobilize the organization. The fifth point is alignment, the combining companywide of goals and incentive with the strategy. Sixth, one is teamwork, the shearing of strategically important knowledge and staff assets. (Kaplan and Norton; 2004:)

### **2.13 Linking balanced scorecard measures to strategy**

The objective of any measurement system should be to motivate all managers and employees to implement system successfully in the business unit's strategy. Those companies that can translate their strategy into their measurement system are for better able to execute their strategy because they can communicate their objective and their targets. This communication focuses managers and employees on the critical drives, enabling them to align investments, initiatives and actions with accomplishing strategic goals. Thus, a successful balanced scorecard is one that communicates a strategy through an integrated set of financial and nonfinancial measurement.

Why it is important to build a scorecard that communicates a business unit's strategy?

- ❖ The scorecard describes the organization's vision of the future to the entire organization. It creates shared understanding.
- ❖ The scorecard create a holistic model of strategy that allows all employees to see how they contribute to organizational success without such linkage, individuals and departments can optimize their local performance but not contribute to achieving strategic objective
- ❖ The scorecard focuses change efforts. If the right objectives and measures are identified successful implementation will likely occur. If not, investments and initiatives will be wasted.

## **2.14 principles that enable an organizations balanced scorecard to link to its strategy:**

There are three principles which enable an organizations balanced scorecard to be linked to its strategy. These are:

- ❖ Cause – and – effect relationship
- ❖ Performance drivers
- ❖ Linkage to financials

### **2.14.1 Cause – and – effect relationships**

A strategy is a set of hypotheses about cause and effect. Cause – and – effect relationships can be expressed by a sequence of if- than statements.

For example, a link between improved sales training of employees and higher profits can be established through the following sequence of hypotheses:

If we increase employee training about products, then they will become more knowledgeable about the full range of products they can sell; if employees are more knowledgeable about the full range of products, they can sell; if employees are more knowledgeable about products then their sales effectiveness will improve. If their sales effectiveness improves, then the average margins of the products they sell will increase. A properly constructed scorecard should tell the story of the business unit’s strategy through such a sequence of cause and effort relationship.

### **2.14.2. Outcomes and performance drivers**

All balanced scorecards use certain generic measures. These generic measures tend to be core outcome measures, which reflect the common goals of many strategies, as well as similar strictures across industries and companies. The generic outcome measure tends to be lag indicators such as profitability, market share, and customer satisfaction customer retention and employee skills. The performance drivers, that lead indictors, are the ones that tend to be unique for a particular business unit. The performance drives reflect the uniqueness of the business unit’s strategy; for example the finical drivers of profitability the market segments in which the unit chooses to compete, and the particular internal processes and learning and growth objective that will deliver the value propositions targeted customers and market segments.

### **2.14.3. Linkage to financials**

A balanced scorecard must retain a strong emphasis on outcomes, especially financial ones like return – on – capital – employed or economic value added – many managers fail to link program such as total quality management, cycle time reduction reengineering and that deliver future financial performance. In such organizations, the improvement programs have in correctly been taken as the ultimate objective. They have not been linked to specific target for improving customer and eventually, financial performance. The inevitable result is that such organizations become disillusioned about the lack of tangible pay off from their change programs ultimately, caused path from all the measure on a scorecard should be linked to financial objectives. (Harvard business review Jan-Feb, 1992)

### **2.15. Measures that more companies forward**

As companies have applied the balanced scorecard, we have begun to recognize that the scorecard represents a fundamental change in the underlying assumptions about performance measurement. Traditional measurements systems have sprung from the financial function the system have a control bias. That is, traditional performance measurement system specify the particular actions they want employees to take and then measure to see whether the employees have in fact taken those actions. In that way, the systems try to control behavior.

The balanced scorecard on the other hand is well suited to the kind of organization that many companies are trying to become. The scorecard puts strategy and vision, not control, at the center. It establishes goals but assumes that people will adopt whatever behaviors and take whatever actions are necessary to meet at those goals.

The measures are designed to poor people towards the overall vision. This new approach to performance measurement is consistent with the initiatives under way in many companies: cross – functional integrative customer supplier partnership, global, continuous important, and team rather than individual accountability. By combining the financial, customer, internal process and innovation and organizational learning perspectives, the balanced score card helps managers understand at least implicitly. Many inter relationships. The understanding can help managers transited traditional notions about functional barriers and ultimately lead to improved decision making and problem solving. The balanced scorecard keeps companies looking and more forward instead of backward.

(Kaplan and Norton, 1992)

## **2.16 performance evaluator**

Who evaluate? Employees' evaluation could be undertaken by individuals and team, traditionally, the person's direct supervisor appraisals his or her performance. However, other options are certainly available and are increasingly used well look at the main ones.

*Supervisors' rating is the heart of most appraisals this make sense: the supervisors' should be and usually is in best position to observe and evaluate the subordinate's performance and is reasonable for that person's performance peer appraisals. With more firms using self management teams peer or team appraisals the appraisal of an employee by his or her peers are becoming more popular. Many employers use rating committees. These committees usually contain the employee's immediate supervision and three or four others supervisions on the other hand More firms today let subordinates anonymously rate their supervisor's performance, a process help top managers diagnose management style, identify potential "people" problems and take corrective action with individual manager as required. (Dessler: 2003)*

## **2.17 Performance appraisal methods**

There are a number of performance appraisal methods that play a great role in the efficiency and effectiveness of the organization. Some methods are suitable for public or private sectors and the others could be suitable for both, failure to choose appropriate method may result in organization to loss what they have before. The following performance appraisal methods are workable in different situations and required their own precondition.

### **2.17.1. Goal setting or management by objective (MBO)**

Management by objective (MBO) was first introduced as a different kind of appraisal program, but has grown beyond the personnel unit to form the basis of fundamental philosophy of managing appraisal through MBO is based heavily upon the degree of goal accomplishment (Flippo 1980).The goal setting approach to performance appraisal or management by objectives (MBO) is more commonly used with professional and management employees. If an MBO system is to be successful several requirements must be met first, objective should be quantifiable and measurable; Objectives whose attainment cannot be measured or at least reified should be avoided where possible. Objectives should also be challenging and yet achievable and they should be expressed in writing and in clear

concise, unambiguous language. MBO also requires that employees participate in the objective – setting process.( Lloyed L-Byars and Leslie W. Rue 1994)

### **2.17.2. Work standards approach**

The work standards approach to performance appraisal is most frequently used for production employee and is basically a form of goal setting for those employees. It involves setting a standard or expected level of output and then comparing each employee's performance to the standard. An advantage of the work standards approach is that the performance review is based on highly objective factors.

### **2.17.3 Essay appraisal**

The essay appraisal method required that the evaluation describe on employee's performance in writing narrative form typical essay appraisal question may be "Describe, in your own words, this employee's performance including and quality of work, job knowledge and ability to get along with other employees. What are the employee's strengths and weakness?"

### **2.17.4. Critical – incident appraisal**

The critical – incident appraisal method requires the evaluator to keep a written record of incidents as they occur. The accidents as they are recorded overtime provide a basis for evaluating performance and providing feedback to the employee. The main drawback to this approach is that the rater is required to jot dawn incidents regularly: this can be burdensome and time-consuming.

### **2.17.5 Graphic rating scale**

With the graphic rating scale method, the rater assesses an employee on factors such as quantity of work, dependability, job knowledge, attendance accuracy of work and cooperativeness this method include both numerical arranges and written description The weakness of this method is that evaluators are unlikely to interpret written descriptions in the same manner, due to differences in background, experience, and personality.

### **2.17.6. Checklists**

In the checklist method the rater makes yes-or-no responses to a series of questions concerning the employee's behavior. Draw backs to the checklist method are that it is time

consuming to assemble the question for each job category; a separate list of question can have different meanings to different raters. (Lloyd L-Byars and Leslie W. Rue 1994)

### **2.17.7. Behaviorally anchored rating scale (BARS)**

The (BARS) method of performance appraisal is designed to assess behaviors required to successfully perform a job. The Focus of BARS and some extent, the graphic rating scale and check list method is not on performance outcomes but on functional behaviors demonstrate on the job. (Lloyd L-Byars and Leslie W. Rue 1994). The advantage of BARS is that anchor scales are directly relevant to the job being assessed and the approach has the potential to be objective. The main drawbacks, however, are that job experts must be used to design the scheme and it is complex, time-consuming and costly. (murton et.al 2010 )

### **2.17.8 Forced – choice rating**

Forced – choice rating method of performance appraisal that requires the rater to rank a set of statements describing how an employee carries out the duties and responsibility of the job. This method attempts to eliminate evaluator bias by forcing him or her to rank statements that may be seemingly indistinguishable or unrelated. However, it has been reported that the forced-choice method tends to irritate raters, who feel they are not being trusted .Furthermore; the results of the forced choice appraisal can be difficult to communicate to employees. (Lloyd L-Byars and Leslie W. Rue 1994)

### **2.17.9. Ranking Methods**

Ranking method of performance appraisal in which the performance of an employees ranked relative to the performance of others. (Lloyd L-Byars and Leslie W. Rue 1994) the method usually to rank a small number of people who are engaged in same business, however, it is not suitable when the number of retee increased. According (Goel and Rajneesh 2003) this method is simple and natural but the task of ranking becomes difficult when 20 or more cases are involved.(Goel and Rajneesh 2003)

## **2.18 Factors that can distorts appraisal**

A completely error – free performance appraisal is only an ideal Human resource Management professionals can aim for. In reality, most appraisals fail short often through one or more actions that can significant by impede objective evaluation factors. Like

leniency error, Halo error similarity error and low appraisal motivation e.t.c for performance.

### **2.18.1 Leniency error**

Every evaluator has his or her own value system that acts as a standard agent which appraisals are made. Relative to true or actual performance an individual exhibits, some evaluators make high, while others mark low. The former is referred to as positive leniency error, and the latter as negative leniency error.(ROLO Dece Zo and Robbins 1998). This error committed when the rater inclines his judgment to one side. According to byars and W.Rue this error occurs when manager's ratings grouped at the positive end instead of spreading throughout the performance scale.

### **2.18.2 Halo error**

The halo error or effect occurs when one is rated extremely high or extremely low on all factors. For example if an employee tends to be conscientious and dependable we might become biased towards that individual to the extent that we will rate him or her positively on many desirable attributes.(Rolo Dece Zo and Robbins 1998 ) this error may also occurs when the rater has been attracted on one criteria .According to ( murton et 2010) one specific criteria or characteristics distorts the assessment of others.

### **2.18.3 Similarity error**

When evaluates rate others people in the someway that the evaluator perceive themselves, they make a similarity error. That is, they project self-perceptions onto others. For example the evaluator who perceives himself or herself as aggressive may evaluate others by looking for aggressiveness.

### **2.18.4 Low appraiser motivation**

If the evaluator knows that a poor appraisal could significantly hurt the employee's future particular opportunities for promotions or salary increase the evaluator may be relevant to give a realistic appraisal.

### **2.18.5 Central tendency**

Central tendency occurs when a rater refuses to use the two extremes for instance outstanding and unacceptable respectively.(ROLO Dece Zo and Robbins 1998) this is because the rater did not believe that the performance result were not more than average.

According to Byars and W. Rue tendency of managers to rate most employees' performance near the middle of the performance scales. (Lloyd L-Byars and Leslie W. Rue 1994)

## **2.19. Core employee measurement group**

We have found most companies use employee objectives drawn from a common core of three outcome measurement. These core outcomes measurements are then supplemented with situation-specific drivers of the outcomes. The three core employee measurements are:

- a) Employee satisfaction
- b) Employee retention
- c) Employee productivity

Within this core, the employee satisfaction objective is generally considered the driver of the other two measures, employee retention and employee productivity. (Kaplan and Norton 2010)

To retain employee organization use some strategies like; conduct effective induction to new recruit. The greatest flexibility and creativity that companies applies to meeting the need of people across all aspects of their lives, then the more likely they are retrain them and to achieve an effective contribution and performance .the other strategy is meeting employee training and development desire and good management from managers. (Martin 2009)

## **2.20 measures of suggestions made and improvements**

One can measure the outcome of having motivated, empowered employees in several ways. One simple, and widely used, measure is the number of suggestions per employee. This measure captures the ongoing participation of employees in improving the organizations performance. Such a measure can be reinforced by a complementary measure, number of suggestions implemented, which tracks the quality of the suggestions being made, as well as communicating to the work force that its suggestions are valued and taken seriously.

For example, senior management in one company was disappointed in the level and quality of employee participation in suggesting improvement opportunities. They deployed an initiative that:

- Published successful suggestions to increase the visibility and credibility of the process,

- Illustrated the benefits and improvements that had been achieved through employee suggestions and
- Communicated a new reward structure for implemented suggestions.

### **2.21 measures of improvement**

The tangible outcome from successfully implemented employee suggestions does not have to be restricted to expense saving. Organizations can also look for improvements; say in quality, time, or performance, for specific internal and customer processes.

### **2.22. Measures of individual and organizational alignment**

The performance drivers for individual and organizational alignment focus on whether departments and individual have their goals aligned with the company objectives articulated in the balanced scorecard. Kaplan and Norton(1996).

### **2.23. Situation – specific drivers of learning and growth.**

Once companies have chosen measures for the core employee measurement group-satisfaction, retention, and productivity-they should then identify the situation-specific, unique drivers in the learning and growth perspective. We have found that the drivers tend to be drawn from three critical enablers' table 3 shows that re-skilling the work force, information systems capabilities, and motivation, empowerment, and alignment. Many organizations building balanced scorecards are undergoing radical change. Their employees must take on dramatically new responsibilities if the business is to achieve its customer and internal – business-process objectives. We can view the demand for re-skilling employees along two dimensions level of re-skilling required and percentage of work force requiring re-skilling. When the degree of employer re-skilling is low, normal training and education will be sufficient to maintain employee capabilities. In this case employee re-skilling will not be of sufficient priority to merit a place on the organization balanced scorecard. If Companies significantly re-skill their employees they may achieve their internal-businesses-processes, customer, and long-run financial objectives.

**Table 3 situation specific drive learning and growth**

<b>Staff competencies</b>	<b>Technology infrastructure</b>	<b>Climate for action</b>
Strategic skills	Strategic technologies	key decision cycle
Training levels	Strategic databases	Strategic focus
Skill leverage	Experiences capture	Staff empowerment
	Proprietary software	Personal alignment
	Patents, copyrights	Morale
		Teaming

For instance front-line employees total need accurate and timely information about each customer’s total relationship with the organization. Employees in the operations side of the business need rapid, timely and accurate feedback on the product just produced or the service just deliver. Only by having such feedback can employees are expected to sustain improvement programs where they systematically eliminate defects and drive excess cost, time, and waste out of the production system. Objectives focus on the organizational climate for employee motivation and initiative. (Kaplan and Norton 1996). Organizations have to give proper attention to their people. According to Bratton and Gold 2007 Human resource development (HRD) as an organizations investment in the learning of its people, act as a powerful signal of its intention.

### **2.24 Implementing the balances scorecard**

Balanced scorecard should be deployed to develop a new management system. The managements system should be only a means to achieve an even more important goal a strategic management system that helps executives implement and gain feedback about their strategies.

We have seen balanced scorecard to create long-term organizational change. Traditional management systems have been built around a financial frame work, usually the ROL model originated at the turn of this century. Organizational adopt the balanced scorecard because it returns a forces on short term financial results, but also recognizes the value building intangible assets and competitive capabilities. The balanced scorecard does not eliminate a role for financial measurement in a more balanced management system that links short term operational performance with long-term strategies objectives. When the

balanced scorecard is used as the central organizing framework for the new management system all the change can be consistent and coherent. The result can be dramatic.

Steps in implementing process

- ❖ Clarified the company vision and strategy
- ❖ Communicated the corporate strategy
- ❖ Launched cross- business strategic initiatives
- ❖ Led to each SBU developing own strategy, consistent with that of the company.

(Kaplan Norton; 1992)

## **2.25 Cascading**

In implementing scorecard the important step is cascading goal oriented objective to each business unit that's consistent to the company strategy. Cascading a balanced scorecard means to translate the corporate-wide scorecard down to first business units, support units or departments and then teams or individuals. The end result should be focus across all levels of the organization that is consistent. The organization alignment should be clearly visible through strategy, using the strategy map, performance measures and targets, and initiatives. Scorecards are used to improve accountability through objective and performance measure ownership, and desired employee behaviors are incentivized with recognition and rewards.(Kaplan and Norten, 1996) The balanced scorecard philosophy need not apply only at the organizational level. A balanced approach to employee performance appraisal is an effective way of getting a complete look at an employee's work performance, not just a partial view. Too often, employee performance plans with their elements and standards measure behaviors, actions, or processes without also measuring the results of employees' work. By measuring only behaviors or actions in employee performance plans, an organization might find that most of its employees are appraised as Outstanding when the organization as a whole has failed to meet its objectives. By using balanced measures at the organizational level, and by sharing the results with supervisors, teams, and employees, managers are providing the information needed to align employee performance plans with organizational goals. By balancing the measures used in employee performance plans, the performance picture becomes complete. [www.cpaireland le /user file](http://www.cpaireland.le/userfile)

## **2.26 Communicating and linking**

Employees often fear change because they do not understand how the change might affect them; they fear quite naturally the uncertain (Kossen 1991) so that managers are expected to pursue in communicating the newly cascaded scorecard. When a scorecard is disseminated up and down the organization chart strategy becomes a tool available to everyone .As the high level scorecards down to individual business units. Over a reaching strategic objective and measure appropriate to each particular group. Tying these target to individual performance and compensation system Yields personal scorecard. Thus individual employees understand how their own productivity support the overall strategy.([www.horrer.print.org](http://www.horrer.print.org) )

In addition to the cascaded goal oriented objectives managers also have to communicate the mission and vision. According to ( Hobeche 1998)communication of vision is critical whereas organization underestimate the need for reinforcement.

## **2.27 Benefits from using the Balanced Scorecard**

Recognizing some of the weaknesses and vagueness of previous management approaches, the balanced scorecard approach provides a clear prescription as to what companies should measure in order to 'balance' the financial perspective. Traditional performance measurement, focusing on external accounting data, is obsolete - and something more is needed to provide the information age enterprises with efficient planning tools. The Balanced Scorecard helps align key performance measures with strategy at all levels of an organization. It also provides management with a comprehensive picture of business operations. And the concepts provide strategic feedback and learning. Its methodology facilitates communication and understanding of business goals and strategies in an organization. Many organizations have difficulty establishing mechanisms that translate strategic vision into concrete goals and actions. Then, every single business, public service, project, or simply any kind of prolonged group effort, will benefit from the power of the Balanced Scorecard. [www.thebalancedscorecard.com/benefit](http://www.thebalancedscorecard.com/benefit)

## **2.28 Conceptual frame work**

Performance of the organization should be measurable. Measuring the performance of organization in general, employees' performance in particular plays tremendous role for the

success of organization. In measuring the performance of employee different organizations uses different methods. However, all most all public sectors whether they are profit making or non-profit making in Ethiopia implement BSC for the evaluation of their employee.

A number of companies in US and in Africa BSC were implemented. Traditional performance measures are insufficient to gauge performance and guide organization in today's rapidly changing complex economic environment. Organization need to link performance measurement to strategy, and must measure performance in ways that both promote positive future results and reflect past performance. Unlike any other performance measurement methods BSC is an approach to describing and communicating strategies. It is also a way of selecting performance measures that will drive a unique organizational strategy <http://www.microsoft.business.bi>

The BSC is conceptual framework developed at Harvard University in the early 1990s to translate an organization's strategic objectives into a set of performance indicators distributed along four perspectives: The BSC Perspectives in the Public Sector for Stakeholders we ask questions like how do we define as our stakeholders? How do we create value for them?

Internal Process to satisfy stakeholders while meeting budgetary constraints, at what business processes must we excel? How do we enable ourselves to grow and change, meeting ongoing societal demands Employee Learning and Growth Strategic goals how do we add value for all our stakeholders while Controlling costs? Measurement was as fundamental to managers as it was for scientists. If companies were to improve the management of their intangible assets, they had to integrate the measurement of intangible asset into their management systems. <http://www.aabr.com>

## **Chapter III**

### **3. Data presentation and analysis**

#### **Overview**

This chapter presents the data gathered and analyzed from primary and secondary sources in relation to BSC implementation by NLA. The primary data were collected from employees and managers using questionnaires. Such primary sources were also supported by secondary data like BSC related materials, financial, non-financial performance data and strategic plan of NLA. Furthermore, some key informant interviews were conducted to enrich the data gathered using questionnaires and document review.

#### **3.1 sales performances**

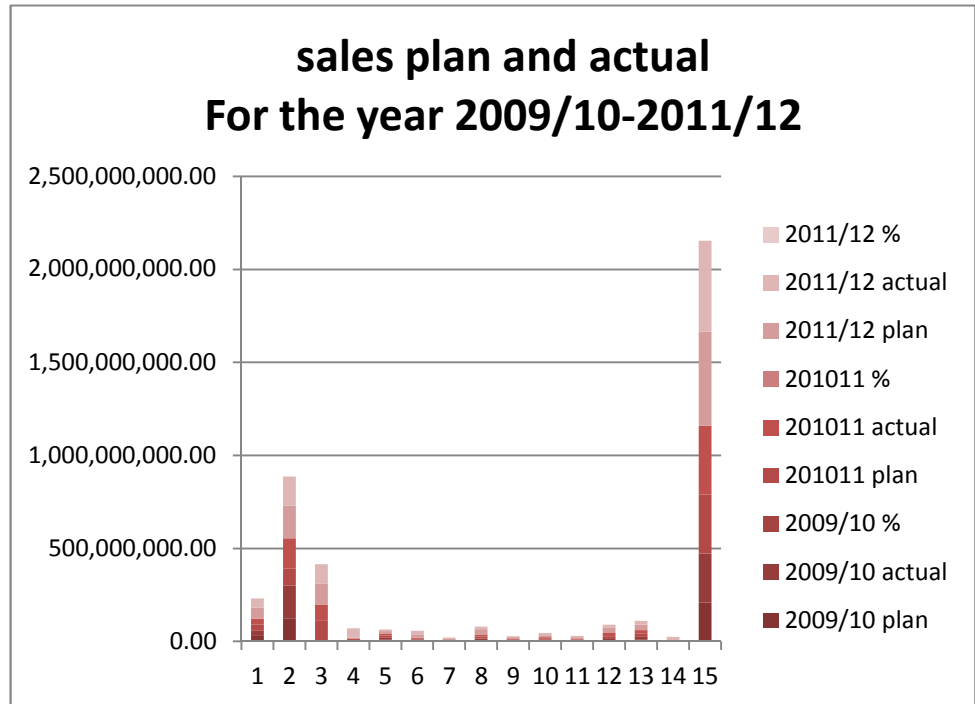
As a lottery operator the major objective of NLA is to sale lottery tickets and generates revenue that contributes to the development of the country. In this regard the sales of NLA have increased from year 2009/10 that's 259 million birr to 484 million birr in the year 2011/2012.the sales plan is also increased throughout these years. However, the increment of the yearly sales did not meet the yearly plan As in table 3 below depicted in the year 2009/10 NLA had set a plan to market eleven types of lotteries and intended to gain 206.1 million birr. And the year actual performance was increased by 53.8 million. That's 259.9 million, so that the performance was 136 % of the planed amount. In the year 2010/11 by providing the same types of lottery tickets the planed amount of sales were 313.4 million and the actual sales were 364.5, in this year the actual performance increased by 51.1 % from the plan. Despite in the year 2011/12 NLA had presented additional lottery which was prepared for the 50<sup>th</sup> anniversary of its establishment. It did not meet the plan. The plan of same year was 498.3 million and the performance was 484.3 million that means the actual sales were decreased by 14 million (3%) compared to the plan. Unlike the previous two years the sales in the year2012/13 have shown reduction , this is may be the previous year's outcome resulted in the improvement shown in work process. But these positive results

could not continue in the year. Why did the sales continue as the previous years? Among many other reasons the satisfaction levels of both internal and external customer is the foremost one. The sustainability of positive improvement in sales and any other activities would depend on the satisfaction of customers. Unlike other organizations' customers; NLA customers especially vendors could quit the business any time when they felt the service provided by the organization not as expected .this is mainly associated with absence of concrete agreement between the two parties. It means when vendors enter to the business there is nothing stated as prerequisite like license, store, shop, vehicle or any other. Having a small amount of money is quite enough to join the business. Generally, this business is free entry and free exists. Since NLA doesn't have any other sales outlet to reach its ultimate customers, its survival is highly depending on these customers. Fair treatment to retain these customers therefore is a question of survival for the organization. The sustainability of improvement on sales also require the satisfaction of employee, satisfied employee always strive for the attainment of organization goal which in turn resulted in changing the plan to tangible results. Particularly sales personals, branch managers play tremendous role in retaining customers for long last with good customers handling approach like giving proper attention for their demand. By considering their demand on game types, favorite color and providing efficient service they could maintain what the organization achieved.

**Table 4 planned and actual sales performances.**

Type of lott.	2009/10			2010/11			2012/13		
	Plan	actual	%	plan	actual	%	plan	actual	%
Regular	30,252,800.00	26,518,365.00	87.66	34,412,560.00	31,304,953.00	90.97	59,233,878.00	49,104,814.00	82.90
instant l.1	125,207,739.00	175,169,970.00	139.90	91,060,174.00	163,807,951.00	179.89	174,968,619.00	155,696,128.81	88.99
instant l.2	0.00	0.00	0.00	114,600,000.00	83,408,969.00	72.78	114,756,522.00	103,372,832.00	90.08
bingo 2	1,417,004.00	936,501.00	66.09	2,993,658.00	10,403,735.00	347.53	5,675,843.00	47,434,123.83	835.72
Lotto	9,456,804.00	10,067,110.00	106.45	12,331,065.00	8,872,337.00	71.95	15,228,557.00	8,235,608.01	54.08
Enqutatash	4,496,097.00	4,499,247.00	100.07	5,620,122.00	5,626,234.00	100.11	18,759,826.00	18,741,333.00	99.90
Edel	1,498,669.00	1,499,522.00	100.06	2,810,061.00	2,671,241.00	95.06	7,503,930.00	5,154,950.00	68.70
leyu 1	8,430,183.00	8,434,681.00	100.05	10,303,557.00	10,313,987.00	100.10	28,139,739.00	14,888,051.00	52.91
Gena setota	4,777,103.00	4,757,186.00	99.58	5,620,122.00	8,438,697.00	150.15	10,317,904.00	11,072,402.00	107.31
tensaye	2,810,061.00	3,807,989.00	135.51	4,496,097.00	4,499,738.00	100.08	7,503,930.00	7,487,301.00	99.78
leyu 2	8,430,183.00	8,836,089.00	104.81	10,303,557.00	17,289,831.00	167.80	28,139,739.00	17,697,412.37	62.89
tompolla	9,418,261.00	15,391,680.00	163.42	18,836,522.00	17,876,911.00	94.91	28,072,174.00	20,569,146.00	73.27
50 th annuve	0	0	0					24,858,219.00	
Total	206,194,904.00	259,918,340.00		313,387,495.00	364,514,584.00		498,300,661.00	484,312,321.02	

**Source; NLA, 2013**



**Figure 1: Sales plan and actual sales**

**Table 5 Total size of employees during the year 2009-2012**

Budget Year	Number of employee								
	Permanent		Contract		temporary		Total		
	male	Female	Male	Female	Male	female	Male	Female	
2009/10	293	167	22	6	1		316	173	
2010/11	326	203	62	24	-	-	388	225	

Source: NLA 2013

### 3.2 Analysis and results

The sample population 138 managers and employees that is 23% of the total size are divided in to eleven respondent groups, representing each department. Based on their size sample has been taken on random base within the department and regional office. As shown in Table 4 above, 26 questionnaires were distributed to the management group in all level and 22 questionnaires were collected. On the other hand 132 questionnaires had been distributed to employees, and only 116 were collected. Questionnaire distributed to each department and collected summarized in the following table.

**Table 6 distribution of respondent within department**

Respondent	Departments and regional offices										Total	
	Sales and	Control and	Audit And	Finance	Purchase	General	Human	Planning and	Public	IT		Southern
employees	79	3	-	14	8	2	2	2	2	1	5	116 (85%)
Managers	9	1	2	2	1	2	2	1	1	1	1	22 (15%)
Total	88	4	2	16	9	4	4	3	2	6	138	138(100%)

#### 3.2.1 Response by managers

NLA has 67 managers in all levels. Since managers in any level are rater of the performance of employees, they play great role in performance appraisal. Hence, by taking their active role into consideration, 26 managers were asked to fill the questionnaires, and 22 of them gave their responses. The questionnaires after collected, analyzed and summarized, presented as follows.

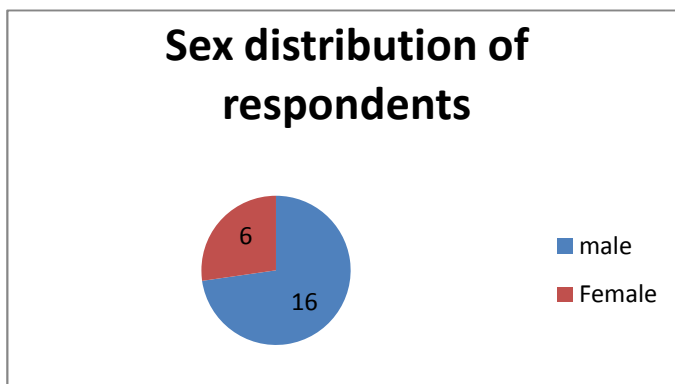
**Table 7 Educational level of respondents**

Criterion for evaluation		Number of respondent	percentage
Education level of respondent	MA degree	1	4
	BA degree	21	96
	Total	22	100

**Work experience**

**Table 8 work experience of respondents**

Criterion for evaluation		Number of respondent	percentage
Work experience	<10 years	11	50
	11-20 years	6	27
	>20 years	5	23
	Total	22	100



**Chart 1 sex distributions of respondents**

**Table 9 Percentage Distribution of respondents by Age**

Age	Number of respondent	percentage
18-35	4	18
36-49	14	64
50-60	4	18
Total	22	100

Source: own survey 2013

### 3.2.2 Background information

Educational background, work experience and age of the respondent were considered and shown in table 6, 7 and 8. According to the study result, one of the respondents is a master of arts graduate and the remaining 21 managers or (96%) are university degree graduates. Regarding their work experience in this organization, 11 respondents that are 50% serve more than eleven years, and the other 50% have work experience one up to ten years. As shown in table 10, majority of the respondents that's 64% are in the age group between 36-49 and respondents between the ages of 18-35 and 50-60 have the same share that's 18% each.

**Table 10 the role of BSC in performance evaluation**

Criterion for evaluation	Yes		No		Total		Missing		Total	
	NR	%	NR	%	NR	%	NR	%	NR	%
The role of balanced scorecard for evaluation of employees' performance.	17	77	5	23	22	100			22	100

Source: own survey 2013

As it is learnt from the data presented in table 9, 17 (77%) of the respondents agreed that BSC has greater role on performance evaluation; according to them, the role of BSC is manifested by the improvement on employees performance, customer satisfaction and the attempt of the organization to attain it's goal whereas 5 (23%) of the respondents disagree with this idea .this is may be the customer satisfaction not as the desire level which is confirmed by customers'. And also unlike many other evaluation methods, BSC integrate the evaluation of work process and employees' performance to attain organization goal .these respondents did not believe that BSC contribute to the improvement of employees' performance and the attainment of organization goal.

**Table 11 number of people appraise by one individual**

Criterion for evaluation	Responses	Number of respondents		percentage
		Number	of	
Number of employee evaluated by individual	Less than five people	8		36
	6-10 people	9		41
	11-20 people	4		18
	Above 20 people	1		5
	Total	22		100

Source: Own Survey, 2013

Managers were asked how many people they have evaluated so far. As shown in table 11, 8 (36%) the respondents said that they evaluated less than five individuals, 9 (41%) of the respondents replied as that they evaluate from six to ten individuals. 4 (18%) respondents on their part said that they appraised from eleven to twenty individuals and one respondent said that he has evaluated more than 20 individuals. The number of rateses (workers) which are appraised by an individual will affect the accuracy of the results. It is believed that a lot of people who are appraised by one individual, their results are likely to be less reliable than small number appraised by one individual. Since evaluating employee using BSC

requires continuous assessment and record keeping about the employee it is difficult to individual to handle more than twenty employees.

**Table 12 Training provided on BSC for employee performance evaluation**

Criterion for evaluation	Respondents	Yes		Partially yes		NO		I do not Know		Missing		Total	
		NR	%	NR	%	NR	%	N R	%	NR	%	NR	%
Providing Training on BSC and performance evaluation using BSC	Managers	20	91	2	9			-				22	100
	employee	72	62	24	21	20	17	-			-	116	100
Training providing for performer	managers	9	41	-	-	13	59	-			-	22	100
	employee	72	62	-	-	24	21	20	17		-	116	100
Attempt to offer long term education and training	employee	23	20	-	-	89	77	-		4	3	116	100
Clarity of balanced scorecard concept	employee	8	7	76	66	32	27	-			-	116	100
Understanding level of management members on the concepts of BSC for evaluation	managers	8	36	9	41	5	23	-			-	22	100

Source: Own Survey, 2013

Training contributes a lot in filling knowledge gaps, introducing new ideas, concepts and clarifying ambiguity. Providing training to the raters could make the evaluation process easy and the results would be as intended. According to the above table 12, the managers were asked that whether they took training on BSC and conducting evaluation using it. 20 (91%) of the respondents said 'yes' and the remaining 2 (9%) said 'no'. However, amazingly these individuals are evaluating their subordinates without taking training on BSC. Asked how they could accomplish this task without taking training on the matter, they replied by saying "we simply followed other raters' style." Regarding the concepts of BSC both managers and employees should to have enough understanding. The BSC suggests that employees' training and corporate cultural attitudes related both individuals and corporate self improvement. As depicted in this table managers also asked whether performers have taken training on BSC concepts. The majority, that's 59 % confirm that performers had never taken trainings on the concept of BSC. These supported by employees' response for a question rose to know the clarity of the BSC concepts to them. As we refer from the above table, 76, (66%) of the respondents said that it is not fully clear and 32(27%) said it is completely unclear. This may be associated with the lack of short term trainings and the way the organization arranges trainings for more than 200 employees of different discipline, educational background and work experience at large and might invites to attained in one hall and one instructor made an attempt to explain the concepts. In such a way, the trainee could not come across the concepts. Merely taking training could not ascertain the understanding of the trainee. Hence, to identify how far trainees understood the concepts, managers were asked on the same issue. As it is stated on the above table, 12 (36%) of the respondents said that the raters understood the concepts of BSC, 9 (41%) of the respondents have doubt that as the raters fully understood the concepts of BSC, and 5 (23%) of the respondents did not believe that the raters understood the concepts of BSC. Irrefutably, employees need long term training. In this regard, Kaplan and Norton (2000) said that organization must invest on people, system and procedure in order to attain their objective. Investing on human capital is providing long term training for the work force. Based on this, employees were asked whether they have gotten the opportunity of long term training or not. As we can refer from the above table, 89 (77%) of the respondents said that they never have had long term training opportunity.

**Table 13 The purpose of performance appraisal results**

Criterion for evaluation	Responses	Number of respondents	Percentage
Purposes of performance appraisal results.	For salary increment and to increase staff benefit	7	32
	It is done as business as usual	6	27
	For training and development	7	32
	To control employees	2	9
	Total	22	100

Source: Own Survey, 2013

The results of performance appraisal can be used for different purposes. If it is used in motivating employees; it could be the path to success. In relation to this, the managers were asked for what purpose NLA uses the results of performance appraisal. 32% of the respondents said that NLA uses performance appraisal for salary increment and to increase staff benefits with the consent of revenue and custom authority, 27% said that it is done in the way of business as usual, 32% noted for training and development, and 9% believe that it is a mere activity to control employees.

**Table 14 evaluation with BSC evaluation method**

Criterion for evaluation	Responses	yes		No		Missing		Total	
		NR	%	NR	%	NR	%	NR	%
Evaluation with BSC	By using weekly performance report as reference	13	59	-	-	9	41	22	100
		8	36			14	64	22	100
	By referring incident records about the employee	8	36			14	64	22	100
	By using one plus five report	12	55			10	45	22	100
	By using BSC team charter as reference	8	36			14	64	22	100

Source; own survey 2013

One of the major points that BSC differ from other employee evaluation method is its continuous assessment nature rather than taking one time performance like traditional evaluation methods. Hence BSC evaluate accumulation of job performance performed through time, that could be daily, weekly and monthly performance of individual. So that the respondents were asked how they evaluate with BSC evaluation method to see employees' performance continually. As depicted in above table 14, 59%, of the respondent used weekly performance report as reference to evaluate the performance of their subordinate, this means the rater at least refer the weekly plan and accomplishment of the employee rather than rating by guess or giving arbitrary number. 55% of the respondent said that they used the BSC team charter as a reference to evaluate the performance of employee, team chart can be considered as contract in which the rater and the *ratee* agreed up on the accomplishment of the jobs stated in it. in this regard the rater compare the work done by the employee against the quantity, quality and time stated in the team charter 36% of the respondents said that they refer their incident records they have had about the employees. According to them, these raters record good performance as well as poor ones .this may help them to defend compliant raised from employees that are disagree the grade

given to them. The other 36% of the respondent told that they use one to five reports as a reference. One to five is similar to peer evaluation in which five employees who are working in one job unit co-ordinate by one team leader held meeting every morning for about thirty minutes on issues regarding their job accomplishment of the day and the plan of the next day, at the end of the meeting the team leader write a daily report .and submits to the rater .The rater who uses these reports for reference to evaluate employees may get better information about the performance of the retee that has been confirmed by team.

**Table 15 suitability of BSC**

Criterion for evaluation	Responses	yes		No		I don't know		Missing		Total	
		NR	%	N	%	N	%	N	%	NR	%
suitability and resource consumption of evaluation using BSC	Comfortable For the evaluator and the employee			R		R		R			
		5	22	17	78					22	100
	It requires a lot of work without adding value	14	63	8	36					22	100
	It requires a lot of time and effort	12	55	10	45					22	100

Source: own survey 2013

So far a number of evaluation methods introduced and implemented in different public and private sectors in Ethiopia. these evaluation methods have their own characteristics and suitable for one organization not for the other on the other hand some evaluation methods are suitable for raters and the others are not .similarly, it may or may not suitable for employees .In this regard The respondents were asked about the suitability of BSC that NLA implemented for employees' evaluation, in the eyes of evaluators and employees. And also they were asked how they see its resource consumption. As shown in table 15, the majority of the respondents, that's 78%, did not believe that using BSC for performance evaluation as it is comfortable for the evaluators and employees .this is may be that record keeping about weekly performance of employee may not conformable to raters, 63% of the

respondents have agreed that as it requires a lot of work without adding value for the organization, 55% of the respondents believed that it requires a lot of time and effort

**Table 16 contribution of one to five**

Criterion for evaluation	respondent	Yes		Partially yes		No		Missing		Total	
		NR	%	NR	%	NR	%	NR	%	NR	%
contribution of one to five for performance	Managers	18	82	-	-	4	18	-	-	22	100
Contribution of one to five for current appraisal method	Employee	64	55	12	10	40	35	-	-	116	100

Source: own survey 2013

The respondents were asked about the contribution of one to five for employees' performance. As it is depicted in table 16, the majority of the respondents that is 82% agreed that one to five has contribution on performance of employees and the remaining 18% disagreed. Similarly, employees also asked about the contribution of one to five structures for current appraisal method. As shown in table 16, 64 (55%) of the respondents said that it has great contribution. This is may be one to five give chances to employees to improve their performance. Sharing ideas among them about correcting mistakes: or good performing practices. One to five is not important only to army structure some people would like to claim rather it could also serve for public sector, and 12 (10%) of the respondent agreed that it has some contribution, but the remaining respondents who are accounted for 40 (35%) said that it does not have any contribution to the current performance appraisal method. This is may be, in some of one to five team employees waste their time recklessly rather than using the time allotted for discussion, which is helpful for the intended objective..

**Table 17 the proration given for the accomplishment of jobs and the behavior of employee.**

Criterion for evaluation	YES		No		Total		Missing		Total	
	NR	%	NR	%	NR	%	NR	%	NR	%
Fairness of percentage allotted to job accomplishment and behavior	14	64	8	36	22	100	-	-	22	100

Source: own survey2013

The Ethiopian civil service ministry has prepared guideline and manual for employee's performance appraisal using BSC. This guideline and manual basically provide leads how to Prepare balanced score card and cascade goal oriented activities. The guideline also shows detail steps on monitoring and evaluation, grading the job execution and behavior of employees, team evaluation and the way handling compliant. Based on the guideline the manual also provided the proportion 60% out of 100% to the job execution and 40% for employee behavior with evaluation criteria. For instance employee rent seeking habit is one of the criteria in which their behaviors are measured. In this regard attempt was made to know the fairness of percentage allotted to job accomplishment and behavior. The respondents were asked whether the 60 and 40 percentages proportion given for the accomplishment of jobs and the behavior of employees' respectively were fair or not fair. As table 17 depicted. 64% of the respondents show their agreement that the proration is fair, whereas 36% of the respondents did not believe that the proration is fair. This is may be most of the criterion stated to evaluate behavior of employees are not go along with the behavior manifested in NLA; so that they are in the position that to say 40% that is allotted to measure behavior is unfair.

**Table 18 the awareness level of employee about the organization objective**

Criterion for evaluation	YES		Partially yes		No		Missing		Total	
	NR	%	NR	%	NR	%	NR	%	NR	%
Awareness of retees about the organization objective	5	23	9	41	8	36			22	100

Source: own survey2013

The employee (retees) are expected to contribute a lot in the attainment of organization goals and objective .Attaining organization objective after all requires awareness of the objective .Increased level of awareness about the objective of the organization also create understanding between managers and employees, regarding to this ,managers in NLA were asked the awareness level of the employee about the organization objective. The majority of the respondents that's 41% are not sure that all in all employees are aware of the organization objective, and 36% of the respondents confirm that the employees are not aware of the organization's objective. This may be due to lack of training and creating awareness about the organization's objective.

**Table 19 cascaded goal align with organizational mission, vision and objective**

Criterion for evaluation	respondent	YES		Partially yes		No		Missing		Total	
		NR	%	NR	%	NR	%	NR	%	NR	%
.The alignment of cascaded goal to organization mission, vision and objective.	Managers	18	82	4	18					22	100
	employee	69	59	37	22	10	9			116	100
The measurability of cascading goal in accordance with time, quality and quantity.	employee	35	30	63	54	18	16			116	100

Source: own survey 2013

Cascading is one of the steps in implementing BSC that is the core issue in performance evaluation of employee with BSC. Cascading is translating organization scorecard down to first departments, co-ordination offices and then individuals. The individual's performance is measured against the cascaded goal oriented activities. These activities are expected to be measurable and align with organization mission, vision and objective. In this regard to know the alignment of the cascaded goal with organization mission, vision, and objective and its measurability, the respondents were asked about the goals that cascaded to individual employees are aligned with the organization's objective. As the data presented in table 19 demonstrated, the majority of the respondents that is 82% agreed that goals cascaded to employees are align with the mission, vision and objective of NLA. On the contrary, 18 % of the respondents did not believe as all the cascaded goals are fully aligned with the organization mission, vision and objective. Similarly, employees were asked that the cascaded goal oriented objectives are aligned with the organization mission, vision and objective. 69% of the respondents believed that goal oriented objective are aligned with the organization objective, 22% of the respondents have doubt that fully goal oriented objective are aligned with the organization objective; and 9% of the respondents did not believe that the cascaded goal oriented objective are aligned with organization mission, vision and objective. This is maybe the cascading process undertaken by individual that did not fully understand the organization mission, vision and objective. The cascading has been conducted by different individuals in each department. The other important step, which comes following the completion of the cascading process has been completed is measuring the execution of the goals as to quality, quantity and time. In this regard, employees were asked their opinion about the measurability of cascaded goal. As revealed in table 19, 30% of the respondent believed that the cascaded goal are not measurable, whereas the majority of the respondent that's 64% have doubt that the cascaded goal are measurable as to quality, quantity and time and 18% of the respondent did not believed the measurability of cascaded goals.

**Table 20 Cascading activities in different departments of NLA**

Criterion for evaluation	response	Number of respondent	percentage
Responsibility of cascading	Director and coordinator	80	69
	experts	5	4
	Individual employee	3	2.5
	Team in departments	25	22
	I don't know	3	2.5
	Total	116	100

Source: own survey 2013

Since cascading is the crucial process to translate strategic objective in to tangible results; the cascaded goal oriented objectives requires deep understanding of organization mission. and also to know about BSC elements that's are vision, strategic themes, four linked perspectives, strategic objectives, measures, targets and initiatives in the organization, and it is important to know the capability of employee to perform jobs given to them. The mere assignment of jobs without understanding of their capacity and interest is challenging to execute the task efficiently and attain the intended goal effectively. So that it is vital to decide first who can the right person to cascade organization strategic objective to individual performer. The manual and guideline of the civil service ministry, however, did not mention whose responsibility is this task. In this respect, to know the practice in NLA, the respondents were asked who cascade organization strategic objective in their respective department. As it is depicted in the above table 20, the majority of the respondents that's 69 % said that directors and coordinators undertook the cascading activity, and 22% of the respondents said that cascading was done by the team in their departments.

**Table 21 the purposes of performance appraisal results**

Criterion for evaluation	response	respondent	YES		Partially yes		No		Missing		Total	
			NR	%	NR	%	NR	%	NR	%	NR	%
Action taken after results of performance appraisal is known	Facilitate training for poor performer	managers	9	41			13	59			22	100
	rewarded high performer	managers	1	4.5			21	95.5			22	100
	Recognition given to high performer	employees	4	3			112	97	-	-	116	100

Source: own survey2013

The raters were also asked what action they took to improve poor performer performance, following the results of performance appraisal. According to the above table, 21, the majority of the respondents that is 59% said that no training or any other remedial action had been taken on poor performers, and 41 % of the respondents disagreed and said that action had been taken based on the performance appraisal results. As the above table depicted that the majority of the respondents 21 (95.5%) said that high performers did not rewarded for their performances. As of managers, the employees were also asked whether high performers are rewarded or not. As we can refer from the above table, the majority of the respondents that's 97% confirm that the high performers are not rewarded. This may be discouraging high performers in their good performance.

**Table 22 the reason for not rewarded**

Criterion for evaluation	Responses	Number of respondent	percentage
Reason for not high performer rewarded	No budget is allotted	1	4.5
	Proper attention was not given	20	91
	No need to reward	-	-
	missing	1	4.5
	Total	22	100

Source: own survey 2012

We will be looking much more closely at the financial rewards that are based on an employee's performance. However, the intrinsic reward of being recognized and congratulated for the good work and that has been carried out are very powerful and effective motivator (stredwich 2005). In any way whether monetary or non monetary reward motivate high performer. Rewarding high performers is one of the ways of encouraging employees. It is also helpful to sustain better performance and initiates poor performers for the better. Neglecting rewarding high performers will result in de-motivating employees and may lead them to ask themselves what the value of performing well is, what it gains hard working, and the rewards of attaining good results. To give answer for such questions, rewarding plays tremendous role. Hence, the respondents were asked whether high performers are rewarded or not. As we have seen from the above table 22, the greatest majority that accounts to (95.5 %) of the respondents agreed that high performers are not rewarded. For those respondents who replied by saying that good performers are not rewarded, a question was presented to tell the reason why high performers were not rewarded. As the responses are tabulated in the above table 22; the majority of the respondents that is 91% agreed that proper attention was not given by the management.

**Table 23 appraisal feedback**

Criterion for evaluation	respondent	YES		Partially yes		No		Missing		Total	
		NR	%	NR	%	NR	%	NR	%	NR	%
Receiving feedback	employee	107	92	-	-	9	8		-	116	100
After appraisal employee action regarding feedback	managers	15	68			7	32			22	100
Usefulness of feedback for future performance	employee	71	61	36	31	9	8			116	100

Source: own survey 2013

Constructive feedback given to the performer for his/her performance is expected to be a good lesson for his/her future performance. He/she will correct the error that has been committed and strengthen the strongest accomplishment. Based on this fact, the respondents were asked whether they received feedback or not from their respective raters. As data in table 23 reveals; the majorities that is 92% of the respondents have confirmed that they received feedback about their performance from their respective evaluators. This is may be important to continue on their good performance or correct their mistakes if any. Managers were also asked about the employees that they evaluate come up with compliant or any other suggestion after their performance appraised. As in table 23 stated, 68% of the respondents said that employee came after they saw the appraisal results. 32% of the respondents said that no one of the employees came after appraisal results are disclosed. In this regard, attempt was also made to know the reason why they came to or failed to do so. Those of the respondents who said ‘yes’ also said that the employees came after appraisal to complain on the results given to them, especially if they are felt uncomfortable with criteria set to evaluate behavior. On the other hand those of respondents who said ‘no employee came after appraisal’ also said that the reason for not coming is basically associated with the underdeveloped culture of telling what they felt to their boss. On top of this, employees were asked about the significance of the feedback; that they have received from their respective bosses

for their future performance. As shown in table 23, the majority of the respondents 71 (61%) confirm that feedback is useful for their future performance; and 36 (31%) said that it is moderately useful for future performance.

**Table 24 the contribution of current evaluation method.**

Criterion for evaluation	Yes		Partially yes		No		Missing		Total	
	NR	%	NR	%	NR	%	NR	%	NR	%
The Contribution of current and former evaluation methods in attaining organizational vision, mission and objective	20	91			2	9			22	100
The Contribution current of evaluation method in increasing efficiency and effectiveness of employee	7	32	11	50	4	18			22	100
Opinion of employee about the importance of current evaluation method.	8	36	9	41	5	23			22	100

Source: own survey 2013

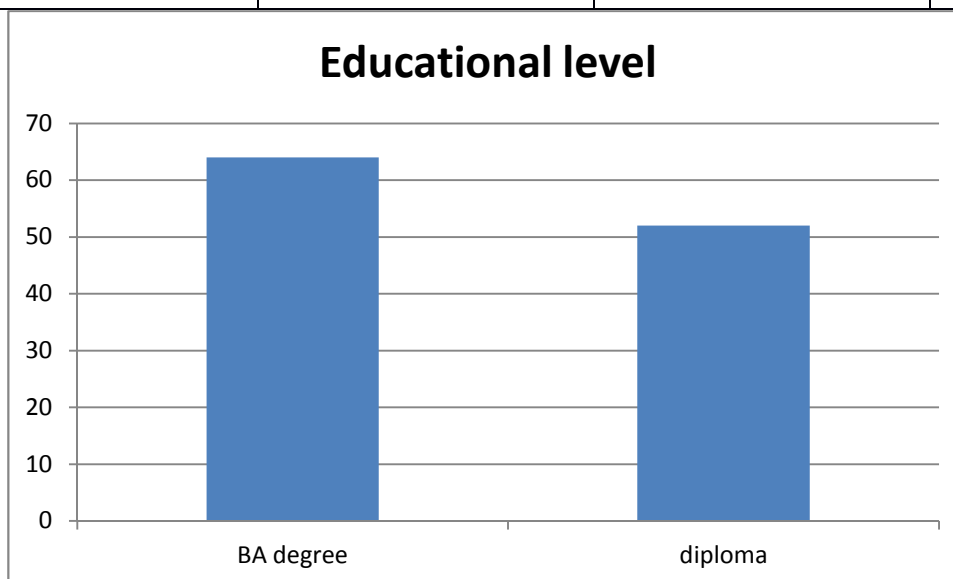
The respondents were also asked to tell us whether there is a difference between the former method, that is the traditional method, and the current evaluation method with BSC in the contribution to organizational vision, mission and objective. As in table 24, above depicted, 91% of the respondent agreed that there is a difference between the traditional method and the currently employed method, and said that the formers method had focused on individual behavior, whereas the current method measures the results which are expected from individual employees and they agreed that the current evaluation method contribute in attaining organization objective; as in the chapter one explained the mission of NLA is generating revenue that support the country's development activities. In this regard the revenue has been increased in the first two years following BSC implementation; however this increment of revenue was not continued as planned. This is maybe the method was not supported by other factors like motivational factors. The respondents were also asked about

the contribution of NLA'S current evaluation method to increasing the efficiency and effectiveness of employees' performance. As depicted in table 24, 32% of the respondents believed that it has contribution for the employees' efficiency and effectiveness. Attempt was also made to know why they said yes, and they responded by mentioning that employees were given a target to attain, in order to fulfill their target they work hard, so that their efficiency and effectiveness increased which is manifested by the current achievement that the NLA has exhibited. Whereas 50% of the respondent did not confirm that this method fully contributes to efficiency and effectiveness of the employees' performance, and 18% of the respondent did not believe that the current method contribute to the efficiency and effectiveness of employee performance; this is maybe the efficiency was not reflected by customers satisfaction and current achievement was not sustained. The employees trust towards the importance of the implemented method maybe has impact on the success or failure in attaining organization mission vision and objective. In this regard the managers were asked their opinion about employees how far they believe that performance appraisal is important to the attain organizational mission, vision and objective. As presented in table 24 above, 36% of the respondents believed that the current performance appraisal method considered as important in the eyes of employees and said 'yes'. Whereas the greatest number of the respondents that's 41 % have doubt that all employees considered that the current performance evaluation method is important for the attainment of organizational mission, vision, and objective. On the other hand, 23% of the respondent believed that employees did not consider the current performance appraisal is as such important for the attainment of organization mission vision, and objective of the organization.

### 3.3 Response by employee

**Table 25 Percentage distribution of respondents by educational level**

Criterion for evaluation		Number of respondent	percentage
Level of education achieve	B.A degree	64	55
	College diploma	52	45
	Total	116	100



Source: own survey 2013

**Figure 2 Educational level**

**Table 26 work experience of employee**

Criterion for evaluation		Number of respondent	percentage
Work experience	<10 years	68	59
	11-20 years	32	28
	>20 years	16	13
	Total	116	100

Source: own survey 2013

**Table 27 sex distribution of the respondent**

sex	Number of respondent	percentage
male	56	48
Female	60	52
Total	116	100

Source: own survey 2013

**Table 28 age distribution of respondents**

Age	Number of respondent	percentage
18-35	44	38
36-49	56	48
50-60	16	14
Total	116	100

Source: own survey 2013

### **3.3.1 Background information**

The educational background, work experience, sex and age of respondent were considered and shown in table 25-28 and in figure 2 above. In Table 25 and Figure 2 is revealed the educational levels of respondents who are requested to fill this questionnaire. According to table 25; out of 116 employees 64 (55%) of the respondents have B.A Degrees and the remaining 52 (45%) of the respondents have college diplomas. The qualification of respondents has impact on the quality of response, in this regard the respondents in this study have satisfactory academic background to understand and give sound responses. On top of this the work experience of respondents would enable them to understand the entire organization activities well. Thus, from experienced employees expected reliable information on the issue because the given responses are on the basis of good understanding and satisfactory knowledge about the organization .According to the study

results, majority of the employees that's 59% of the respondents served less than ten years and 32 (28%) have a work experience ranged from eleven to twenty years. The reaming 16 (13%) of the employees have long time service more than twenty years.

**Table 29 employee opinion about the contribution of current performance appraisal method**

Criterion for evaluation	YES		Partially yes		No		Missing		Total	
	NR	%	NR	%	NR	%	NR	%	NR	%
the contribution of evaluating method to the fulfillment of mission, vision and objective	48	41	52	45	16	14			116	100

**Source: own survey 2013**

After the implementation of BSC for performance appraisal, an attempt was made to know the contribution of this method to enable employees to go forward to the fulfillment of organization mission, vision and objective, and its impact on their performance. Any work method implemented in an organization is expected to contribute to the attainment of organization mission, vision and objective. Concurrently, evaluation method, encourage the work force to go forward in attaining the organization objective. In this regard, the respondents were asked their opinion about the contribution of current evaluation method for the fulfillment of the organization vision, mission and objective. As shown in the above table 29; 41%of the respondent agreed that the current evaluation method has considerable contribution for the fulfillment of mission, vision and objective, whereas the majority that's 52% have doubt that the method has fully contributed to the fulfillment of mission, vision and objective of the organization, and 14% of the respondents said that it doesn't have any contribution. According to them, the evaluation method has a negative impact as it consumes a lot of time and requires efforts. This assertion has been supported by the expenditures that the evaluation method requires a lot of paper work without adding value.

In order to undertake each employee's evaluation first team charter is prepared for both job accomplishment and behavior that the performer expected to behave. The team charter consists of organization, department and performer objective in detail, the target, the unit of measure for each activity as to time. Quality and quantity are incorporated in the charter too. After the preparation of the team charter, both rater and retee sign upon their agreement. Based on this document, hence, weekly work plan is prepared by individual employee and present to the rater. If he/she agrees on the plan, he/she discloses his/her consent and the next step, that's performing the activity, will continue. If not, the plan would be adjusted based on his/her suggestions. This routine job continues throughout the evaluation period that's six month, which runs up to six month. At the end of the period, the weekly performance evaluation summarized and its final result sum up with behavior evaluation results and it would be the final results of the performer's. All this long and monotonous process undertaken there is nothing done based on evaluation results except that 10 % of the score taken to computing for promotion. Hence employees de-motivated to look at the fulfillment of mission, vision and objective of the organization. This is maybe the negative side of the method that makes its contribution minimal. Measuring overall performances of the organization in general and employees' appraisal in particular would help the organization to see their position and strengthen their achievements, and take remedial action on their weakness. So that they could better fulfill their mission, vision and objective

**Table 30 change observed on efficiency, effectiveness, in internal communication and service delivery**

Criterion for evaluation	Responses	Respondent	Number of respondent	percentage
Change on efficiency and effectiveness	increase	employee	76	66
	Decrease	employee	40	34
	Total		116	100
Change on internal communication	Highly improved	employee	28	24
	Moderately improved	employee	56	48
	No improvement	employee	12	10
	I don't know	employee	20	18
	Total		116	100
Change on service delivery	Improved	employee	59	50
	Moderately improved	employee	25	22
	No change	employee	16	14
	I don't know	employee	16	14
	Total	employee	116	100

Source; own survey 2013

If people are mostly conducting business as usual, improvement will be limited new strategies are hindered by misaligned efforts. (Jekile 2011). Hence, after implementation of strategies changes are expected. In this regard the respondents were also asked what changes they observed in efficiency and effectiveness of the employees' performance after BSC has been implemented. As referred in table 30 above, 66 % of the respondent agreed that there is a positive change in efficiency and effectiveness of employees' performance, as managers believed. However, 40 % of the respondents disagreed with this idea and said that there is no change in employees' efficiency and effectiveness. The respondents asked about the communication within NLA between and among departments, divisions, and sections and even among employees. As indicated in the above table 30, the majority that's

48 % of the respondent are not sure that communication has been improved after the implementation of BSC, and 10% of the respondents confirm that there is no improvement in communication. 24% of the respondents, on the other hand, believed that there is improvement in communication. On the hand from the implementation on BSC in all aspects, change is expected. Especially improvement on service delivery will result in customer satisfaction. In this regard respondents asked how far changes have been observed on service delivery after the implementation of BSC. According to the above table half of the respondent (50%) said there is improvement and (22%) of the respondent said it is moderately improved, whereas, (14%) of the respondent disagree and said ‘no changes have been observed.’ This may be supported by interviews conducted with vendors. According to them, at one time the service delivery was improved. However it gradually decreases from time to time. Generally, vendors did not believe that the service delivery improvement has been sustained. This implies that the performance evaluation using BSC is not bringing about the customers’ satisfaction.

**Table31. Percentage distribution of respondents by responses to the quality of manual and guideline**

Criterion for evaluation	Response	Number of respondent	percentage
Evaluating the manual and guideline provided by civil service Minster and NLA	Clear and help to accomplish jobs easily	28	24
	Clear but not related with our jobs	48	42
	Not clear	36	31
	I don't know	4	3
	Total	116	100

Source: own survey 2013

NLA as being under a civil service public sector applies all civil service procedures for employees’ recruitment, selection, promotion, transfer, performance evaluation and the general rules and regulations. In this regard as explained in chapter one the ministry of civil service provided a manual and guideline for all public sectors. The manual and guidelines are key instruments in preparing BSC for the purpose of evaluation, cascade organizational

goal oriented objective up to down to the performer, and also to use the documents as reference throughout the evaluation process. Therefore, these documents are expected to be clear and easy to understand by users. In view of this purpose and to know how far the documents are clear, the respondents were asked to evaluate the manual and guidelines as their clarity and job relatedness. As table 31 shows the majority that is 42% said that the manual and guideline are clear but not related to the NLA’s jobs specifications, and 31 % of the respondent said that both documents are not clear. Although manuals and guidelines are important in performing jobs, those manuals and guidelines unrelated with the job specifications of the organization and unclear for performer and using these manual and guideline may deceive the raters in evaluating employees, this may resulted in dissatisfaction of employees. The unsatisfied employee inevitably would not satisfied customers.

**Table 32 unclear portion on the manual and guidelines**

Criterion for evaluation	Responses	Number of response	Percentage
Parts of the manual and guidelines which are unclear.	Preparing balanced score card	16	29
	Cascading	12	21
	Scoring	4	7
	Monitoring and evaluation	4	7
	Grading the performance	4	7
	Peer evaluation	8	15
	Grading behavior of the employee	3	5
	Handling Compliant, raised on grading of performance and behavior of employee	5	9
	Total number of responses	56	100

Source: own survey 2013

Those who answered ‘not clear’ for the question about the clarity of the manual and guideline provided by Civil Service Ministry; were also asked to indicate which part of the

manual and guideline is vague, In this case, 36 respondents were asked to indicate which part is unclear for them and a number of possible answers were stated to choose from. They were also invited to choose more than one answers. As in table 32 the greatest responses that' 65% show that the respondents are not clear on preparing balanced score card, cascading and peer evaluation. These elements are decisive for success of what expected from this measuring methods. Amazingly they are evaluated by criteria that are not clear with them. This maybe resulted in misunderstanding between raters and retees, ultimately the misunderstanding would disappoint the employee that may have negative impact on their performance and service delivery.

**Table 33 Satisfaction of employees with their salary and staff benefits**

Criterion for evaluation	Yes		Partially yes		No		I don't know		Missing		Total		
	NR	%	NR		NR	%	NR		%	NR	%	NR	
Employees' satisfaction with their salary and staff benefits?	-	-	-	-	116	100							116
Participation of employee in decision making	-	-	25	22	75	65	16	14					116

Source: own survey 2013

Employee should be motivated and empowered. In this regard Kaplan and Norten said that “employee motivation may be necessary to achieve stretch target for customer and internal business process objective. Even skilled employees provided with superb access to information, will not contribute to organizational success if they are not given freedom to make decision and take action (Kaplan &Norten: 2010). Based on this fact, the respondents were asked whether they are satisfied or not with their salary and benefits in the organization. As in table 33, all of them mean 100% confirmed that they are not satisfied. This is definetly an obstacle to attain organizational objective and ascertain the sustainability of the achieved results .In addition to motivating employees with monetary and non monetary incentives, organization should have increased their participation in decision making processes. This apart from developing a sense of belongingness within

them, it can boost up their moral. Regarding to know how far employees participate in decision making processes the respondents were asked about their participation in decision making in the organization. As depicted in table 37, the majority of the respondents that's 65% did not believe that employees are participating in decision making and 22% of the respondents are not sure that employees are fully participate in decision making.

**Table 34 support of IT**

Criterion for evaluation	All jobs are supported		Partially jobs Are supported		NO are supported		I do not know		Total	
	NR	%	NR	%	NR	%	NR	%	NR	%
supported jobs with information technology (IT)	15	13	61	53	31	28	8	7	116	100

Source: own survey 2013

Organizations are striving to attain their goals by increasing employees' efficiency and effectiveness. In increasing efficiency and effectiveness skilling and supporting jobs with information technology is the ultimate path to achieve their plan. In today's competitive environment, employee need excellent information on internal process (Kaplan and Norten: 2010). To know how far NLA supports jobs with IT, the respondents were asked on the issue. As referred from the above table 34, 15 % of the respondents believed that all jobs are supported with IT. These respondents maybe consider a merely using computer for clerical jobs as a support of IT whereas the majority that is 53%of the respondents said that only some of the jobs in NLA are supported with IT; and 28% of the respondents said that all jobs are not supported with IT. This is maybe jobs like verifying of winning tickets still done manually. The job is very much tedious for employees who are engaged in the process which may result in dissatisfaction and negative impact on their performance. In measuring their performance quantity wise each employee has a target of counting ten thousand tickets and quality wise the counted ticket must be

error free and checked as it is correct winner. This is unattainable for employees in head office, who took over the winning tickets from the branch managers. In turn the branch managers also dissatisfied with this service, who hand over the winning ticket that collected from vendors. Branch managers' evaluated by their sales performance; and the sales in NLA conducted by cash and winning tickets and the winning tickets goes to verifiers who count manually; unless the results of winning ticket handed over disclose. Straight away, they would not be interested to sale more tickets. Hence, lack of supporting this job with IT has negative impact on branch mangers performance and generating revenue for the organization.

### **3.4 Analysis of Interview with key informant and customer**

#### **3.4.1 Interview with Key informant**

Some management members and customers were interviewed for validating findings of the data gathered through questionnaires and document review.

The management members especially who were participating in BPR and BSC team in the organization were interviewed regarding human resource evaluation. The questions were focusing on the role of BSC's towards the performance appraisal of employees, the impact on their performance, and prospects of the method.

According to the responses, BSC was implemented after the execution of BPR. At the time the BPR implemented, the work processes were redesigned and majority of the staff were also assigned in new jobs with new titles. As far as the job title concerned; almost all of the title were changed, and the jobs to be performed were specified, however, no one think about the employees' performance evaluation method. This is one of the weaknesses of BPR. To fill this gap the government decided to use BSC in which the performance could evaluate. To implement BSC first NLA prepared its strategic plan. In this regard, 20 goal oriented objectives were identified; though study conducted by BSC team. However, now days, these goals are summarized and reduced to be 12. Secondly these goals have been cascaded to the departments, divisions, sections and individual employee. And thirdly, these goal oriented objectives translated to activities. These activities are stated in team charter and given to individual employee agreed upon the

accomplishment, and the agreement ascertained by the signature of the two parties: the rater and employees. The major role of BSC is to align goal oriented objective to individual performer. This means the performer is evaluated with his/her job contribution to the goal oriented objective, in achieving the organization objective; the performers should have to be motivated. In some cases employees could not attain what they have agreed to execute this may frustrate and have a negative impact. Since evaluation with BSC laps short time in NLA the interviewees could not forecast what would happen in the future. However, they have a strong belief if the method supported by IT and in corporate with trainings. NLA would success. Otherwise the result could not be more than ambition.

According to the interviewees' responses, NLA does not reward good performers. Since the new salary scale was implemented, no salary inclement is undertaken. After a study conducted on salary and staff benefits, the document has been submitted to the higher body (revenue and customs authority). However, there is no any positive reaction. As a result, a lot of professional staff has resigned from the organization to pursuit better opportunities.

Regarding behavior evaluation of employees, because it is taken directly from civil service minister; it is incompatible for NLA employees to behave accordingly As we have learned from the concepts of BSC, the foundation of attaining the objective of the organization should begin with learning and development the work force,. However, in NLA long term training and education is not provided. This is one of the benefits not yet approved by the high body. So, NLA is still looking forward for its approval.

The other point to be raised regarding the contribution of BSC for performance appraisal is it's continues assessment nature. In this regard employees are evaluated in weekly basis and feedback is given in accordance to their performance.

Regarding the results of performance appraisal, 10% of the score taken for the computation conduct between employees for promotion, and it is also used to decide the newly recruited staff to be permanent or laid off. Although, in principle performance appraisal results used as in put for salary increment, this has never exercised after evaluation with BSC is completed

### **3.4.2 Interview with customers**

The major customers of NLA are lottery vendors, agents and wholesalers commonly known as '*metoshach*'. These segments were interviewed with the aim of assessing the services delivered to them and the magnitude of their satisfaction. The interviews were conducted with two vendors, one wholesaler and one agent around Addis. The interview questions have evolved in how frequently they came for buying lottery tickets and how they evaluate the service delivery of branches /or sales outlets in the last two years. They were also asked the level of treatment of the branch staff on general and sales personnel in particular. Accordingly the following responses are summarized.

#### **3.4.2.1 Vendor 1.**

The first interviewee has been engaged in lottery business since 2007. He was asked "How do you see the service delivery that NLA branches have provided to you?" He replied that when he started this business, the service delivery was very much time consuming. At one time the service was improved even if the improvement does not stay long. Now, it returns back. According to him, this is because of the number of lottery's type increase whereas the numbers of employees remain constant. Some types of lotteries, like bingo, require long time in identifying loser from winner. Consequently, he is not satisfied in service delivered to him. Regarding the frequency of buying lottery tickets, he said "I am a regular customer of this branch and I came daily to buy lottery tickets." In relation to the treatment of the staff, he said, the guards' treatment is good but sales personnel did not have good customer handling practices. Especially, those vendors who came up with winning ticket in order to buy fresh one, will be mistreated, harassed and insulted. The treatment of sales personnel is by far better for those vendors who are coming with cash to buy fresh ticket rather than winning tickets.

This is supported by the response of employee that they are satisfied with their salary and staff benefit provided by NLA. As repeatedly explained in the above section unsatisfied employee cannot bring about customers satisfaction.

### 3.4.2.2 Vendor 2

The other vendor who conducted an interview with this same issue has been engaged in lottery business since 2006 . On the service delivery, he shared the first vendor's opinion. However, he stated that some sales persons have good behavior and treated him in good manner.

### 3.4.2.3 Agents

These customers are representative of NLA in locations where NLA branches are unavailable. They are assigned to a nearby branch for buying lottery tickets and return unsold tickets. Agents are granted 20% of commission and sale lottery ticket to vendors in their locality with 15% commission like NLA branches do. An agent around '*fitch*' branch was participated in the interview. As he stated, he started lottery business since 2012 and he goes to the branch weekly to buy and return unsold lottery tickets. He appreciated the treatment of the branch staff to him; he explained. the reason for his satisfaction. was the service in the branch is provided in short period of time, even though the guide line of NLA is not allowed to hand over fresh ticket before verifying and counting winning tickets, the branch manager gave him fresh tickets before the winning ticket passes in the process. As he mentioned, this is a result of trust between him and the branch manager, this is maybe particular case that a branch manager in *fitch* and this particular agent's relationship that violets the guideline of NLA. According to NLA Ticket verification unless supported by IT the job consumes a lot of time, so that the agent is forced to spend a lot of time, even he may pass the night in the city from which he buy lottery tickets to complete the job. Since the Operational manual, of NLA stated that taking and handing over of winning and fresh tickets ,conducted only after the verification of winning tickets; the action taken by *fitch* branch was unlawful. If it were done as the guideline it could be the source of dissatisfaction.

### **3.4.2.4 Wholesalers**

These are customers who are buying lottery tickets from branches with 15% commission like vendors, and they facilitate credit sales for those vendors who do not have enough money to buy lottery tickets directly from NLA branches. These wholesalers sale lottery tickets with 14 % commission to vendors .Although these wholesalers contribute a lot for increasing sales volume, NLA apart from considering them as customers, does not give them any commission.

Despite he is not granted with especial commission like vendors, and agents he is one of the major customers that buys lottery tickets in lot and facilitating the sales activity, and also gives job opportunity for poor vendors. The wholesaler who was participated in the interview has spent more than 22 years in lottery business. As it is identified from one of the interviews and learnt from his words, he has some complaints on treatments of branch staff and head office staff that are changing winning ticket with cash. According to him the treatment of branch sales men is better when he came with cash rather than winning tickets. This poor treatment of customers is maybe directly related with the unsatisfied employees ultimately harm the organization revenue.

## Chapter IV

### 4. Findings, Conclusion and Recommendations

#### 4.1 Findings

Practically the implementation of BPR has brought about a change on the work process in many of public sectors. The successful public sectors needed to measure their performance they achieved. Since BPR is not the performance measurement tool, the public sector picked up BSC for the measurement of their performance. NLA is one of the public sector that implements BSC to measure its performance in general and performance of employee in particular.

As it had been indicated in the introduction part the main objective of this research paper was to assess the challenges and prospect implemented by NLA.

Analysis of data gathered revealed the following finding.

- The survey has showed the contribution of the implemented employee evaluating method with BSC in the fulfillment of NLA mission, vision and objective is not at the desired level. However, after the implementation of BSC, change has been observed on efficiency and effectiveness.
- Improvement has been observed on sales. However, in the year 2012/13 the actual sales performance was not as planned.
- The training given to employees on BSC was not satisfactory. Training was not also given to poor performers.
- The survey revealed that NLA did not give proper attention to rewarding good performer.
- The research reveals that NLA organized all employees under one to five structure and employee conduct meeting on the plan and accomplishment on their jobs.

- The study showed that feedback given for employee about their performance and come with compliment if they are not agreeing with the results.
- NLA used 10% of the performance appraisal results for computation of promotion.
- The study showed that improvement in service delivery has not yet satisfied customers.
- The study revealed that most of cascading activities have been undertaken by directors and coordinators.
- The study showed that revisit uncomfortable parts of the manual and guideline and improving salary and benefits of employees were challenging for NLA since this could not determined by its management. The other challenge observed in facilitate jobs with information technology, which is the heart of organizational success.

## 4.2 Conclusion

This section presents the following conclusion on the basis of the major issues and findings of the previous chapters.

- According to the findings of the study with regard to the evaluation method, NLA is at moderate level for its contribution to the fulfillment of organization's mission, vision and objective,
- Although the contribution of evaluation method in terms of fulfilling the organization mission, vision and objective is not as to the desired level, current evaluation method using BSC plays tremendous role in improving the performance of employees which was manifested on the year to year increment on sales .However, the sales increment was not continued in the Year 2012/13 as the strategic plan.

- The number of employees evaluated by one rater is decisive for perfection of the results of performance. In this regard, the number of employees evaluated by one rater in NLA is not too much. Hence, it is possible to conclude that one rater undertakes evaluation for average number of employee.
- The study indicated that the employees have taken training on the concepts of BSC. However, as it is learnt from the study the given trainings were not satisfactory. So that one can conclude that employees were not well understood the concepts of BSC. The study also indicated that the raters took training on BSC and undertakes the evaluation using BSC. And also the study showed that poor performers were not supported by training or have not taken any other remedial actions.
- According to the study, one of the challenges of NLA in using BSC is that the concepts of BSC were not well understood by managers and employees as well.
- As it is understood from the findings, due to lack proper attention, high performers are neither rewarded nor get recognition from the organization.
- Based on the findings of the study, the given training was not satisfactory. As a result, the clarity of the concepts of BSC for employees is at moderate level, it is obvious that working without clear understanding of the concepts; NLA will not sustained what it achieved now.
- Change has been observed in the efficiency and effectiveness of the employees' performance after BSC has begun to be implemented and performance appraisal with BSC.
- All employees are organized under one to five and conduct meeting every morning in respect to their daily jobs accomplishment and discuss the plan which is designed to be accomplished in the next day. The focus of one to five is to correct mistakes in everyone's job accomplishment, sharing

experience and knowledge among themselves in a particular job. Hence, it is possible to conclude it has some contribution to the success of current appraisal method.

- From the findings it is identified that, employees receive feedback from their respective evaluators. Even though it is repetitive it is useful for future performance.
- Employees come after evaluation with compliant if they disagree with the results.
- Although in the guideline as well as in manual explained that the results of performance appraisal used for salary increment so far it is not practical. However, among other factors 10% of the result of performance appraisal is taken for computation of employees' promotion.
- Although changes have been observed after the implementation of BSC, it is not comfortable for both evaluators and employees. Also it is said it consumes time and resource without adding value to the organization. Since the performance appraisal with BSC place in work under the instruction of high body it challenging for NLA to revisit and correcting the uncomfortable part of implemented BSC.
- From the finding, it is possible to conclude that after the implementation of BSC, the improvement of communication among departments, division, and section and even among employees is at moderate level. Hence, the is no effective communication in NLA.
- According to the study, the manual and guideline that are provided by Ministry of Civil Service have had some unclear portions like preparation of BSC, cascading and on peer evaluation. Furthermore, the clear portion of these manual and guideline are not related with the jobs in NLA.

- From the findings one can conclude that there is little improvement in service delivery. However, the improvement is not at the desired level in satisfying the customers' needs.
- The manual and guideline provided by Ministry of Civil Service has not authorized anybody for cascading the goal oriented objective to the lower level, except that in NLA few departments cascading has been done by directors and coordinators.
- The cascading goal oriented activities are aligned with organization objective
- According to the study, except the incompatibility of some criterion stated in the behavior form with NLA staff, the percentage given in the manual to performance and behavior 60% and 40% respectively is fair.
- The study reveals that the awareness of employees on the organization objective is at lower level.
- According to the study, incorporating tasks with information technology is at in its infant stage. So, it is possible to conclude that utilization of IT system is at lower level.

### **4.3 Recommendations**

On the basis of the findings and conclusion of this research the following recommendations has been made

- Despite some changes on sales volume, efficiency and effectiveness it could not be possible to sustain the progress if and only if NLA follows BSC principles. Mere financial success could not continue up sustain the attainment of mission, vision, and objective of the organization .In line of this, the BSC perspectives are highly integrated with performance of employees. Therefore, the performance appraisal of employees should be supported with motivation, learning and development and incorporated with information technology.

- The performance evaluation using BSC has aimed at attaining organization mission, vision and objective. In order to attain the mission, vision and objective the organization, managers as well as employees should have to know the concepts of BSC and mission, vision and objective of the organization. Hence, NLA should have to provide short term training on BSC and should have to build up employees' awareness on the mission vision and objective of the organization.
- One of the four perspectives of learning and development is the foundation for success. In this perspective, organization should have to work on employees' development. Well trained employees change the internal process which in turn resulted in effective and efficient service delivery, and at the end of the day, bring about customer satisfaction .If customers are satisfied, no doubt organization's revenue and profit will increase. Ultimately it leads organization to attain its mission, vision and objective. To this effect, hence, NLA should have to facilitate long term training and education.
- NLA is required to maximize and ascertain the continuity of the changes observed on efficiency and effectiveness.
- Since BSC requires motivated employees in continuing and maximizing efficiency and effectiveness. NLA should provide at least annual salary increment and other benefits for its employees.
- NLA should encourage high performers with monetary and non monetary rewards and should have to train poor performers.
- The appreciable trend of giving feedback should have to persist; and the compliant regarding performance evaluation should get proper attention before it leads to unnecessary conflicts between raters and employees.
- NLA should revisit the forms in the manual and guideline which are non-value adding but time and resource consuming ones. Moreover, it should have to elucidate or made clear the ambiguous portions of these documents.

- For the successful realization of BSC, there must be effective communication throughout the organization. Therefore, NLA should strengthen the existing communication practice or system and establish new effective communication within the organization.
- Since customers are decisive for the existence of organization, NLA is required to improve the service delivery as to satisfying customers.
- NLA has to communicate the cascaded goal oriented objective down through the organization thoroughly.
- NLA needs to maintain the existing number of employees evaluated by one rater.
- NLA may benefit by integrating one to five structure to go along with performance appraisal of employees.

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# ANNEX

NATIONAL LOTTERY ADMINISTATON

Ethiopian revenue and custom Authority

Director General

Legal affair coordination office

Advisor for G. director

Ethical a. coordination

Audit and inspection

Gender and HIV affairs coordination

Research and plan Department

Public relation coordination

Information technology coordination office

Deputy director General

Licensing and control department

Distribution and sales Department

Purchase, finance and property

General Service

Human Resource

[Green bar representing a layer of offices]

Branch offices

Addis Ababa University

School of Graduate Studies College of Management

Information and Economics Sciences Department of Public

Administration and Management

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The role of balanced score card for performance appraisal the case of national lottery administration

(Questionnaire to be filled by management team)

**Dear respondent**

The aim of this questionnaire is to assess the role of balanced scorecard for performance appraisal the case of national lottery administration. It is designed only for academic purpose authorized by Addis Ababa university department of public management, economics and information science. I would like to assure you that all your responses are highly confidential, please don't hesitate to answer whatever you believe. Your clear and frank responses are critical for the success of this response.

Thank you.

Personal data

Sex

Male                       Female

Age

18-35                       36-49                       50- 60

Present position in the organization .....

Qualification:

- MA degree
- BA/BSC degree
- Diploma
- Certificate
- High school complete
- Others

Number of years of service in this organization

- Less than 10 years
- 11-20 years
- 21-30 years
- Above 30years

1. Do you believe that BSC has played great role on the performance evaluation of employee?

- Yes  NO

If yes, the role that BSC plays reflected on

- Improvement in performance
- the attainment of organizational goals and objective.
- Improvement observed in customer satisfaction.

Others please

specify.....

2. How many people do you appraise?

- 1-5
- 6-10
- 11-20

More than 20

3. Have you taken training on BSC and performance evaluation with BSC?

Yes  NO

4. If NO how can you conduct the evaluation in this system without understanding the concept of BSC?

.....  
.....  
.....

5. For what purpose mainly NLA use the results of performance appraisal?

- Incentive and salary increment decision
- It is done as business as usual
- Training and development
- Monitoring employee

For other purpose or any comment, please specify:

.....  
.....

6. How do evaluate with BSC evaluation system.(your answer can more than one)

- I Use the weekly performance report as a reference
- I Use my own incident records about the employees
- I Use daily one plus five reports.
- I use balanced scorecard team charter as a reference

7. How do you see this system regarding it's suitability and resource consumption?(your answer can be more than one)

- It is comfortable for the evaluator and employee.

It requires a lot of work, without adding value

It requires a lot of time and effort,

Other, please

specify.....

.....

.....

8. Is one plus five do something with the improvement of performance of employee?

Yes       partially yes       NO

9. How do you see the percentage given to the accomplishment of job (60%) and for behavior manifested by the employee (40%)?

Fair                       Unfair

If unfair what is your suggestion.....

.....

.....

11. Do you think that all the *retees* are aware of the organization objective?

Yes

Partially Yes

No

12 Do think goals cascaded to employees are a line with the organization objective?

Yes

Partially yes

NO

13. Is there any difference between the former evaluation method and the current one in attaining organizational vision, mission and objective?

Yes

Partially yes

NO

If yes

specify.....

.....

.....

.....

14. Do employees come after appraisal for positive or negative feedback?

Yes

Partially yes

NO

15 a) If yes, what compliances or appreciation so the come up with?

.....

.....

15b) If no, why?.....

16. Do you have the records about the employee performance?

- Yes       partially yes       NO

If yes, what the records you keep on?

.....  
.....  
.....

If NO how do you evaluate? .....

.....  
.....

17. Based on the results of performance appraisal, do you facilitate training or some remedial action to poor performance?

- Yes  
 Partially yes  
 No

18. Is high performer are rewarded?

- Yes  
 Partially yes  
 NO

19. If no why?

- Because budget is not allocated  
 Lack of proper attention  
 What we have now is enough.

Other please

specify.....

.....  
.....

20. Is the current evaluation method increasing the efficiency and effectiveness of employee?

Yes

Partially yes

NO

If yes specify the changes.....

If no why?.....

21. Do you think that the current performance appraisal method considered as important in the eyes of employees on attainment organizational mission, vision and objective?

Yes

Partially yes

NO

22. Do you believe that all management members understand the concepts of BSC and evaluating employee performance using it?

Yes  Partially yes  NO

**Addis Ababa University**  
**School of Graduate Studies College of Management**  
**Information and Economics Sciences Department of Public**  
**Administration and Management**

The role of balanced score card for performance appraisal the case of national lottery administration

(Questionnaire to be filled by employee)

Dear respondent

The aim of this questionnaire is to assess the role of balanced scorecard for performance appraisal the case of national lottery administration. it is designed only for academic purpose authorized by Addis Ababa university department of public management, economics and information science. I would like to assure you that all your responses are highly confidential, please don't hesitate to answer whatever you believe. Your clear and frank responses are critical for the success of this response.

Thank you.

Personal data

Sex

Male

Female

Age

18-35

36-49

50- 60

Present position in the organization .....

Qualification:  MA degree

BA/BSC degree

Diploma

Certificate

High school complete

Others

Number of years of service in this organization

Less than 10 years

11-20 years

21-30 years

Above 30years

1 Do you believe that employees' evaluation method in NLA is contributing to the fulfillment of its mission, vision and objective?

- Yes
- Partially yes
- NO

If no why?.....

2. Has NLA train employees on the concepts of balanced scorecard?

- Yes
- No
- I don't know

3. If yes, how do you see the training?

- It is satisfactory
- It is not satisfactory
- I don't know

4. Is the concept of balanced scorecard clear for employees'?

- Yes
- Partially yes
- No

If no Why?.....

5. Is the evaluation method that currently NLA uses has bring about any change in your

Performance ?

- Yes
- 
-

Partially yes

No

6. After the implementation of balanced scorecard, what happen to the efficiency and effectiveness of employees?

- Increases
- Decrease
- No change at all

7. Is one plus five has any contribution to the current appraisal system?

- Yes it contributes a lot.
- It does not have any contribution.
- I don't not

8. After the implementation of balanced scorecard, how was the communication between departments, divisions, sections and individual employees.

- Highly improve
- Moderately improved
- No improvement
- I don't know

9. How do you evaluate the manual and guideline provided by civil service Minstar and NLA?

- Clear and help to accomplish jobs easily
- Clear but not related to our jobs
- Not clear

10. If your answer in the above question is not clear, then which part of the manual and guideline are not clear.(your answer could be more than one)

- Preparing balanced score card
- Cascading
- Monitoring and evaluation
- Gardening the performance
- Grading behavior of the employee
- Team evaluation
- Handling Compliant, raised on grading of performance and behavior of employee.
- The formats provided in the manual.

11. How do you see the change in service delivery after the implementation of balanced scorecard in NLA?

- Improved
- Moderately improved
- No change at all
- I don't know

12 .Who cascaded BSC in your department.

- Department director and coordinator
- Experts
- Individual employee
- Team in the department
- I don't know

13. Is the cascaded goal oriented activities are a line with the organization mission vision and objective?

Yes

No

14. In NLA goal oriented activities are cascaded as to measure in accordance with time, quality and quantity?

Yes, all of the activities cascaded are measureable in accordance with time, quality and quantity

Partially yes

No, all of the activities could not be measured in accordance with time, quality and quantity.

15. Is NLA provide education or long term training

Yes

NO

I don't know

16. Is NLA reward high performance.

Yes

No

I don't know

17. Are the employees satisfy with their salary and staff benefits?

Yes

No

18. Are the employees participate in decision making?

Yes

No

I don't know

19. Are good performers get recognition?

Yes

No

If NO why?.....

20. How far NLA supported jobs with information technology (IT)

All jobs are supported.

Yes, all of the activities cascaded are measureable in accordance with time, quality and quantity

Partially yes

No, all of the activities could not be measured in accordance with time, quality and quantity.

21. If your answer for the above question is "partially" or "No" what would be the reason.

.....  
.....

22. Do you receive feedback from your performance evaluator?

Yes

Partially yes

NO

23. If yes, is the feedback given to you is useful and help you for your future performance?

Yes

Partially yes

NO

24. The criterion that NLA uses to evaluate employees behavior is really can show what good performer behaves?

Yes

Partially yes

NO

25.If no why?.....

.....

## **Interview Questions**

1. When did BSC implemented in NLA?
2. Why BSC has chosen among many other performance evaluation methods?
3. What was the action taken by NLA to implement BSC?
4. What is the major goal of BSC in NLA?
5. IS evaluation method using BSC contribute to the attainment of organizational vision, mission and objective.
6. For what purpose is NLA uses the performance appraisal? is there a reward for high performer or facilitation of training for poor performer ?
7. Is NLA facilitating long term training?
8. Are employee satisfied on their salary and benefit they earn?
9. How does the evaluation with BSC conducted..

## **Interview Questions to customers**

- 1, how frequent are you coming to the branch to buy lottery tickets.
2. How do you evaluate the service delivery of branches or sales outlet in the last two years?

**Strategic plan of NLA**

<b>Perspective</b>	<b>Strategic goal</b>	<b>Unit of measurement</b>	<b>Target</b>						<b>Action to be taken</b>
			<b>Base line</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	
Internal process	Providing improved lottery games to the market	Number of improved Lottery and avail to the market	2008/09 performance	3	3	3	3	3	Branch marking programs
	Increase the number of sales outlet	Newly establishes branches	2008/09 performance	8	8	8	8	8	Increase Accessibility
	Implement improved working process methods	Newly establish Agent	2008/09 performance	8	8	8	8	8	
	Increase the coverage of Advertising and communication	Number of improved working process methods	2008//09 performance	2	2	2	2	2	Implementing BPR findings

Development & Learning	Support Jobs with IT	Percentage of the coverage	2008/09 performance 65.28	66.59	67.92	69.28	70.66	72.07	Increasing the coverage of advertising and communication program
	Develop Human Resource	Number of jobs supported by IT	2008/09 performance 1	2	2	2	2	2	Selecting program of suitable technology
		Number of provided trainings	2008/09 performance 6	6	6	6	6	6	Training development and follow up program
		Number of employees able to perform the jobs as to the standard with the knowledge by the training	Current estimate 80	83	90	95	97	98	Training development and follow up program

	Create good working culture	Percentage of utilization of working hours	Current estimate 65%	70%	75%	80%	90%	95%	Creating conducive working environment program
		Percentage of timely performed jobs	Current estimate 75%	80%	85%	90%	95%	97%	
	Create awareness of employees on HIV/AIDS and security with in working area	Number of training given on the area	2009 performance 7	5	5	5	5	5	Creating Awareness training program

## **Explanation on Unit of Measures and Targets**

**Strategic themes:-** Make avail Modern entertain able Lottery games to the market

Strategic result: - Maximum Revenue

**Increase Lottery sales:** - to make sure the fulfillment of this strategic goal, sales would be evaluated. The 2008/09 sales performance is taken as base year. Based on the study of BPR (Business process reengineering), the 2010 sales was calculated to be 370.8 million and 2011's be 505.8 million. Similarly, the sale of the year 2012 was expected to be 657.54 million whereas the 2013's and 2014's be 854.8 million and 1 billion111.24 million respectively. This plan has taken into consideration as there would be changes in this year on working methods, human resource and office layout and creation of conducive working environment.

**Utilize Resources economically:** - effective uses of resource may help the organization to increase and earn high net income. To this effect the organization should strive hard to increase the ratio of income and costs. To measure how this goal is successfully achieved, the accomplishment of the 2008/09 performance is taken as baseline. Consequently, the subsequent 5 years ratio, for the years 2009/10; 2010/11, and 2011/12 would be 79.65, 79.79, 79.9 respectively. On the same way, the performance ratio of 2012/13 and 2013/14 would be 79.95 and 80%. As we can understand from this, we will increase revenue with increasing rate, and the cost increases whereas the increment would be at decreasing rate.

**Increase the participation of the society on playing Lottery games.**

The measurement of this goal is design to measure Lottery sales per head. This means the organization though discourages excessive play, it makes efforts to increase the number of players deploying various mechanisms.. In essence of this, sales per head for the years 2009/10, 2010/11 and 2011/12 would be 3.39, 4.60 and 5.33 respectively. Likewise, sales of 2012/13 would be 6.14 per head and it will reach to 6.88 per head in the year 2013/14..

### **Providing efficient service**

To measure this goal, measuring the satisfaction of customers is vital. In this regard, suggestion boxes will play a great role. To this effect, suggestion boxes will be kept in all branches to collect suggestion from customers with regard to their satisfaction with the service provided from the sales outlet or branches. The suggestion boxes once in a month summarized and analyzed in order to know the successful attainment of this goal.

### **Making prizes attractive**

Even though the printing and administration costs increases from day to day, NLA tries to increase the number of players, collect maximum revenue and increase the first prize and subsequent prizes to be attractive. To measure the attractiveness of prizes, the increment of prize percentage will continue uninterruptedly throughout the strategic year. So, the performance of the year 2008/09 which was 46.4% the prize ratio of the subsequent years, 2009/10; and 2010/11 would be 45.12% and 45.41%, respectively. Similarly, the 2011/12; would be 45.7%; while 2012/13; and 2013/14; prize ratio exceeds to 46% and 46.3% respectively.

### **Study customers need**

To accomplish this goal successfully, research has been conducted. However, as it is identified that customers' need is changed through time due to various reasons, the study would be conducted in quarterly basis starting from the years 2009/10-2013/14.)

### **Providing improved lottery games**

The number of improved lottery is taken as a unit of measure. Considering this, improved lotteries would be identified and avail to the market based on feasibility study conducted throughout the year. In 2008/09 there were three improved lotteries

took which were taken as baselines and in subsequent years, 2009/10-2013/14, it is planned to avail four improved lottery games in each year

#### **Increasing sales outlet.**

Increasing sales outlet is mainly aimed at to increase the number of branches and agents. Based on this, newly opened 3 branches and 5 Agents were taken as baseline in 2008/09 and planned to open 8 branches in different locations in the year 2009/10 and in the remaining 4 subsequent years also planned to open 2 branches per year Regarding the establishment of Agency the plan shows that from the year 2010/11-2013/14 2 Agents in each year going to be established. In addition to this sales would be expanded in barber shops, Hotels, Super markets, Groceries and the like business centers.

#### **Implement improved working process methods**

Based on study conducted and checking the facility in 2009/10, two improved working process methods were implemented; has been taken as a base line. And from 2009/10-2013/14 planned to conduct 1 research study in each year and implement to improve working process method.

#### **Increase the coverage of advertising and communication.**

This measurement of this goal is mainly designed to measure and evaluate how far the disseminated message reach to the people, how many of them receive the message and how many vernacular languages are employed to reach the people .It is also designed to identify what impacts have brought the message in different social class like business men; youths, students, women urban and rural dwellers.

#### **Support Jobs with IT**

In order to attain expected results at minimum cost and, enable to implement modern technology performance of one job that was supported in the year 2008/09 has been taken as a baseline and planned in subsequent years to support two jobs per year.

## **Human recourse development**

As findings in business process re-engineering show, training has greater contribution to the development of human resource. Based on this, the 2008/09 performance and the trainings which were given in six areas of studies taken as baseline and in the subsequent years it is planned to train in six areas of studies per year. The other measurement of this goal is the impact of the training on trainees' performance and identifying how many of the trainees able to perform their jobs based on the knowledge acquired from the training. Therefore, 80% of the trainee which were able to perform their jobs in 2009/10 taken as baseline and planned 85% of the trainee in 2009/10; in 2010/11 90%; in 2011/12, 95% in 2012/13, 97% and in 2013/14 98% of the trainee would able to perform their job by the knowledge they acquired from the training.

**Create good working culture:** - this measurement is designed to measure how many of the jobs are completed in premeditated time. The existing completing timely culture is estimated to be 75%. Based on this estimation, hence, in the subsequent years, the job completion target is set to be 70 % in 2010/11 and 75 % in 2011/12. In the same way, it is intended to complete 80 % of jobs in 2012/13, and 85 % in 2013/14

**Creating awareness of employees about HIV/AIDS and security in work place.;** in this unit of measurement the training provided to increase the awareness of employees, how HIV/ AIDS is harmful, gender equality and work place security training would be measured. In this regard, 7 trainings which were provided in 2009/10 budget year has been taken as baseline and in the subsequent years, 2009/10-2013/13 a target has been set to provide five trainings in each year.

## **Sales performance of NLA**

From the year 2009/10-2011/12, planed and actual sales in lottery types with their respective amount of birr presented in the following table.

Declaration

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

**Teklu Woldetsadik**

**Signature.....**

**June ,2013**

Confirmation

This thesis can be submitted for examination with my approval as a university advisor

.....

**Terefe Degefa(PHD)**

**June ,2013**

