



The Effect of Performance Management on Organizational Performance - in the case of Ethiopian Airlines

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DECLARATION

I, **Yitbarek Kassahun**, declare that this study entitled “**The effect of Performance Management on Organizational Performance: in the case of Ethiopian Airlines**” is my original work. I have carried out the present study independently with the guidance and support of the research advisor, **Abdurezak M. (PHD)**. Any other contributors or sources used for the study have been duly acknowledged. Moreover, this study has not been submitted for any Degree or Diploma program in this or any other institution.

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Signature

Date

LETTER OF CERTIFICATION

This is to certify that, this research work entitled “**The effect of Performance Management on Organizational Performance - in the case of Ethiopian Airlines**”, undertaken by **Yitbarek Kassahun** for the partial fulfillment of Masters of Arts in Human Resources Management at Addis Ababa University School of Commerce, is an original work and not submitted for any Degree either at this university or any other universities.

Abdurezak M. (PhD)

Advisor

Signature

Date

Table of Contents

DECLARATION	ii
LETTER OF CERTIFICATION	iii
LIST OF TABLES	vii
LIST OF FIGURES	vii
LIST OF ABBREVIATIONS	viii
ACKNOWLEDGEMENTS	ix
ABSTRACT.....	x
CHAPTER ONE	1
INTRODUCTION	1
1.1. Background of the Study	1
1.2. Background of the organization.....	3
1.3. Problem Statement	4
1.4. Research Question	5
1.5. Research Objectives.....	6
1.5.1. General Objectives.....	6
1.5.2. Specific Objectives	6
1.6. Significance of the Study	6
1.7. Scope of the Study	7
1.8. Organization of the Study	7
CHAPTER TWO	9
LITERATURE REVIEW	9
2.1. Performance Management	9
2.1.1. Historical Development of Performance Management.....	9
2.1.2. Definitions of Performance Management	10
2.1.3. Founding Theories of Performance Management.....	12
2.1.4. Purposes of Performance Management.....	13
2.1.5. Characteristics of Performance Management	14
2.1.6. Performance Management best practice	15
2.1.7. Performance Management Process	17
2.1.8. Result of poorly designed Performance management system.....	20
2.1.9. The future of Performance management.....	20
2.2. Organizational Performance	22

2.2.1.	Overview of Organizational Performance	22
2.2.2.	Why is Measuring Organizational Performance Important?.....	23
2.2.3.	Focus points in measuring organizational Performance	23
2.2.4.	Measures of Organizational Performance	24
2.3.	Balanced Scorecard (BSC)	25
2.3.1.	Overview of Balanced Scorecard.....	25
2.3.2.	Balanced Score Card at Ethiopian Airlines (ET)	26
2.3.3.	Balanced Score Card Implementation.....	28
2.3.4.	Cascading Balanced Score Card	29
2.4.	Empirical Evidences	31
2.5.	Conceptual Framework.....	33
CHAPTER THREE		34
RESEARCH METHODOLOGY		34
3.1.	The Research Design	34
3.2.	Population and Sample	34
3.3.	Instrument Validity and Reliability.....	35
3.4.	Source and Instruments of Data Collection	36
3.5.	Methods of Data Analysis.....	37
3.6.	Ethical Considerations	37
CHAPTER FOUR.....		38
DATA PRESENTATION, ANALYSIS AND INTERPRETATION		38
4.1.	Introduction.....	38
4.2.	Respondents profile	38
4.3.	Descriptive Analysis of Responses	40
4.3.1.	Awareness level of Respondents about organizational performance matrices of Ethiopian Airlines (ET).....	41
4.3.2.	Alignment of Ethiopian Airlines strategies with Key Performance Indicators (KPIs).....	43
4.3.3.	Organizational performance matrices of ET integration with individual performance measures.....	45
4.3.4.	Challenges in cascading ET’s organization objectives to individual level	46
4.3.5.	Effect of performance management system (PMS) of ET on its organizational performance	49
4.4.	Inferential Analysis of Responses.....	52

4.4.1.	One way ANOVA computed for variables	52
4.4.2.	Correlation	54
4.4.3.	Test of Normality	55
4.4.4.	Regression.....	56
4.4.5.	Multicollinearity Test.....	58
CHAPTER FIVE		60
SUMMARY, CONCLUSION AND RECOMMENDATION		60
5.1.	Introduction.....	60
5.2.	Summary.....	60
5.2.1.	Summary of Major Findings from Descriptive Statistics	60
5.2.2.	Summary of Major Findings from Inferential Statistics	61
5.3.	Conclusion	62
5.4.	Recommendation	63
5.5.	Future area of research.....	64
REFERENCE LIST		65
APPENDICES		71
I.	Questionnaire.....	xi

LIST OF TABLES

<u>Title</u>	<u>Page</u>
Table 3.1 Cronbach's Alpha Reliability Coefficient	36
Table 4.1 Profile of Respondents	38
Table 4.2 Profile of Respondents.....	39
Table 4.3 Frequency, Mean & SD for measures of Awareness level of ET employees.....	41
Table 4.4 Frequency, Mean & SD for measures of Alignment of ET strategies with KPI...	44
Table 4.5 Frequency, Mean & SD for measures of OP matrices integration with IP.....	46
Table 4.6 Frequency, Mean & SD for measures of challenges in cascading.....	48
Table 4.7 Frequency, Mean & SD for measures of PMS of ET on its OP	51
Table 4.8 Mean response under Position classification regarding PMS effect.....	52
Table 4.9 One way ANOVA computed for position classification.....	52
Table 4.10 Mean response under Position classification regarding PMS effect.....	53
Table 4.11 One way ANOVA computed for working experience in ET.....	53
Table 4.12 Pearson Correlation Analysis.....	54
Table 4.13 Test of Normality	56
Table 4.14 Regression	57
Table 4.15 Multicollinearity test.....	59

LIST OF FIGURES

<u>Title</u>	<u>Page</u>
Figure 2.1 Performance Management Process (Aguinis, 2009).....	18
Figure 2.2 Conceptual Framework of the Research.....	33

LIST OF ABBREVIATIONS

ANOVA:	Analysis of Variance
BSC:	Balanced Score Card
ET:	Ethiopian Airlines
HRPM:	Human Resource Procedure Manual
IP:	Individual Performance
KPI:	Key Performance Indicators
MRO:	Maintenance, Repair & Overhaul.
OP:	Organizational Performance
PM:	Performance Management
PMS:	Performance Management System
SD:	Standard Deviation
SPSS:	Statistical Package for social Science

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ABSTRACT

The objectives of this study were to attest the effect of performance management on organizational performance in Ethiopian Airlines. In addition, the study intended to determine whether a relationship exist among the variables; Integration (between organizational performance matrices and individual performance measures), Cascading (organizational objectives to individual level), Alignment (strategic objectives with key performance indicators) and Awareness (about organizational performance matrices). In order to capture the logical structure of the study, the researcher used both descriptive and explanatory research designs. A questionnaire was administered to 370 employees. The respondents were selected using simple random sampling method. The questionnaire was tested for its reliability and found to be reliable enough to study the research questions. The data collected from the survey was analyzed using SPSS software version 20.0 and presented in the form of descriptive statistics, Pearson Product Moment Correlations and Linear Regression Analysis. The results of linear regression analysis shows that Integration, cascading, and alignment significantly influence organizational performance of Ethiopian airlines. But Awareness is found to be not significant to influence organizational performance. The effectiveness of Integration between organizational performance matrices and individual performance measures, proper cascading of organizational objectives to individual level, and high alignment of strategic objectives with KPI's directly affects organizational performance. Recommendations are also made based on the overall findings for possible action which will help further improvement based on the researcher view.

Key Words: *Performance Management, Alignment, Integration, Cascading, Awareness, Key Performance Indicators, Organizational Performance.*

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The people who make up an organization -human resources- are considered to be one of the most important resources of today's firms. People and how they are managed are becoming more important because many other sources of competitive success are less powerful than they used to (Mufeed & Gulzar, 2015). Human resources are considered an asset that is most important to organization, but not all organizations utilize its potential. Lado & Wilson (1994) defines a human resource system "as a set of separate but interconnected processes, activities & functions that are focused towards attracting, developing, retaining & maintaining an organization's human resources."

Employees are the resources and assets of an organization. Consequently, organizations need to figure out strategies for identifying, encouraging, measuring, evaluating, improving and rewarding employees' performance at work. According to this respect, performance management and appraisal systems have come to play an indispensable role in helping organizations to reach their goals of productivity (Stevens & Joyce, 2000).

Performance management is a continuous process of identifying, measuring and developing performance in organizations by linking each individual's performance and objectives to the organization's overall mission and goals. Performance management is critical to all organizations and industries. After all, the performance of an organization depends on the performance of its people, regardless of the organization's size, purpose or other characteristics (Aguinis, 2009).

When successful performance management system is implemented, it helps in evaluating and improving both individual and company performance against pre-defined business strategies and objectives. Each concept of performance management has its importance as a system for managing organizational performance, managing employee performance, and for integrating the management of organizational and employee performance (Kumar, Nirmala & Mekoth, 2015).

Organizational performance is one of the most important variables in management research. Although the concept of organizational performance is very common in the academic literature, its definition is difficult because of its many meanings. For this reason, there isn't a universally accepted definition of this concept. Organizational performance analyzes company's performance as compared to goals and objectives. In corporate organizations, organizational performance encompasses three specific areas of firm outcomes: Financial performance (profits, return on assets, and return on investment), Product market performance (sales, market share), and Shareholder return, total shareholder return, economic value added (Richard, Devinney, Yip & Johnson, 2009).

Performance management systems that do not make the employee contribution to the organizational goals explicit are not true performance management systems. Making an explicit link between an employee's performance objectives and the organizational goals also serves the purpose of establishing a shared understanding about what is to be achieved and how it is to be achieved (Aguinis, 2009).

Fletcher (as cited in Armstrong, 2009) indicated that to achieve a long-term goal, the introduction of suitable performance management by aligning individual and organizational objectives is paramount in every willing organization that has a drive for organizational excellence. This means, the real concept of performance management is associated with an approach to creating a shared vision of the purpose and aims of the organization, helping each employee understand and recognize their part in contributing to them, and in so doing, manage and enhance the performance of both individuals and the organizational performance.

January 2004 Ethiopian Airline's recommended to use Balance Score Card (BSC) approach to measure its performance. The Airline uses the BSC as a strategic and communication tool to align the vision and strategy of the organization to the overall business activities and to monitor performance as compared to the set goals. The BSC maps the Airlines' strategic objectives in four perspectives: financial, internal processes, customers, and learning and growth; and specific metrics are attached to each perspective

(ET HRPM, 2016). Hence, the purpose of this study is to attest the effect of performance management on organizational performance using Ethiopian Airlines.

1.2. Background of the organization

During the past seventy years, Ethiopian Airlines has become one of the continent's leading carriers, unrivalled in Africa for efficiency and operational success, turning profits for almost all the years of its existence. Operating at the forefront of technology, the airline has also become one of Ethiopia's major industries and a veritable institution in Africa. It commands a lion's share of the pan African network including the daily and double daily east-west flight across the continent. Ethiopian employed a total of around 10,000 employees all over the world. It currently serves 93 international and 20 domestic destinations operating the newest and youngest fleet. Ethiopian Airlines is ranked 6th among the 22 most dependable airlines around the world. The ranking was made after a serious assessment in three areas: On-time performance, low checked bags costs, average age of the airline fleet.

Vision

To become the most competitive and leading aviation group in Africa by providing safe, market driven and customer focused passenger and cargo transport, aviation training, flight catering, Maintenance, Repair and Overhaul (MRO) and ground services by 2025.

Mission

- To become the leading Aviation group in Africa by providing safe and reliable passenger and cargo air transport, Aviation Training, Flight Catering, MRO and Ground Services whose quality and price “value proposition” is always better than its competitors,
- To ensure being an airline of choice to its customers, employer of choice to its employees and an investment of choice to its Owner,

-
- To contribute positively to socio economic development of Ethiopia in particular and the countries to which it operates in general by undertaking its corporate social responsibilities and providing vital global air connectivity.

1.3. Problem Statement

In today's workplace, performance improvement and the role of performance management is an increasingly popular topic. Business pressures are ever-increasing and organizations are now required to become even more effective and efficient, execute better on business strategy, and do more with less in order to remain competitive. Performance management relates to the measuring of individual and group performances and aspects of how individuals could be developed. In today's working environment, especially in corporate conglomerate, the majority of companies have implemented a performance management system to ensure that the staffs they employ deliver as per the targets that were set for them (Armstrong, 2009).

Macky and Johnson (2000) pressed that the importance of performance management system is on continuously improving organizational performance, and this is achieved by improved individual employee performance. Many contemporary organizations are placing a greater emphasis on their performance management systems as a means of generating higher levels of job performance (Gruman & Saks, 2011). Performance management systems, along with other human resource management programs, directly impact key organizational outcomes such as financial performance, productivity, product or service quality, customer satisfaction, and employee job satisfaction. This prompts for an adaptable performance management system that is rooted to strategic goals if organizations aim for favorable results in these success indicators. The idea of alignment makes the association between performance management and organizational performance very clear.

On January 2004, Ethiopian Airline's recommended to use Balance Score Card (BSC) approach to measure its performance. The Airline uses the BSC as a strategic and communication tool to align the vision and strategy of the organization to the overall business activities and to monitor performance as compared to the set goals. It also

enables the stakeholders involved to view the activities as internal and external to the airline, as a financial and non-financial metric; and for comparison of past and future performance.

According to Armstrong (2009), alignment of individual and organizational objectives is one of the most fundamental purposes of performance management. The BSC is strategic management tool in addition to the customary performance measurement system. This helps to align the strategic objectives of the airline through the individual performance measurement system. However, based on the preliminary investigation conducted in the case organization, there are challenges in implementing the performance management system effectively in synchronization with the corporate performance measures. This is due to gaps in cascading organizational strategy downwards. As a result, the appraisal result of individual doesn't effectively indicate overall organizational performance in the end. This has paved the way for this study so that the researcher tried to fill the gap by studying performance management system of Ethiopian Airlines and by assess its effect on organizational performance.

1.4. Research Question

To realize the purpose of this study and to give appropriate answer for the issues raised in the statement of the problem section, the researcher tried to address the following specific research questions;

1. What are the awareness levels of Ethiopian Airlines (ET) employees about Organizational Performance matrices of ET?
2. Do Organizational Performance matrices of ET integrate with Key Performance Indicators (KPI'S) and individual performance measures?
3. What are the challenges in cascading organization objective to individual level?
4. Does the Performance Management Systems (PMS) of Ethiopian Airlines (ET) affect Organizational Performance?

1.5. Research Objectives

The objectives of this research study are provided with the following categories:

1.5.1. General Objectives

The general objective of this research is to assess the effect of performance management system of Ethiopian Airlines on organizational performance.

1.5.2. Specific Objectives

In addition to the aforementioned general objective, the research entailed the following specific objectives:

1. To identify the awareness levels of Ethiopian Airlines (ET) employees about Organizational Performance matrices of ET.
2. To identify whether Organizational Performance matrices of ET integrate with Key Performance Indicators (KPI'S) and individual performance measures.
3. To identify the challenges in cascading organization objectives to individual level.
4. To attest the effect of Performance Management Systems (PMS) of Ethiopian Airlines (ET) on Organizational Performance.

1.6. Significance of the Study

The findings of this study are expected to provide a lot of advantages for different organs. The major benefits of this study are the following;

1. It gives insight about the discipline of performance management system in the Airlines industry.
2. Help students in the field and practitioners as a reference material to get deep insight with regard to performance management system practice as well as theory.

-
3. The organizations under study can figure out whether the current Performance Management System (PMS) of the airlines serve its basic purpose.
 4. Helps employees of the airlines to clearly understand the purpose & outcomes of the PMS.
 5. The research can also serve as reference for further related studies

1.7. Scope of the Study

The study will be more comprehensive if other human resource functions that have impact on organizational performance are addressed. However, due to time constraint, the scope of the study limited to performance management and its effect on organizational performance.

Moreover, while other factors could be taken into consideration to determine the organizational performance, this research didn't address other elements of Ethiopian Airlines overall business practice.

From the total employees of the airline, 6,100 of them are working in Addis Ababa area including temporary workers, for this study the researcher took samples from the total population of 4,700 employees excluding temporary workers. In addition, the research only covered permanent employees of the company as the performance management system is not implemented for temporary and peace rate workers hence their view on this not incorporated.

1.8. Organization of the Study

The research report is organized in five chapters.

Chapter one deals with the introduction part of the study. The second chapter includes review of related literature. This chapter discusses in detail the theoretical aspects of the subject under study. Chapter three deals with methods of the study like the type and design of research, sample and sampling technique, instrument for data collection, procedure for data collection, method of data analysis, validity and reliability and ethical

consideration. Chapter four includes data presentation, analysis and interpretation. The final chapter deals with summary, conclusion and recommendation.

CHAPTER TWO

LITERATURE REVIEW

2.1. Performance Management

2.1.1. Historical Development of Performance Management

Compared to the natural sciences, such as physics and chemistry, human organization or administration is more loosely defined, some considering it a science and others an art. However, both proponents of management as a science and as an art agree on its ultimate role getting things done, or accomplishing desired goals. Hence performance management has emerged over time as a discipline that assists in establishing, monitoring and achieving individual and organizational goals (Brudan, 2010).

Eichel & Bender (as cited in Kelly, 2012) indicated Performance Management is apparent in history since third century China during which WEI Dynasty was in control. The first known example of performance appraisal took place in the time of the emperor employed an “Imperial rater” to evaluate the performance of the official family. During the sixteenth century, Ignatius Loyola utilized a system for formally rating members of the Jesuit society (Armstrong, 2009).

Prior to World War 1, performance appraisal first became manifest through the scientific school of management which was governed by Frederick Taylor (McMahon, 2009). Following in the footsteps of Taylor and his utilization of performance appraisal, American pioneer WD Scott rated workers’ abilities in industry and operated the “man to man comparison scale” (Armstrong & Baron, 1998). This was momentarily to be employed to rank US army officers.

Merit rating came into effect in the 1950s and 1960s in the US and UK and this soon became acknowledged as performance appraisal. Throughout the 1960s and 1970s management by the setting of objectives came into effect. In the 1970s, 'Performance Management' was first used as a term but it wasn't until the late 1980s when it became known as a familiar process (Armstrong & Baron, 1998).

CIPD (as cited in Kelly, 2012) have followed the development of performance management since the early 1990s. The most notable activities of performance management during the early 1990s were 'appraisal and objective setting'. Activities such as 'communication or development' were not commonly found. The second half of the 1990s began to see a quicker development in performance management due to the alignment of the workplace into one that expended knowledge through excelled and advanced ways of managing performance and it was to be seen as 'a continuous process rather than an annual activity'

CIPD (2009) discussed the approach forward for the progression of performance management in the 21st century is based around the understanding and compliance among managers to 'create a high performance, high commitment work system'. The reliance on improving individual's performances would lead to an overall better performance of the organization as a whole was no longer enough, the way forward for performance management would entail fitting into the organizational strategies along with HR policies (Armstrong, 2009).

2.1.2. Definitions of Performance Management

A key expectation from management, at both organizational and individual level, is measuring and managing performance. From idea to action and achieving desired results there is a journey to take. According to Ivanovic & Collins (2003) Performance is the way in which someone or something acts. It is any recognized accomplishment; a process or manner of functioning or operating; management execution. In other words, Performance can be defined as efforts along with the ability to put efforts supported with the organizational policies in order to achieve certain objectives (Ivanovic & Collins, 2003).

The earliest reference to performance management in the literature was made by Warren in 1972 (Armstrong, 2009). Amongst other things, Warren suggested that a large group of employees – preferably all – must be told clearly, objectively and in their own language what is specifically expected of them, and that they must be told in clear terms, without

threats, how they are doing in terms of expectations. Employees must be positively reinforced for desired performance.

The term "performance management" was first coined by Beer and Ruh in 1976 to distinguish it from the traditional performance appraisal process in that it focused on both evaluation and development. It encouraged the active participation of appraisee and emphasized two-way communication during the process, thereby alleviating many of the problems inherent in the traditional performance appraisal arrangements. Aguinis (2009) described performance management as a continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization.

When we say, performance management is ongoing; it involves a never-ending process of setting goals and objectives, observing performance, and giving and receiving ongoing coaching and feedback. It also requires that managers ensure that employees' activities and outputs are congruent with the organization's goals and, consequently, help the organization gain a competitive advantage.

Armstrong (2009) asserts that Performance management is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. Processes exist for establishing shared understanding about what is to be achieved, and for managing and developing people in a way that increases the probability that it will be achieved in the short and longer term.

It is hoped that data is gathered from systematic observations, not only to measure current performance accurately but also to provide the necessary feedback information for changes that will improve future performance. The purpose is to measure improvement, differentiate between levels of performance, determine training needs, validate rewards and identify employees for promotion (Kumar *et al.*, 2015).

Performance management is about helping people to understand how they contribute to the strategic goals of organizations and ensuring that the right skills and effort are focused on the things that really matter to organizations and will make an impact on

organizational performance (CIPD, 2009). It focuses people on doing the right things by clarifying their goals. It is owned and driven by line management (Armstrong, 2009).

Performance management should be;

- Effective – it should ensure people have the knowledge and ability to perform,
- Strategic – it is about broader issues and longer-term goals,
- Integrated – it should link various aspects of the business, people management, and individuals and teams (CIPD, 2009).

2.1.3. Founding Theories of Performance Management

Buchner (as cited in Armstrong, 2009) lists Goal, Control and Social Cognitive theories are the three underpinning theories for performance management.

➤ Goal Theory

This theory underpins the emphasis in performance management on setting and agreeing objectives against which performance can be measured and managed. Moreover, this theory supports the agreement of objectives, feedback and review aspects of performance management. The most effective performance seems to result when goals are specific and challenging, when they are used to evaluate performance and linked to feedback on results, and create commitment and acceptance.

➤ Control Theory

Control theory focuses attention on feedback as a means of shaping behavior. As people receive feedback on their behavior they appreciate the discrepancy between what they are doing and what they are expected to do and take corrective action to overcome the discrepancy. Feedback is recognized as a crucial part of performance management processes. To manage performance also requires that managers focus on supporting the performer's pursuit of the desired results instead of simply trying to control the performer's behavior (Nickols, 2013).

➤ **Social Cognitive Theory**

Social cognitive theory was developed by Bandura in 1986 (Armstrong, 2009). It is based on his central concept of self-efficacy (i.e. an individual's belief in his or her capacity to execute behaviors necessary to produce specific performance attainments). This suggests that what people believe they can or cannot do powerfully impacts on their performance. Developing and strengthening positive self-belief in employees is therefore an important performance management objective.

2.1.4. Purposes of Performance Management

There are a number of reasons why it's useful to undertake performance management. The most basic objective of performance management is to provide information about work behaviors that can be used for feedback, reward allocation, training and development and succession planning (McGilloway, 2005).

According to Armstrong (2009) the overall objective of performance management is to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organization. The purpose of PM differs from organization to organization depending on the objective to be achieved. However, Aguinis (2009) explained the following six purposes of performance management.

Strategic Purpose: Performance management is most useful when it aligns individual objectives with business goals and helps individuals to understand the contribution they are making and how their role fits into overall strategic business objectives. It is the process of linking organization's goals with individual goals so that it can successfully attain its goals.

Administrative Purpose: It helps managers for making sound decisions about employees, including salary adjustments, promotions, employee retention or termination, recognition of superior performance, identification of poor performers, layoffs, and merit increases.

Informational Purpose: Performance management systems serve as an important communication device to inform employees about how they are doing, and provide them with information on specific areas that may need improvement. It also related to the strategic purpose, they provide information regarding the organizations and the supervisor's expectations, and what aspects of work the supervisor believes are most important. Performance management promotes openness, transparent and smooth flow of information among employees.

Developmental Purpose: It provides feedback that helps managers to coach employees and help them to improve their performance in continuous basis. This feedback can be used in a developmental way and allows for the identification of strengths and weaknesses as well as the causes for performance deficiencies. Another aspect is that employees receive information about themselves that can help them tailor their career paths. Thus, the developmental purpose refers to both short-term and long-term development aspects.

Organizational maintenance Purpose: performance management plays a great role in providing information of current employees to be used in workforce planning as well as assessing future training needs, evaluating performance achievements at the organizational level, and evaluating the effectiveness of human resource interventions.

Documentational Purpose: Performance management systems enable to maintain documents that can be used for several purposes. It provides data that can be used to review the critical accuracy of newly projected selection instruments. It allows also for the documentation of important personnel decisions. This information can be especially useful in the case of litigation.

2.1.5. Characteristics of Performance Management

According to Armstrong (2009) Performance management is a planned process of which the five primary elements are agreement, measurement, feedback, positive reinforcement and dialogue. Some of its characteristics include the following:

-
- I. It is based on the agreement of role requirements, objectives and performance improvement and personal development plans.
 - II. It provides the setting for ongoing dialogues about performance. It is also concerned with inputs and values. The inputs are the knowledge, skills and behaviors required to produce the expected results.
 - III. Performance management is not just a top-down process in which managers tell their subordinates what they think about them, set objectives and institute performance improvement plans. It is not something that is done *to* people.
 - IV. Performance management is a continuous and flexible process that involves managers and those whom they manage acting as partners within a framework that sets out how they can best work together to achieve the required results.
 - V. It is based on the principle of management by contract and agreement rather than management by command. It relies on consensus and cooperation rather than control or coercion.
 - VI. Performance management focuses on future performance planning and improvement and personal development rather than on retrospective performance appraisal (Armstrong, 2009).

2.1.6. Performance Management best practice

According to Aguinis (2009), the followings are a set of characteristics that is likely to allow a performance management system to be successful. Practical constraints may not allow for the implementation of all these features. However, it is important to check the presence of these characteristics in the system, the more these features that are incorporated in the system the more likely to allow a performance management system to be successful.

1. **Strategic congruence;** the system should align individual goals and unit goals with organization's strategy.
2. **Thoroughness;** thoroughness regarding the following dimensions: All employees along with managers should be evaluated, all major job responsibilities including

behaviors and results should be evaluated, the evaluation should include performance spanning of the entire review period and Feedback should be given.

3. **Practicality;** the systems should be easy to use and acceptable, and the benefits must outweigh the costs.
4. **Meaningfulness;** First, the standards and evaluations conducted for each job function must be considered important and relevant. Second, performance assessment must emphasize only those functions under the control of the employee. Third, evaluations must take place at regular intervals and at appropriate moments. Fourth, the system should provide for continuing skill development of evaluators. Finally, the results should be used for important personnel decisions.
5. **Specificity;** the system should provide detailed and concrete guidance to employees about what is expected of them and how they can meet these expectations.
6. **Identification of effective and ineffective performance;** the system should provide information allowing for the identification of effective and ineffective performance.
7. **Reliability;** A good system should include measures of performance that are consistent and free of error.
8. **Validity;** the measures of performance should include all relevant performance facets and do not include irrelevant performance facets.
9. **Acceptability and fairness;** A good system is acceptable to and perceived as fair by all participants.
10. **Inclusiveness;** Good systems include input from multiple sources on an ongoing basis. The evaluation process must represent the concerns of all the people who will be affected by the outcome. Employee input about their performance should be gathered from the employees themselves before the appraisal meeting.
11. **Openness.** The systems should evaluate performance frequently, and feedback is provided on an ongoing basis. The appraisal meeting consists of a two-way communication process, where information is exchanged. Standards should be

clear and communicated on an ongoing basis. Finally, communications are factual, open and honest.

12. **Correctability;** the process of assigning ratings should minimize subjective aspects and when employees perceive an error has been made, there should be a mechanism through which this can be corrected.
13. **Standardization;** performance is evaluated consistently across people and time. To achieve this goal, the ongoing training of the individuals in charge of appraisals, usually managers, is a must.
14. **Ethicality.** Good systems comply with ethical standards. This means that the supervisor suppresses personal self-interest in providing evaluations and evaluates only performance dimensions, while respecting the privacy of the employee (Aguinis, 2009).

2.1.7. Performance Management Process

The performance management process focuses on overall performance of the unit. Great importance is given for effective accomplishment of the goals of the organization. The steps in the performance management process may vary from one organization to another organization. But special focus will be given to the activities of higher priority. Most programs include certain core activities working from the highest level of the organization down to the smaller components.

Although there is no universal model of performance management, there are a number of elements which might typically be found in a Performance Management Process (CIPD, 2009). These elements are closely related to each other and the poor implementation of any of them has a negative impact on the performance management system as a whole. However, when a system is first implemented, the process follows the following stages (Aguinis, 2009).

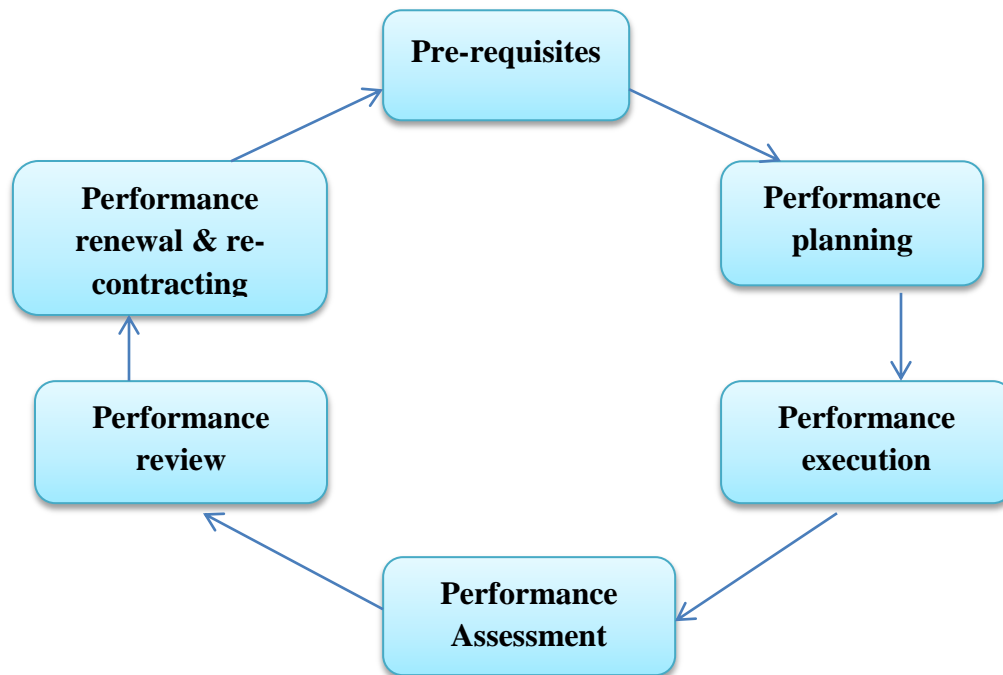


Figure 2.1 Performance Management Process

Source: Herman Aguinis: An expanded view of performance management, 2009

I. Pre-requisites

Before a performance management is implemented, there are two important prerequisites are required.

1. Knowledge of the organization`s mission and strategic goals
2. Knowledge of the job in question.

An organization`s overall goal get cascaded downward after once the goal for the entire organization have been established, along with department setting objectives to support the organization`s overall mission and objectives. This cascading activity continues downward until each employee has a set of goals compatible with those of the organization. The second prerequisite of the performance management process is knowledge about the job in question which is done through job analysis. Moreover, without a job analysis, it is difficult to understand what constitutes the required duties for a particular job. If we don`t know what an employee is supposed to do on the job, we won`t know what needs to be evaluated and how to do so.

II. Performance Planning

The performance planning part involves agreement between the manager and the individual on what the latter needs to do to achieve objectives, raise standards, improve performance and develop the required competencies. The aim is to ensure that the meaning of the objectives, performance standards and competencies as they apply to everyday work is understood. They are the basis for converting aims into action (Armstrong, 2006). In this stage employees should have clear knowledge of the performance management system. The supervisor and the employee meet to discuss and should reach on consensus on what needs to be done and how it should be done. This performance planning discussion includes a consideration of both results and behaviors, as well as a development plan.

III. Performance Execution

Performance execution is the stage where the employee expected to perform or implement the agreed upon goals during the performance planning phase of the process by delivering the results, behaviors as well as developmental plans. The employee has primary responsibility and ownership of this process. At this stage, the following factors must be present; commitment to goal achievement, ongoing performance feedback and coaching, communication with supervisor, collecting and sharing performance data, and preparing for performance reviews. Supervisor has also needs to do the following issues: observing and documenting performance on a daily basis, provide feedback and coaching, reinforce effective behaviors and progress toward goals.

IV. Performance Assessment

After planning and execution of the plan it becomes necessary to see whether the job is performed as per the planning and guideline. In this stage, both the employee and the manager are responsible for evaluating the extent to which the desired behaviors have been displayed and whether the desired results have been achieved by using the performance information which is mainly provided by the direct supervisor. It is important that both the employee and the manager take ownership of the assessment process. The inclusion of self-appraisals is also beneficial regarding important additional factors (Aguinis, 2009).

V. Performance Review

The performance review stage involves the meeting between the employee and the manager to review their assessments. This meeting is usually called the appraisal meeting or discussion. The appraisal meeting is important because it provides a formal setting in which the employee receives feedback on his or her performance (Aguinis, 2009).

VI. Performance Renewal and Re-contracting

Performance renewal and re-contacting is the final stage of the performance management process. Although this component is identical to the performance planning stage, this component uses information gathered during the review period to make adjustments as needed. For example, some new key accountabilities and competencies may be included. Conversely, some goals may have to be adjusted either upward or down ward.

2.1.8. Result of poorly designed Performance management system

According to Aguinis (2009) poorly designed performance management system results: Quitting of employees, false or misleading information about an employee's performance, low level of self-esteem, high wastage of resources of money and time, the relationships among the individuals involved may be damaged, poor motivation, increased levels of job burnout and job dissatisfaction by employees, increased risk of litigation, expensive lawsuits may be filed by individuals who feel they have been appraised unfairly, personal values, biases and relationships are likely to replace organizational standards.

2.1.9. The future of Performance management

Environmental conditions today are very much different. Customer needs are more diverse and work is more complex. The workforce is more educated, more mobile and has different aspirations. Thus by the beginning of the twenty-first century the vast majority of the workforce is active in technology intensive, services industries, which involve human interactions, stakeholder management and regular, fast decision making made by each employee (Brudan, 2010).

As observed by CIPD (2009) Performance Management has attained a position which is a vital link between the day to day duties that are performed by individuals in the organization alongside the progression towards achieving the organizations overall strategic goals. There is a change now forming with Performance Management where it is moving from human resource focused activity to becoming a vital strategic system for organizations delivering objectives that will be achieved to the required standards and will be carried out effectively. Organizations will now be evolving their Performance Management systems to provide systems which will be applied to counter act with other business activities to receive dedication and collaboration to the highest form with their individuals.

The Business Forum (as cited by Kelly, 2012) states that there are currently challenges found in business today with regards to the preservation of talent and the retention of competency with regards to output and maintaining a profitable organization. For this purpose organizations need to control resources and develop advancement in their market to maintain competitiveness.

New techniques concerning software will guarantee that many difficulties encounter with paper based performance management and appraisals will be eliminated and will safeguard reliability and guarantee that legal issues concerning appraisals are guarded. The new software will help managers in directing them towards the setting of their goals and objectives and the appraisal system, along with automating the measurement of performance (Kelly, 2012).

Currently social media taking on a role in the recruiting sector and it looks like it will also impact performance management. In the future, social media interfaces will be part of the software design to make it as user-friendly as possible. Software will be designed to function in real-time to allow for constant feedback and regular updates between managers and co-workers (Kelly, 2012).

2.2. Organizational Performance

2.2.1. Overview of Organizational Performance

Organizations have an important role in our daily lives and therefore, successful organizations represent a key ingredient for developing nations. Thus, many economists consider organizations and institutions similar to an engine in determining the economic, social and political progress. Thus, organizational performance is one of the most important variables in the management research and arguably the most important indicator of the organizational performance (Gavrea, Ilieș & Stegorean, 2011). Although the concept of organizational performance is very common in the academic literature; its definition is difficult because of its many meanings. For this reason, there isn't a universally accepted definition of this concept.

The authors Lebas & Euske (2006) provide the following definition to illustrate the concept of organizational performance: Organizational Performance is a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results.

Organizational performance encompasses financial performance (profits, return on assets, return on investment); Market performance (sales, market share); and Shareholder return (total shareholder return, economic value added) (Richard et.al, 2008). Organizational performance is generally indicated by effectiveness, efficiency, productivity, satisfaction of employees and customers, innovation, quality of products and services and ability to maintain a unique human pool. The ultimate goal of a business organization is higher financial performance or maximization of wealth for stake holders (Becker & Huselid, 1998).

Nonetheless, attaining the organization's goals depends upon the extent to which its organizational performance is reached. It's a complex but important concept, and managers need to understand the factors that contribute to high organizational performance. After all, they don't want (or intend) to manage their way to mediocre performance. They want their organizations, work units, or work groups to achieve high

levels of performance, no matter what mission, strategies, or goals are being pursued (Mufeed & Gulzar, 2015).

2.2.2. Why is Measuring Organizational Performance Important?

There are a number of reasons why an organization may choose to measure its performance. According to Ketchen & Short (2012) one of the reasons is to determine how well an organization is doing at reaching its vision, mission, and goals. Performance measurement provides a reliable process to determine if an organization's current system is working well. These reasons promote an organization's use of process and outcome data as a means to demonstrate its performance.

There are other typical circumstances of why an organization may choose to measure its performance, such as: distinguish what *appears* to be happening from what *is really* happening, establish a baseline; i.e., measure before improvements are made, make decisions based on solid evidence, demonstrate that changes lead to improvements, allow performance comparisons, monitor process changes to ensure improvements are sustained over time, recognize improved performance, leads to better asset management, and increase ability to provide customer value (HRSA, 2011).

2.2.3. Focus points in measuring organizational Performance

Stanleigh (n.d.) recommends the following four opportunities for managers to identify and increase their organization's effectiveness when measuring organizational performance:

- 1. Identify the Strategic Measurements Right Down to Departmental Level:**

When it comes to performance, it is always a challenge to determine what to measure and of course how to measure it. The top management team creates the strategic plan. The departmental heads cascade this plan to their employees. This communication must include how the strategy's success will be measured.

- 2. Simplify Performance Measures:** Organizations that successfully measure their performance achieve superior results. Conversely, organizations that over

complicate their performance measures find it more difficult to measurably know the extent to which they've realized their goals. Performance measures must be defined for each level of performance accountability. That is, for the key business processes within the organization.

3. **Measure the Right Things:** Identify all of the key business processes throughout the organization. Ensure that their performance measurements are measuring the right things so that management can create a “desired results or outcomes” list of key organizational performance measures.
4. **Eliminate “Silo” Thinking:** Some pervasive drivers of “silo” thinking are competition among functional and structural groups over resources such as: money, budget, credit, equipment and workforce. To reduce the impact of “silo” thinking it is important to allow data and information to flow across the organization and reduce competition for resources through prioritization of initiatives in accordance with the organization’s strategic direction and planning.

2.2.4. Measures of Organizational Performance

According to TRADE (as cited in the study of Ondoro, 2015) most performance measures can be grouped into one of the following six general categories: effectiveness, efficiency, quality, timeliness, productivity, safety, profit, sales and market share, and customer service.

There is no single, ‘one best’ approach to performance measurement, but the need for balance between quantification and relying on the numbers versus qualitative evidence is important. Balanced Scorecard (Kaplan & Norton, 1992) presents yet another approach; they argue that one of the most important strengths of the Balanced Scorecard is that each unit in the organization develops its own specific or unique measures that capture the unit’s strategy, beside common measures that are employed for all units. The approach derives its four perspectives from organization’s vision, strategy, and objectives (Ondoro, 2015).

2.3. Balanced Scorecard (BSC)

2.3.1. Overview of Balanced Scorecard

The balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. It was originated by Drs. Robert Kaplan and David Norton as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results (Murby & Gould, 2005).

According to Kaplan & Norton (1992), the balanced scorecard allows managers to look at the business from four important perspectives. While giving senior managers information from four different perspectives, the balanced scorecard minimizes information overload by limiting the number of measures used. It forces managers to focus on the handful of measures that are most critical. The four perspectives include the followings:

1. **Customer Perspectives:** BSC demands that managers translate their general mission statement on customer service into specific measures that reflect the factors that really matter to customers. Customers' concerns tend to fall into four categories: time, quality, performance and service, and cost.
2. **Internal Business Perspective:** The internal measures for the balanced scorecard should stem from the business processes that have the greatest impact on customer satisfaction-such as, factors that affect cycle time, quality, employee skills, and productivity. Companies should also attempt to identify and measure their company's core competencies, the critical technologies needed to ensure continued market leadership.
3. **Innovation and Learning Perspective:** Metrics can be put into place to guide managers in focusing training funds where they can help the most. In any case,

innovation and learning constitute the essential foundation for success of any knowledge-worker organization. Kaplan & Norton (2007), emphasize that 'learning' is more than 'training'; it also includes 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.

4. **Financial perspectives:** Financial performance measures indicate whether the company's strategy, implementation, and execution are contributing to bottom-line improvement. Typical financial goals have to do with profitability, growth, and shareholder value. The financial perspective addresses the question of how shareholders view the firm and which financial goals are desired from the shareholder's perspective.

The balanced scorecard puts strategy and vision, not control, at the center. The measures are designed to pull people toward the overall vision. By combining the financial, customer, internal process and innovation, and organizational learning perspectives, the balanced scorecard helps managers understand, at least implicitly, many interrelationships. This understanding can help managers transcend traditional notions about functional barriers and ultimately lead to improved decision making and problem solving. The balanced scorecard keeps companies looking and moving forward instead of backward (Kaplan & Norton, 2007).

2.3.2. Balanced Score Card at Ethiopian Airlines (ET)

January 2004 Ethiopian Airline's recommended to use Balance Score Card (BSC) approach to measure its performance. The Airline uses the BSC as a strategic and communication tool to align the vision and strategy of the organization to the overall business activities and to monitor performance as compared to the set goals. The BSC maps the Airlines' strategic objectives in four perspectives: financial, internal processes, customers, and learning and growth; and specific metrics are attached to each perspective (ET HRPM, 2016).

According to ETs Human resource procedure manual (2016) performance period is aligned to the budget period from July 01 to June 30 G.C. every fiscal year. There are three steps in performance management system. Target preparation, first semi-annual rating and year end rating. Ethiopian Airlines Balanced Score card has customized last perspective of learning and growth to be Human capital management keeping the rest three perspectives as it is Financial, Internal process and Customer services. Every perspective comprised of the following contents:

- Strategic Objectives
- Measurement, Key performance Indicators (KPI)
- KPI weight
- Targets
- Initiatives and programs
- Cascading of targets

Strategic Objectives: Strategic Objectives are the building blocks of the strategy and describe the more actionable activities that lead to the strategic result. Strategic Objectives would normally express continuous improvement, enhancement activities, without being limited to being specific projects. Strategic Results are the intended results of the Strategic Objectives expressed in qualitative or quantitative terms.

Performance measures: Performance measures are Yardsticks used to evaluate how well employees have achieved objectives. Ethiopian Airlines performance Measures are developed based on the following criteria: Must be meaningful and relevant to the unit, have strong relationship to strategic objectives and outcomes, give vital information to achieve objective, measurable with reasonable effort, and collectable or accessible from a data source with reasonable ease.

KPI Weight: It is weight assigned to each performance measures or standards based on their relevance to achieve strategic objectives and the time an employee spent in doing the activities.

Targets: Targets can be cascaded down from Organizational or Divisional Strategy, current Business Requirements, Baseline Performance, existing & planned. Targets should be stretched to drive improvement in one or a number of the performance measures.

Initiatives and programs: Strategic Initiatives are new or existing, short-term or long-term projects and activities identified during the scorecard development process that will improve performance in Strategic Objectives. Most important Strategic Initiatives will be selected based on established criteria.

Cascading of targets: Cascading is the translation of high-level strategy into aligned lower-level objectives and measures. The higher level Strategic Objective is redefined for the lower organizational level in accordance with the function, role, and mandate of the lower level in such a manner that the newly redefined objective will support the higher objective.

Rating scale: The rating scale varies from 1 to 5. Meeting BSC/ISC targets basically qualify for a rating score of 3 (ET HRPM, 2016).

2.3.3. Balanced Score Card Implementation

According to Armstrong (as cited in Tewabech, 2016) the major steps required to introduce and operate a balanced scorecard approach are:

1. ***Define the elements of the scorecard:*** It is necessary to establish the constituents of the balanced scorecard perspectives from which performance requirements will be defined and measured as a basis for improvement.
2. ***Identify performance drivers:*** The second step is to identify the performance drivers for each of the categories. Links will need to be established between each of these areas so that they are mutually reinforcing. For example, high levels of customer service in defined areas will lead to better financial performance; customer service levels can be improved by attention to processes such as on-time delivery, and customer care will be enhanced, if the right people are selected and given the training to develop the necessary skills.

-
3. **Identify performance measures:** The third step is to determine how performance in each of the categories will be measured. In some areas such as finance and customer service it may be quite easy to determine quantitative measures such as sales or levels of service as assessed by surveys, questionnaires and mystery shopping. The measures for the process and change in perspectives may, however, have to focus on the achievement of development programs to meet defined specifications and to deliver expected results.
 4. **Communicate:** This step is to communicate to all employees what the balanced scorecard is, why it is important, how it will work, the part they will be expected to play and how they and the organization will benefit from it.
 5. **Operationalize:** The fifth step is to operationalize the system. This means developing policies, procedures and processes that ensure it is applied at all levels in the organization.
 6. **Train:** The sixth step is to provide training for everyone in the organization on the operation of the balanced scorecard and on what, on their different levels, they are expected to do about managing and implementing the process.
 7. **Monitoring, evaluation and review:** Finally, the operation of the balanced scorecard should be monitored and its effectiveness evaluated in agreement with its objectives. A review can then take place to decide on where improvements or amendments need to be made and how they will take place (Tewabech, 2016).

2.3.4. Cascading Balanced Score Card

Bill Jensen (2000) suggests that a leading cause of work complexity is unclear goals and objectives and lack of alignment of goals. Cascading refers to the process of developing Balanced Scorecards at each and every levels of organization. These Scorecards align with company's highest-level Scorecard by identifying the strategic objectives and measures that lower-level departments and groups will use to track their progress in contributing to overall goals.

Developing a high-level organizational Scorecard is a great way to gauge its success in meeting strategic objectives and to generate awareness of strategy on the part of its

employees. But will mere awareness of organizational strategies lead to change at all levels of the company? To maximize the effectiveness of the Scorecard, every group should have the opportunity to develop linked Scorecards that demonstrate how they're contributing to the company's goals (Niven, 2006). The best way to do this is by cascading the Balanced Scorecard to every far-reaching level of the organization. When we cascade the Scorecard driving it down to lower levels in the company we provide a way for all employees to see how their day-to-day actions relate to the strategic plan. For employees, strategy is no longer some poorly understood treatise formulated by senior management but is transformed into specific objectives and measures they need to achieve in order to make a meaningful contribution to success. And that is precisely what every single employee wants more than anything else: to make a contribution.

A lack of alignment between personal objectives and corporate strategy obscures the hope of finding true meaning and contribution in work. Cascading the Balanced Scorecard helps restore this possibility by providing all employees, regardless of function or level, with the opportunity to demonstrate that what they're doing is indeed critical to the overall efforts of the organization. Not only does the cascading process align employee actions with strategy, it is consistently cited as a key factor in the success of Balanced Scorecard programs (Niven, 2006).

In fact, Kaplan and Norton (1992) have discovered that the greatest gap between Balanced Scorecard Hall of Fame organizations and all others occurs in aligning the organization to the strategy. Successful Scorecard implementers know that those on the front line must embrace and use this tool if it is to reach its maximum effectiveness. Cascading the Scorecard allows to reach an entire organization and supply them with the means of answering the critical question: How do I add value and make a meaningful contribution to our success? The answer lies in the objectives and measures embedded in Balanced Scorecards throughout an organization.

Depending on the size of an organization, it may develop dozens of cascaded Balanced Scorecards at all levels of the company. The benefits of alignment and increased knowledge cannot be overstated, but danger may lurk if a company doesn't carefully monitor the Scorecards being created. Unrealistic targets, missing measures, and

departments working against each other may all result if it doesn't put a review and evaluation process in place to ensure truly aligned Balanced Scorecards. Here are some things to look for when reviewing the cascaded Balanced Scorecards at organization: linkage to related scorecards, linkage to strategy, appropriate targets, coverage of key objectives and lag and lead indicators (Niven, 2006).

2.4. Empirical Evidences

There are extensive empirical studies in relation to performance management and Organizational performance. Therefore, in this section the most selected and related empirical findings of related literatures are presented.

Listiani & Kartini (2015) conducted an empirical study about impact of performance management on organizational performance in West Java-Indonesia. According to the study performance management is measured through three dimensions: performance planning, performance assessment, and feeding it behind. While organizational performance is measured through four dimensions: financial perspectives, customer perspective, internal business processes, and learning and growth perspective. Findings suggest that in the enterprise area, performance management system affects the performance of an organization.

According to Kumar, Nirmala, & Mekoth (2015) the performance management system has been considered as the most significant system in the organization. This research studied the relationship between performance management system and organization performance of manufacturing and service firms in India. In this research, a survey is conducted using a questionnaire. Statistical analysis shows relationship between performance management practices and perceived organizational performance. This indicates that such practices of performance management help an organization to achieve sustained growth. This relationship also can be explored further, as it suggests that organizations may have to take a re-look at the total performance management system so as to improve organizational performance.

Qureshi & Hassan (2013) conducted an empirical study about impact of performance management on organizational performance in McDonalds. The main objective of this

study is to find that Performance management is helpful to improve organizational performance and how it is linked with the training needs of the employees. Findings suggest that performance management has an effect on organizational performance. Moreover the performance management system is well connected with the training and development needs of the employees as well as with the reward management. These factors are helping McDonalds to improve the productivity of the under performers and motivating the above performers to give their best output for the company.

Tewabech (2016) conducted an empirical study about the impact of BSC implementation on the performance of an organization in the case of Ethiopian Airlines. The main objective of the study is to assess the impact of BSC on Ethiopian Airlines performance. Based on the findings of the study, the strength and weakness of BSC implementation in the airline are identified. This study shows the impact of the three BSC perspectives which significantly affect the performance of Ethiopian Airlines.

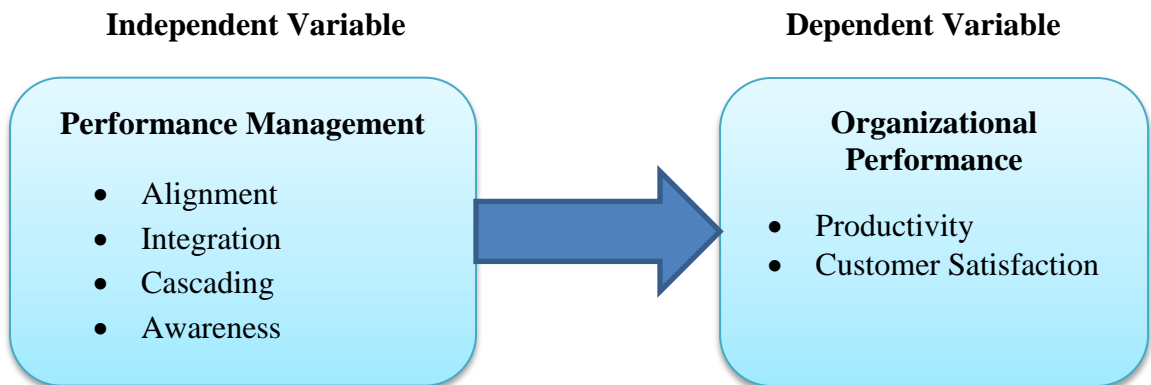
2.5. Conceptual Framework

The greatest gap between Balanced Scorecard Hall of Fame organization in their organizational performance and all others occurs in aligning the organization to the strategy (Kaplan & Norton, 1992).

Based on literature, the conceptual framework shown in the figure below is used for this study. Performance management is the independent variable and organizational performance is the dependent variable. The framework depicts organizational performance (Productivity and Customer satisfaction) as influenced by performance management variables including Awareness (about organizational performance matrices), Alignment (strategic objectives with Key Performance Indicators (KPIs)), Integration (between OP matrices and individual performance measures), and Cascading (organizational strategic objectives to individual level).

Thus, the conceptual framework was formulated to show the effect of Independent variables on dependent variables.

Figure 2.2 Conceptual Framework of the Research



Source: Own Construction based on literature review

CHAPTER THREE

RESEARCH METHODOLOGY

This study assessed Performance management of Ethiopian airlines and its effect on organizational performance. Under this topic: the research design, target population and sampling techniques, Instrument validity & reliability, method of data analysis, the data collection instrument, and ethical consideration which were used in the research are discussed as follows.

3.1. The Research Design

The research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. As such the design includes an outline of what the researcher will do from writing the hypothesis and its operational implications to the final analysis of data (Kothari, 2004).

In order to capture the logical structure of the study, the researcher used both descriptive and explanatory research design. These designs clearly attested the performance management system of the company as well shows its effect on organizational performance.

3.2. Population and Sample

The study of the total population is not possible and it is also impracticable. The practical limitation: cost, time and other factors which are usually operative in the situation stand in the way of studying the total population (Singh, 2006).

There are several alternative ways of taking a sample. The major alternative sampling plans may be grouped into probability techniques and non-probability techniques. In probability sampling every element in the population has a known nonzero probability of selection. The simple random is the best-known probability sample, in which each member of the population has an equal probability of being selected. Probability sampling designs are used when the representativeness of the sample is of importance in the interest of wider generalizability. When time or other factors, rather than generalizability, become critical, non-probability sampling is generally used. As a result,

probabilistic random sampling used in this research since the target population is properly defined.

As per the report from Human resource department of Ethiopian Airlines, total employees are around 10,000. From these employees 6,100 of them are working in Addis Ababa. For this study the researcher took samples from the total population due to shortage of time, resource and for proper organization of data. Considering access to participants for the related information, this research also focused on all employees of management and non-management positions except temporary employees and employee with low level of educational background for the reason that they will not be able to understand the questioner.

Simple random sampling is the most widely used techniques which all possible subsets of a population are given an equal probability of being selected. The researcher used this technique to select 370 respondents as a sample out of the total population of 4,700 employees excluding temporary workers. The sample size has been determined by applying the formula adopted from krejcie and Morgan's (1970), $n = \frac{N}{1 + N(e)^2}$ to find 370 as representative sample size. To counter check the accuracy of the sample size number, the researcher used RAOSOFT online sample size calculator and gotten the sample size of 356 (See appendix). The required sample size determined at 95% confidence level and with 5% margin of error. By comparing the two results, the researcher chooses to use the sample size generated by Krejcie and Morgan formula i.e. 370.

3.3. Instrument Validity and Reliability

Validity concerns the degree to which a question measures what it was intended to measure. To assure the validity of the study, the researcher discussed with the advisor and other management staffs about the questionnaires before it was distributed. It was developed on the basis of previous studies and review of related literature. In addition, the researcher provided explanations concerning on the questions to the respondents.

As per Khotari (2004) reliability refers to consistency, where internal consistency involves correlating the responses to each question in the questionnaire with those other

questions in the questionnaire. The student researcher used Cronbach's alpha to calculate the internal consistency of the instrument.

Cronbach's alpha coefficients range in value from 0 to 1 and may be used to describe the reliability of factors extracted from dichotomous and or multi-point formatted questionnaires or scales. However, there is no lower limit to the coefficient. The closer Cronbach's coefficient alpha is to 1, the greater the internal consistency of the items of the scale (Struwig & Stead, 2001).

Table 3.1 Cronbach's Alpha Reliability Coefficient

Reliability Statistics		
Variables	Cronbach's Alpha	N of Items
Awareness level	.530	6
Alignment	.852	6
Integration	.932	7
Cascading	.871	7
Organizational performance	.847	8
Over all	.943	34

Accordingly, the reliability test for the overall questionnaire is 0.943 which is regarded as Excellent (George & Mallery, 2003).

3.4. Source and Instruments of Data Collection

The main sources of the data were from primary sources. The primary sources of data gathered through questionnaire from Ethiopian Airlines permanent staffs. The questionnaire was adopted from different literatures and previous research papers related to the study and customized in order to suit to this research study. The reason for the selection of questionnaire is that it will help in procuring extensive data at reasonable cost and to cover wide geographical areas in a relatively short time. Human resource procedure manual, annual reports, published and unpublished information about the study area, books and journals from library and internet were also used.

3.5. Methods of Data Analysis

It is unquestionable that after the collection of data there must be analysis, interpretation and presentation in order to give recommendation to the problem. The data organized, analyzed and expressed using regression and correlation analysis so as to examine performance management and its effect on organizational performance.

For the purpose of this study, quantitative data analyzed accordingly. Data presented in the form of statement. Descriptive statistics used to summarize data by using Statistical Package for the Social Sciences, (SPSS) software. Statistics including mean, frequency and standard deviation also used to analyze the data among the different groups. The mean and standard deviation was used to describe the data obtained from the independent variables (Performance management system) and the dependent variable (Organizational performance).

Inferential statistics also used to present the data obtained in statistical format, to facilitate the identification of important patterns, and to make data analysis more meaningful.

3.6. Ethical Considerations

Ethical consideration in research should up hold fairness, honesty, openness, disclosure of methods and the purpose for which the research is being carried out. In this case, Primary information gathered from Ethiopian airlines respondents were kept confidentially and will be destroyed after a reasonable period of time.

Confidential files and issues regarding employees' personal data, policies and strategies of the company and other highly classified information that need to be kept confidential are given value and kept confidential.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1. Introduction

This chapter deals with the analysis and presentation of the quantitative data collected through questionnaire. The questionnaires composed open and close ended questions which are summarized and presented quantitatively in tables using SPSS software. The researcher used some secondary data from published and unpublished documents of the case company.

Out of 370 questionnaires distributed, 356 were collected which makes the response rate is 96.2%. 11 of the questionnaires were not returned and 3 of the returned questionnaires were not usable because they were not filled properly. The researcher, as much as possible, made the questionnaire easy to read and answer without difficulties.

4.2. Respondents profile

In this section the respondents profile is presented. It includes gender, age, educational status, work experience, job position, current work division, and length of service in the current position.

Table 4.1 Profile of Respondents

S.N	Variables	Type	Frequency	%	Cumulative %
1	Gender	Male	238	66.9	66.9
		Female	118	33.1	100
Total			356	100	
2	Age	20-30 Years	65	18.3	18.3
		31-40 Years	233	65.4	83.7
		41-50 Years	49	13.8	97.5
		51-60 Years	9	2.5	100.0
		61 ≤ Years	0	0.0	100.0
Total			356	100.0	
3	Level of Education	Below Diploma	0	0.0	0.0
		Diploma	60	16.9	16.9
		Degree	260	73.0	89.9
		Masters	36	10.1	100.0
		Above Masters	0	0.0	100.0

		Others	0	0.0	100.0
		Total	356	100.0	
4	Length of Service	< 1 Year	0	0.0	0.0
		1-5 Years	224	62.9	62.9
		6-10 Years	68	19.1	82.0
		11-15 Years	53	14.9	96.9
		16-20 Years	11	3.1	100.0
		Above 20 Years	0	0.0	100.0
		Total	356	100.0	

Source: Own Survey, 2017

The above table (Table 4.1) shows that, from a total of 356 respondents, 238 were male while 118 were female. Out this we can see that 65 respondents (18.3%) were within the age group of 20-30 years. 233 (65.4%) of the respondents were between the age group of 31-40 years. Therefore, this implies that more than half of the respondents' of Ethiopian airlines workers are between the age group of 31-40 years.

With regard to the level of education, 60 respondents (16.9%) are Diploma holders, 260 respondents (73%) have Bachelor's Degree and 36 respondents (10.1%) have Master's Degree. The above table also depicts the length of period that respondents have been working in ET. Out of the total respondents, 224 (62.9%) are between 1-5 years.

The Following table (Table 4.2) portrays the distribution of current job position classification of respondents that ranges from Top-Level Managers to Non-management employees. From the respondents we can see that 246 respondents (69.1%) were Non-management employees. The rest 102 (28.7%) and 8 (2.2%) were First-level and Middle-level managers respectively. This shows that majority of the respondents are non-management employees.

Table 4.2 Profile of Respondents

S.N	Variables	Type	Frequency	%	Cumulative %
5	Position Classification	Non-Management	246	69.1	69.1
		First-level Management	102	28.7	97.8
		Middle-level Management	8	2.2	100.0
		Executive Management	0	0.0	100.0
		Total	356	100.0	
6	Division	MRO	121	34.0	34.0

		Commercial	139	39.0	73.0
		IT	25	7.0	80.1
		Finance	32	9.0	89.0
		HRM	39	11.0	100.0
Total			356	100.0	
7	Length of Service in current position	< 1 Year	35	9.8	9.8
		1-5 Years	265	74.4	84.3
		6-10 Years	44	12.4	96.6
		11-15 Years	12	3.4	100.0
		16-20 Years	0	0.0	100.0
		Above 20 Years	0	0.0	100.0
Total			356	100.0	

Source: Own Survey, 2017

In addition, the above table also shows that the current working division of respondents. 121 (34%) of the respondents are currently working in Maintenance, Repair and overhaul (MRO) division, and 139(38%) are working under commercial division, 25(7%) are working under Information Technology (IT) division. The rest 32(9%) and 39(11%) are currently working under Finance and Human resource (HR) division respectively. This implies that large numbers of Ethiopian Airlines (ET) employees (73%) are currently working under MRO and Commercial divisions.

Finally Table 4.2 indicates the length of service in the current position. 35(9.8%) of the respondents have been working in the current position for less than 1 year, 265(74.4%) are between 1-5 years, 44 (12.4%) are between 6-10 years, and 12(3.4%) have been working in the current position between 11-15 years.

4.3. Descriptive Analysis of Responses

In order to see the general perception of the respondents regarding the effect of performance management system on organizational performance, the researcher has included the measures stated in the coming tables followed by analysis & interpretation supplemented by frequency tables and percentage. In order to simplify interpretation of the results, ratings of agree & strongly agree are grouped as agreement and ratings of disagree & strongly disagree are grouped as disagreement.

4.3.1. Awareness level of Respondents about organizational performance matrices of Ethiopian Airlines (ET)

In the current economic and financial crisis knowing the matrices that generate success and the ways in which it can be measured has a critical importance. Organizational Performance matrices are designed to provide information on the quality of processes performed within an organization offering support to achieve the objectives on time and within a predetermined budget. An organization's employees need to see the connection between what they do and the outcomes (Gavrea, Ilies & Stegorean, 2011). The researcher assessed whether employees of Ethiopian airlines know the organizational performance matrices of the airlines. Accordingly the following findings were concluded based on the findings from the sample survey.

Table: 4.3 Frequency, Mean & SD for measures of Awareness level of ET employees about Organizational Performance matrices of ET.

Variable	Frequency (%)					Mean	SD
	1	2	3	4	5		
Productivity is organizational performance matrices of ET.	-	-	2 (0.6)	35 (9.8)	319 (89.6)	4.89	0.33
ET uses Revenue as organizational performance matrices.	-	-	3 (0.8)	43 (12.1)	310 (87.1)	4.86	0.37
I aware ET uses Customer Satisfaction to measure its organizational performance.	-	-	-	9 (2.5)	347 (97.5)	4.97	0.16
ET's organizational performance will be determined by its Cost Minimization.	-	-	3 (0.8)	202 (56.8)	151 (42.4)	4.42	0.51
ET uses aviation Industry Ranking to measure its organizational performance.	-	1 (0.3)	2 (0.6)	59 (16.6)	294 (82.8)	4.81	0.42
I understand Quality of service is one of organizational performance matrices of ET.	-	-	-	21 (5.9)	335 (94.1)	4.94	0.24
Respondents overall mean & SD						4.82	0.19

Cronbach's Alpha=0.530

5=Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree 1=Strongly Disagree

Source: Own survey, 2017

Regarding awareness of respondents about productivity as organizational performance (OP) matrix, 99.4 % of the respondents' aware that productivity is a matrix for measuring organizational performance while 0.6% of them were neutral about it. The mean and SD also support this with values of 4.89 and 0.19 respectively. While looking awareness of respondents about revenue as OP matrix, around 99% of respondents' said they aware it as OP variable while around 1% of the respondents were neutral about it. The mean shows an amount of 4.86.

Respondents were also requested about their awareness of customer satisfaction and cost minimization as organizational performance matrices. Almost all respondents' aware customer satisfaction as a matrix while 99.2% responded they aware cost minimization as OP matrix. The mean amount is 4.97 and 4.42 respectively.

Industry ranking is one of the matrices of organizational performance in aviation industry. In this regard, 99.4% of the respondents agree that they aware industry ranking as one of organizational performance matrices while 0.3% and 0.6% of them responded disagree and neutral about it. The other matrix requested to respondents to identify their level of awareness were quality of service; almost all respondents' agree that they aware quality of service as one of organizational performance matrices. The mean shows an amount of 4.81 for industry ranking and 4.94 for quality of service.

To sum up, the mean amount for all variables are almost the same except for the cost minimization variable which is relatively less. This implies that the respondents are relatively less aware regarding cost minimization as a determinant of OP matrix as compared to the remaining listed variables. In addition, the overall mean amount regarding awareness level of ET employees are 4.82, which implies large number of respondents have better awareness regarding OP matrices and this indicates the airlines creates high familiarization regarding its organizational performance determinants.

4.3.2. Alignment of Ethiopian Airlines strategies with Key Performance Indicators (KPIs)

According to the Baldrige Criteria (as cited in Yahaya, 2009) a major consideration in performance improvement involves the creation and use of performance measures or indicators. It further explains performance measures or indicators as measurable characteristics of products, services, processes, and operations the company uses to track and improve performance. It gave the criteria for selecting the measures or indicators as being the ones that best represent the factors that will lead to improved customer, operational, and financial performance.

This section has six questions as can be seen from the table below. The first question asks whether ET's BSC goal setting tailored according to the airlines' priorities and focus areas. From the respondents, 93% agree to this while 6.2% are in disagreement and 0.8% is neutral. The mean shows an amount of 3.97. This implies that the airlines BSC goal setting is designed according to the airline's priorities and focus areas.

The second question deals with whether KPI's in the BSC enables employees to focus on attainment of strategic objectives of ET or not. From the respondents 86% are in agreement, while 13.2% are disagree about it with a mean amount of 4.00. 72.8% of the respondents believe that key performance matrices of the airline in BSC are designed based on its mission and vision. 26.4% of them are in disagreement while 0.8 % is neutral about it. Accordingly, we can say that ET designed Key performance indicators of its BSC based on its mission and vision. The mean also supports this with values of 3.49.

The fourth question is to confirm whether ET's BSC links short term operational performance with long term strategic objectives or not. 55.6% of the respondents are in agreement to this while 43.8% are in disagreement. The mean shows an amount of 3.11. Even though, the majority of the respondents were agree about it, the disagreement percentage indicates that the airlines still needs to work more in linking short term operational performances with strategic objectives.

Around 78% of the respondents believe that KPI's in the BSC enables to achieve ET's strategic objectives. In connection with this, around 21.3% of the respondents are in

disagreement. The mean amount is 3.83. The last question talks about whether ET's BSC creates the ability for management to translate a generic strategy to actionable plan. The results of the respondents show that 82.1% agree while the remaining 17.1% disagree with a mean amount of 3.88.

In general, majorities of the respondents indicated that ET designed Key performance indicators of its BSC based on its mission and vision. Accordingly, comprehensive set of measures or indicators tied to customer and/or company performance requirements therefore represents a clear basis for aligning all activities with the company's goals (Yahaya, 2009). However, ET needs also great effort to clearly link short term operational performance with long term objectives since the mean shows close to average amount of 3.11.

Table: 4.4 Frequency, Mean & SD for measures of Alignment of ET strategies with Key Performance Indicators (KPIs).

Variable	Frequency (%)					Mean	SD
	1	2	3	4	5		
ET's BSC goal setting tailored according to the airlines' priorities and focus areas.	-	22 (6.2)	3 (0.8)	294 (82.6)	37 (10.4)	3.97	0.59
KPI's in the BSC enables me to focus on attainment of strategic objectives of ET.	-	47 (13.2)	3 (0.8)	208 (58.4)	98 (27.6)	4.00	0.90
Key performance matrices of the airline in BSC are designed based on its mission and vision.	-	94 (26.4)	3 (0.8)	251 (70.6)	8 (2.2)	3.49	0.91
ET's BSC links short-term operational performance with long-term strategic objectives.	6 (1.7)	150 (42.1)	2 (0.6)	195 (54.8)	3 (0.8)	3.11	1.03
KPI's in the BSC enables to achieve ET's strategic objectives.	-	76 (21.3)	-	189 (53.1)	91 (25.6)	3.83	1.04
ET's BSC creates the ability for management to translate a generic strategy to actionable plan.	-	61 (17.1)	3 (0.8)	209 (58.8)	83 (23.3)	3.88	0.96
Respondents overall mean & SD						3.71	0.69

Cronbach's Alpha=0.852

5=Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree 1=Strongly Disagree

Source: Own survey, 2017

4.3.3. Organizational performance matrices of ET integration with individual performance measures

In order to assess the integration of organizational performance matrices with individual performance measures, around 7 items related to integration were asked. Sample respondents indicated their belief about the alignment of their unit objectives with the airline's vision and mission. Around 94.4% of the respondents are in agreement about the alignment and 4.8% are in disagreement. The mean also supports this with values of 4.11.

The balanced scorecard translates an organization's mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system (Kumari, 2011). The respondents also indicated whether it is possible to say that BSC in ET translates organizational goals into individual job objectives or not. From the respondents 84% are in agreement, and 16% are in disagreement with a mean amount of 3.80. This result supports the above view of Kumari.

Regarding respondents' belief whether targets/initiatives in the BSC will enable to achieve strategic objectives of ET, 78.9% of the respondents agree while the remaining 21.1% disagree with a mean amount of 3.70. Accordingly, considering the above mean we can say that the company designs the targets with high consideration of the organizations objective and this is an essential requirement according to Armstrong (2009) where he states that performance management is about aligning individual objectives to organizational objectives and ensuring that individuals uphold corporate core values. Hence, this is a good performance management practice that the company should keep on doing.

Approximately 46% of the respondents believe that their individual performance measures are designed considering organizational performance matrices, ET's BSC allows to measure accomplishment of individual performances, and they clearly understand what is expected from their performance to contribute for attainment of strategic objectives. In connection with this, 54% of respondents are in disagreement. The mean amount is 2.94. This implies that the company needs to work in order to raise the

understanding of its employees by clearly identifying what is expected from their performance for attainment of strategic objectives. In addition, Individual performance measures also expected to be predictive/indicator for attainment of organizational performance.

The respondents also indicated their belief regarding the alignment of targets/initiatives under BSC with organizational performance matrices. From the respondents 78.9% are in agreement, and 21.1% are in disagreement with a mean amount of 3.70.

Table: 4.5 Frequency, Mean & SD for measures of organizational performance matrices of ET integration with individual performance measures.

Variable	Frequency (%)					Mean	SD
	1	2	3	4	5		
I believe my work unit's objectives are aligned with the Airline's vision and mission.	-	17 (4.8)	3 (0.8)	259 (72.8)	77 (21.6)	4.11	0.64
It is possible to say that BSC in ET translates organizational goals in to individual job objectives.	10 (2.8)	47 (13.2)	-	247 (69.4)	52 (14.6)	3.80	0.94
I believe KPIs in ET's BSC allows to measure accomplishment of individual performances.	28 (7.9)	164 (46.1)	-	129 (36.2)	35 (9.8)	2.94	1.24
I believe the targets/initiatives in the BSC will enable to achieve strategic objectives of ET.	-	75 (21.1)	-	238 (66.9)	43 (12.0)	3.70	0.94
I clearly understand what is expected from my performance to contribute for attainment of strategic objectives.	28 (7.9)	164 (46.1)	-	129 (36.2)	35 (9.8)	2.94	1.24
I believe the targets/initiatives under BSC is aligned with the organizational performance matrices.	-	75 (21.1)	-	238 (66.8)	43 (12.1)	3.70	0.94
I believe my performance measures are designed considering organizational performance matrices.	28 (7.9)	164 (46.1)	-	129 (36.2)	35 (9.8)	2.94	1.24
Respondents overall mean & SD						3.45	0.88

Cronbach's Alpha=0.932

5=Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree 1=Strongly Disagree

Source: Own survey, 2017

4.3.4. Challenges in cascading ET's organization objectives to individual level

If the strategy is to be successful the highest- level scorecard cascades down to individual business units, overarching strategic objectives and measures are translated into

objectives and measures appropriate to each particular group implementing a strategy and it begins with educating those who have to execute it (Kaplan and Norton, 2007).

As shown in Table 4.6, respondents were asked seven questions in order to identify the challenges in cascading the organization objectives to individual level.

Regarding the tendency of management in periodically monitoring the achievement of corporate objectives using BSC, 80.9% of the respondents agreed by confirming it while the remaining 19.1% of the respondents are in disagreement. The related mean amount is 3.63. The second question confirms whether the management takes initiatives to cascade the BSC to individual level to achieve strategic objectives or not. From the respondents 55.9% are in agreement, 44.1% are in disagreement with a mean amount of 3.00. This mean amount shows, the management still needs high initiation to cascade the BSC to individual level.

Around 78% of the respondents believe that KPI's in the BSC enables to achieve ET's strategic objectives. In connection with this, around 21.3% of the respondents are in disagreement. The mean amount is 3.83. Nearly 42.2% of the respondents understood that the corporate objectives in each perspectives of the airlines BSC. In related with this, 57.8% of the respondents are in disagreement with the mean amount of 2.87.

74.7% of the respondents are in disagreement about the questions of whether ET's BSC at all levels are prepared by participating all concerned parties or not, and whether ET's vision and mission is effectively communicated to all parties or not. In connection with this, the remaining of respondents (25.3%) is in agreement. The last section of the questions tries to identify the understanding of respondents to which unit/division their activities contribute. 78.9% of them understand to which unit their activity contributes while 21.1% of the respondents are in disagreement regarding it. The corresponding mean value is 3.70. Finally the respondents confirms about whether ET is providing formal training related to BSC cascading system or not. Out of total respondents, 88.8% of them are in disagreement while the remaining 11.2% of them are in agreement with a mean value of 2.02.

In general, majorities of the respondents indicated ET managements periodically monitors achievements using BSC. However, ET also needs great exertion to effectively cascade strategic objectives by appropriately communicating the vision and mission of the company, during BSC preparation by participating all concerned parties to get an input from them, by providing formal trainings related to BSC cascading to avoid subjectivity problems. In addition to the above the followings challenges are also specified by the respondents in the open ended question and ET needs to work on them to improve; Un-measurable targets, dynamism and complexity of the operation, time limit due to high operational demand, and management attention and focus to BSC is still at improvement stage.

Table: 4.6 Frequency, Mean & SD for measures of challenges in cascading the organization objectives to individual level.

Variable	Frequency (%)					Mean	SD
	1	2	3	4	5		
The management of the airline periodically monitors the achievement of corporate objectives using BSC.	11 (3.1)	57 (16.0)	-	271 (76.1)	17 (4.8)	3.63	0.91
The management takes the initiative to cascade the BSC to individual level to achieve strategic objectives.	43 (12.1)	114 (32.0)	-	196 (55.1)	3 (0.8)	3.00	1.17
I understood the corporate objectives in each perspectives of the Airlines BSC.	29 (8.1)	177 (49.7)	-	111 (31.2)	39 (11.0)	2.87	1.25
I believe ET's BSC at all levels is prepared by participating all concerned parties.	43 (12.1)	223 (62.6)	-	90 (25.3)	-	2.38	0.99
ET's vision and mission is effectively communicated to all parties.	23 (6.5)	243 (68.2)	-	79 (22.2)	11 (3.1)	2.47	1.00
I understand to which unit/division my activities contribute.	-	75 (21.1)	-	238 (66.8)	43 (12.1)	3.70	0.94
ET is providing formal training related to balanced scorecard cascading system.	73 (20.5)	243 (68.3)	-	40 (11.2)	-	2.02	0.81
Respondents overall mean & SD						2.87	0.77

Cronbach's Alpha=0.871

5=Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree 1=Strongly Disagree

Source: Own survey, 2017

4.3.5. Effect of performance management system (PMS) of ET on its organizational performance

Kaplan and Norton liken the usefulness of the balanced scorecard to the needs of a pilot steering an aircraft as follows:

"Think of the balanced scorecard as the dials and indicators in an airplane cockpit. For the complex task of navigating and flying an airplane, pilots need detailed information about many aspects of the flight. They need information about fuel, air speed, altitude, bearing, destination and other indicators that summarize the current and predicted environment. Reliance on one instrument can be fatal. Similarly, the complexity of managing an organization today requires that managers be able to view performance in several areas simultaneously." (Kaplan & Norton, 1992, p. 71)

The quotation above goes to emphasize the usefulness of the balanced scorecard in assessing organizational performance. It brings to the fore the importance of using both financial and non-financial key performance indicators (KPIs) that are critical to the health of the organization and that give the manager all the information that is required to help him/her focus on the achievement of its strategic goals (Yahaya, 2009).

In order to attest the effect of performance management system (BSC) on organizational performance of ET, around 8 questions were asked. Accordingly the following findings were concluded based on the findings from the sample survey. The initial question was asked to explore the respondents' perception whether the airlines uses its BSC to set, track and achieve its key business strategies. 86.2% of the respondents are in agreement while 13.8% disagree about it. The mean also supports this with values of 4.00. The above result supports the idea that Balance score card (BSC) is a management system that maps an organization's strategic objectives into performance with four perspectives such as financial, internal business perspectives, customers, and learning and growth which provide relevant feedback as to how well the strategic plan is executing so that adjustment can be made if necessary (Atkinson et.al, 1997).

The purpose of measuring performance is not only to know how a business is performing but also to enable it to perform better. The ultimate aim of implementing a performance measurement system is to improve the performance of an organization so that it may better serve its customers, employees, owners, and other stakeholders (Johnson, 1981). Sample respondents indicated their belief about whether organizational performance of ET depends on successful implementation of the BSC. Around 83.7% of the respondents are in agreement about it and 16.3% are in disagreement with mean amount of 3.70.

By referring table 4.6, 77% of the respondents believe that ET's BSC provides management with a comprehensive picture of business operations while 23% of the respondents are in disagreement. The mean also indicates the result with values of 3.79. This result supports the view of Okwo & Marire. According to Okwo & Marire (2012) Performance measurement generates data that will inform the users where the business is, how it is doing, and where it is going. A performance measurement system enables an enterprise to plan, measure and control its performance according to a pre-defined strategy.

The fourth question was to assess that during designing of KPI's whether the measurement frequency is aligned to organizational performance review or not. As a result 46% of the respondents agree on the alignment and 54% are in disagreement. According to Kaplan & Norton (1992) the balanced scorecard is more than just a collection of measures; it is a strategic management system that managers can use to clarify and implement strategy. In consideration of this view, respondents were asked about their understanding of the BSC as a driver of organizational performance. Around 85% of the respondents understand the BSC as a driver for OP while the remaining 14.6% are in disagreement. This implies majority of respondents understand BSC as a driver of Organizational performance.

From the pair of questions six and eight, 60.9% and 78.7% of the respondents respectively clearly indicates that ET's BSC practice helps to satisfy the expectation of customers and to increase their productivity and also 39.1% and 21.3% are in disagreement about it respectively. According to TRADE (as cited by Ondoro, 2015)

most organizational performance measures can be grouped into one of the following six general categories: effectiveness, efficiency, quality, timeliness, productivity, safety, profit, sales and market share, and customer service. The above result indicates that achievements are met on the two listed variables of organizational performance i.e. productivity and customer satisfaction through ETs BSC practice.

According to Aguinis (2009) performance management is about aligning performance with strategic goals of the organization. It also requires that managers ensure that employees' activities and outputs are congruent with the organization's goals and, consequently, help the organization gain a competitive business advantage. Performance management therefore creates a direct link between employee performance and organizational goals, and makes the employees' contribution to the organization explicit. In consideration of this view, respondents were asked about their belief whether ET's BSC performance reviews tailored according to the airlines priorities and focus areas or not. 99.4% of the respondents' confirmed it is tailored according to ET's priorities and focus areas. The mean also supports this with values of 4.89.

Table: 4.7 Frequency, Mean & SD for measures of Performance management system (PMS) of ET on its Organizational performance

Variable	Frequency (%)					Mean	SD
	1	2	3	4	5		
The Airlines uses it's BSC to set track and achieve its key business strategies.	11 (3.1)	38 (10.7)	-	196 (55.1)	111 (31.1)	4.00	1.00
I believe Organizational performance of ET depends on successful implementation of the BSC.	11 (3.1)	47 (13.2)	-	277 (77.8)	21 (5.9)	3.70	0.88
I believe ET's BSC provides management with a comprehensive picture of business operations.	9 (2.5)	73 (20.5)	1 (0.3)	175 (49.2)	98 (27.5)	3.79	1.13
While designing the KPI's the measurement frequency is aligned to organizational performance review.	28 (7.9)	164 (46.1)	-	129 (36.2)	35 (9.8)	2.94	1.24
I understand the BSC as a driver of Organizational Performance.		52 (14.6)	1 (0.3)	251 (70.5)	52 (14.6)	3.85	0.84
I believe ET's BSC practice helps to satisfy the expectation of customers.	8 (2.2)	131 (36.9)	-	144 (40.4)	73 (20.5)	3.40	1.24
I believe ET's BSC performance reviews tailored according to the airlines' priorities and focus areas.	-	-	2 (0.6)	35 (9.8)	319 (89.6)	4.89	0.33
I believe ET's BSC practice helps to increase	5	71	-	197	83	3.79	1.06

my productivity.	(1.4)	(19.9)		(55.4)	(23.3)		
Respondents overall mean & SD						3.80	0.70

Cronbach's Alpha=0.847

5=Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree 1=Strongly Disagree

Source: Own survey, 2017

4.4. Inferential Analysis of Responses

4.4.1. One way ANOVA computed for variables

Analysis of variance (abbreviated as ANOVA) is an extremely useful technique concerning researches. Besides Mean and standard deviation which are a measure of dispersion or variation, ANOVA is a statistical technique that is used to compare two or more groups to determine whether there are any mean differences among them. The comparison of group differences is made by computing a statistic called an F-ratio. The ratio is calculated by dividing the 'between treatment variance' by 'within treatment variance'. Using this technique, one can draw inferences about whether the samples have been drawn from populations having the same mean (Kothari, 2004).

Table 4.8 Mean response under Position classification regarding PMS effect

Non-management	N	Valid	246
		Missing	0
	Mean		3.7825
First level management	N	Valid	102
		Missing	0
	Mean		3.8346
Middle level management	N	Valid	8
		Missing	0
	Mean		3.7344

Source: Own survey, 2017

One way ANOVA

Table 4.9 One way ANOVA computed for position classification

EFFECT OF PERFORMANCE MANAGEMENT SYSTEM ON ORGANIZATIONAL PERFORMANCE					
Item 1: One way Anova computed for Position classification relation with PMS effect					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	0.227	2	0.113	0.232	0.793
Within Groups	172.634	353	0.489		
Total	172.86	355			

Source: Own survey, 2017

Table 4.9 is intended to demonstrate the significance level and relation that one of the respondents profile i.e. position classification have with the dependent variable, i.e., organizational performance. The significance level taken for all is 0.05 and p value above 0.05 demonstrates not statistically significant and vice versa. Accordingly, there is no statistically significant difference on the rating of the effect of Performance management on organizational performance among the different position classification of the respondents (F=0.232, p=0.793).

Table 4.10 Mean response under Position classification regarding PMS effect

1-5 Years	N	Valid	224
		Missing	0
	Mean		3.8114
6-10 Years	N	Valid	68
		Missing	0
	Mean		3.7537
11-15 Years	N	Valid	53
		Missing	0
	Mean		3.7948
16-20 Years	N	Valid	11
		Missing	0
	Mean		3.7614

Source: Own survey, 2017

One way ANOVA

Table 4.11 One way ANOVA computed for working experience in ET

EFFECT OF PERFORMANCE MANAGEMENT SYSTEM ON ORGANIZATIONAL PERFORMANCE					
Item 2: One way Anova computed for working experience in ET relation with PMS effect					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.188	3	.063	.128	.944
Within Groups	172.672	352	.491		
Total	172.860	355			

Source: Own survey, 2017

Table 4.11 also shows that there is no statistically significant difference on the rating of the effect of Performance management on organizational performance due to the difference in length of service years of the respondents in ET (F=0.128, p=0.944).

4.4.2. Correlation

Using The Pearson’s Product Moment Correlation Coefficient (r) the degree of *association* between the independent variables (Awareness, Alignment, Integration and Cascading) and the dependent variable (Organizational performance (OP)) were computed to determine the strength, direction and statistical significance of the relationships as shown in table 4.12.

Table 4.12 Pearson Correlation Analysis

		Awareness	Alignment	Integration	Cascading	Organization Performance
Awareness	Pearson Correlation	1	.010	-.046	-.078	-.045
	Sig. (2-tailed)		.853	.389	.143	.396
	N	356	356	356	356	356
Alignment	Pearson Correlation	.010	1	.767**	.518**	.561**
	Sig. (2-tailed)	.853		.000	.000	.000
	N	356	356	356	356	356
Integration	Pearson Correlation	-.046	.767**	1	.777**	.691**
	Sig. (2-tailed)	.389	.000		.000	.000
	N	356	356	356	356	356
Cascading	Pearson Correlation	-.078	.518**	.777**	1	.625**
	Sig. (2-tailed)	.143	.000	.000		.000
	N	356	356	356	356	356
Organization Performance	Pearson Correlation	-.045	.561**	.691**	.625**	1
	Sig. (2-tailed)	.396	.000	.000	.000	
	N	356	356	356	356	356

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Own survey, 2017

As per Marczyk, Dematteo & Festinger (2005) general guidelines, correlations of .01 to .30 are considered small, correlations of .31 to .70 are considered moderate, correlations of .71 to .90 are considered large, and correlations of .91 to 1.00 are considered very large. Depending on this assumption, all basic constructs were included into the correlation analysis. Figures with the symbol “***” indicate that each of the variables are significantly correlated with each other at a significance level of $p < 0.01$.

Table 4.12 present the inter-correlations among the variables being explored. In other words it represents the correlation matrix between the independent variables and the dependent variables.

From the analysis, it can be observed that there exist a positive moderate and statistically significant relationship between strategy-KPI alignment and Organizational performance ($r=0.561$, $p<0.01$). The above table also shows that there exists a positive moderate statistically positive relationship between Integration (i.e. between OP matrices and individual performance measures) and Organizational performance ($r=0.691$, $p<0.01$). Finally, there is also a positive moderate and statistically significant relationship between cascading (i.e. organization objective to individual level) and Organizational performance ($r=0.625$, $p<0.01$). Based on the results, one can argue that performance management has an effect on organizational performance. This result also coincides with the findings of the study by Kumar, Nirmala & Mekoth. They conclude that there is relationship between performance management practices and perceived organizational performance (Kumar, Nirmala & Mekoth, 2015).

Hence, correlation analysis only shows the existence of positive and significant relationship between the Independent and Dependent Variables. Based on the above preliminary test results, the assumption of the multiple linear regression analysis model have been met. Thus, the subsequent analysis results are depicted below.

4.4.3. Test of Normality

The below table present the results from two well-known tests of normality, namely the Kolmogorov-Smirnov Test and the Shapiro-Wilk Test. The Shapiro-Wilk Test is more appropriate for small sample sizes (< 50 samples) but can also handle sample sizes as large as 2000. While Kolmogorov-Smirnov is appropriate for a sample size of more than 2000 (Landau & Everitt, 2004). For this reason, we will use the Shapiro-Wilk test as our numerical means of assessing normality.

We can see from the below table that for the “Awareness”, “Alignment”, “Integration”, and “cascading” performance management variables the dependent variable, "Organizational performance ", was normally distributed. We justify this by comparing

the Sig. (P-value) obtained from the Shapiro-Wilk Test. If the sig. is greater the 0.05 then the data is normal. If it is below 0.05 then the data significantly deviate from a normal distribution. As we can see from the below table the Sig. value for the listed variables are above 0.05 then the data is normally distributed (Landau & Everitt, 2004).

Table 4.13 Test of Normality

		Tests of Normality					
		Kolmogorov-Smirnov ^a			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Organizational Performance	Awareness	.253	356	.065	.852	356	.187
	Alignment	.269	356	.079	.860	356	.262
	Integration	.285	356	.204	.935	356	.625
	Cascading	.274	356	.136	.901	356	.575

a. Lilliefors Significance Correction

Source: Own survey, 2017

4.4.4. Regression

Regression is a measure of association between two sets of variables. It is used when we want to predict the value of a variable based on the value of another variable. Thus, in order to determine the statistically significance effect of the independent variables on the dependent variable, linear regression analysis was used. In this study, we have four independent variables and one dependent variable. The appropriate regression analysis for such variables is simple linear regression analysis.

Table 4.14 below clearly shows the value of R and R². In this analysis the value of R is 0.709 which is a measure of the correlation between the observed value and the predicted value of the dependent variable (Organizational performance). Whereas R Square (R²) is the square of this measure of correlation and indicates the proportion of the variance of organizational performance with the existence of the performance management variables. Hence, R Square = 0.503 implies that only 50.3% of organizational performance is explained by factors of performance management (Awareness, alignment, integration, &

cascading). In essence, this is a measure of how good a prediction of the dependent variable we can make by knowing independent variables. This implies that 50.3% of the variance in the dependent variable is explained by the independent variables in the model. The model also indicates that, the remaining 49.7% of the variance can be explained by other variables out of this model and indicates that further research might be needed for this.

The F-ratio describes whether the results of the regression model could have occurred by chance. Large F value and a small significance level (typically smaller than 0.05 or 0.01) indicate that the results probably are not due to random chance. Accordingly, as can be seen from the table below the F value is 88.78 and is significant at 0.000. Hence, the researcher can confidently say that the regression model adopted in this study has not occurred by chance and is considered highly significant.

The beta value is a measure of how strongly predictor variable influences the criterion variable. Likewise, the beta value of this study is as indicated in the table below. If we take one as a demonstration, Alignment has a 0.124 value which indicates that a change of one standard deviation in the predictor variable i.e. Performance management factors resulted in a change of 12.4 standard deviations in the criterion variable i.e. organizational performance. Thus, there is a higher effect of Performance management on organizational performance. Since the higher the beta value the greater the effect of the predictor variable on the criterion variable. Similarly, the factor that has the greatest effect on organizational performance is Integration (i.e. between OP matrices and individual performance measures) and review with a coefficient ($\beta=0.320$), next is cascading (i.e. organization objective to individual level) ($\beta=0.224$), and finally Alignment (strategy-KPI) ($\beta=0.124$).

Table 4.14 Regression

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.709 ^a	.503	.497	.49478

a. Predictors: (Constant), Cascading, Awareness, Alignment, Integration

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	86.932	4	21.733	88.776	.000 ^b
	Residual	85.928	351	.245		
	Total	172.860	355			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Cascading, Awareness, Alignment, Integration

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.740	.669		2.599	.010
	Awareness	-.031	.135	-.009	-.230	.819
	Alignment	.124	.060	.124	2.063	.040
	Integration	.320	.064	.404	4.969	.000
	Cascading	.224	.055	.246	4.030	.000

a. Dependent Variable: Organizational Performance

Source: Own survey, 2017

4.4.5. Multicollinearity Test

Multicollinearity is a problem that occurs with regression analysis when there is a high correlation of at least one independent variable with a combination of the other independent variables. As variables are highly correlated in a multiple regression analysis, it is difficult to identify the unique contribution of each variable in predicting the dependent variable because the highly correlated variables are predicting the same variance in the dependent variable. In this situation, the “overall” p-value may be significant but the p-value for each predictor may not be significant. Variance Inflation Factor can be

used for multicollinearity test, which is just the reciprocal of the tolerance statistics. A VIF of greater than 5 is generally considered evidence of multicollinearity (Marczyk, Dematteo & Festinger, 2005). Accordingly, as we can see from Table 4.15 below there is no multicollinearity in this case.

Table 4.15 Multicollinearity test

Model		Coefficients ^a						Collinearity Statistics	
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF	
		B	Std. Error	Beta					
	(Constant)	1.740	.669		2.599	.010			
1	Awareness	-.031	.135	-.009	-.230	.819	.990	1.010	
	Alignment	.124	.060	.124	2.063	.040	.394	2.537	
	Integration	.320	.064	.404	4.969	.000	.214	4.674	
	Challenges	.224	.055	.246	4.030	.000	.380	2.632	

a. Dependent Variable: Organizational Performance

Source: Own survey, 2017

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Introduction

In Chapter four, data analysis and interpretation has been presented. In this chapter, major findings are going to be summarized and the subsequent conclusions are made. Based on the conclusion, recommendations are forwarded in relation to literatures reviewed.

5.2. Summary

The purpose of this study aimed at finding the effect of performance management on organizational performance. In this regard an attempt has been made to divide performance Management into key variables which are awareness (about organizational performance matrices), alignment (strategy-KPI), integration (i.e. between OP matrices and individual performance measures), and cascading (i.e. organization objective to individual level). The questionnaire was developed in such a way that all this variables were included by also incorporating questions that asked about organizational performance. Out of 370 questionnaires that were distributed, 356 were collected which gave 96.2% response rate.

5.2.1. Summary of Major Findings from Descriptive Statistics

Regarding the awareness level of the respondents' about organizational performance matrices, majority of the respondents' have better awareness about the matrices. Therefore, their overall rates on their awareness of organizational performance matrices are near to high awareness.

The balanced scorecard is a strategic management and measurement system that links strategic objectives to a comprehensive range of key performance indicators, to provide a balanced view (Yahaya, 2009). In consideration of this view, on the topic of alignment of ET strategies with KPI, majorities of the respondents believe there is alignment between them. However, ET needs also great effort to clearly link short term operational performance with long term objectives.

Concerning organizational performance matrices integration with individual performance measures, average respondents are in agreement with the integration. By linking the organizations' goals with individual goals, the performance management system reinforces behaviors consistent with the attainment of organizational goals. Moreover, even if for some reason individual goals are not achieved, linking individual with organizational goals serves as a way to communicate what are the most crucial business strategic initiatives (Aguinis, 2009).

Regarding the challenges in cascading organization objectives to individual level, more than average number of respondents believes that there are challenges in cascading organizational objectives to individual level with the overall mean amount of 2.87.

Finally the effects of performance management system on organizational performance of ET were attested. Majorities of the respondents indicated that there are effects on organizational performance due to performance management system of the company.

5.2.2. Summary of Major Findings from Inferential Statistics

One way ANOVA was computed for selected variables. There is no statistically significant difference on the rating of the effect of Performance management on organizational performance among the different position classification of the respondents ($F=0.232$, $p=0.793$) and among the different position classification of the respondents ($F=0.232$, $p=0.793$).

Correlation coefficient was computed for the purpose of determining the relationship between performance management and organizational performance. Accordingly, Integration ($r=0.691$, $p<0.01$) Cascading ($r= 0.625$, $p<0.01$) and Alignment ($r= 0.0561$, $p<0.01$) were the results achieved that showed moderate correlation.

Simple linear Regression analysis was used which resulted in $R= 0.709$ and R square is 0.503 implies that only 50.3% of organizational performance is explained by variables of performance management (Awareness, Alignment, Integration and Cascading). The ANOVA result indicates that F value is 88.78 and is significant at 0.000 which showed that the result couldn't have happened by chance. The factor that has the greatest effect

on organizational performance is Integration (i.e. between OP matrices and individual performance measures) and review with a coefficient ($\beta=0.320$), next is cascading (i.e. organization objective to individual level) ($\beta=0.224$), and finally Alignment (strategy-KPI) ($\beta=0.124$). There is no multicollinearity problem in the regression analysis undertaken.

5.3. Conclusion

BSC as a performance management system in Ethiopian Airlines has contributed a lot in creating a shared vision of the purpose and aims of the organization, and in so doing, manage and enhance the performance of the individual and the organization. As employees are at the center of BSC in the organization, this research also takes employee as a main source of information to attest effect on performance of the organization through its performance management system. This research studied the effect of performance management on organizational performance.

As stated in the research objective section, the first objective was to identify the awareness levels of Ethiopian Airlines (ET) employees about Organizational Performance matrices of ET. The study has found out appreciable result that respondents have high awareness about overall organizational performance matrices. However, when we see in detail, the respondents are relatively less aware regarding cost minimization as a determinant of OP matrix as compared to the remaining listed variables.

The second objective was to identify whether Organizational Performance matrices of ET integrated with Key Performance Indicators (KPI's) and individual performance measures. The study indicates that majorities of the respondents indicated ET designed Key performance indicators of its BSC based on its mission and vision. But ET also needs great effort to clearly link short term operational performance with long term objectives. In addition, the study also shows that average respondents are in agreement with the integration between organizational performance matrices and individual performance measures.

According to Niven (2006) no matter how you employ the Balanced Scorecard system—as a measurement system, a strategic management system, a communication tool—it can

produce tremendous benefits. But cascading, if implemented effectively, may pay the biggest dividends of all. In consideration of this view, the study found out that, majorities of the respondents indicated ET managements periodically monitors achievements using BSC. However, ET also needs great exertion to effectively cascade strategic objectives. The followings cascading challenges are also specified: inadequate familiarization with strategic objectives, un-measurable targets, dynamism and complexity of the operation, time limit due to high operational demand, less employee participation, and inadequate trainings related to BSC cascading.

Based on the results of the descriptive analysis, the study also attested that there is effect on organizational performance of ET due to its Performance Management Systems. The result of the correlation has also revealed that there is a positive relationship between performance management system and organizational performance. So the effectiveness of Integration between OP matrices and individual performance measures, proper cascading of organizational objectives to individual level, and high alignment of strategic objectives with KPI's directly affects organizational performance. Therefore the proper implementation of all these aspects leads to high organizational performance.

5.4. Recommendation

Based on the key findings of this study and taking the result of the study as an exemplary finding, the researcher recommends the following which will be helpful for the organization.

- I. The study result of high respondents awareness about overall organizational performance matrices indicates that the airlines creates high familiarization regarding its organizational performance matrices so it is advisable that this is a good practice that the company should keep on doing and in addition focus on awareness creation of all relevant performance matrices through conducting trainings and discussion forums to achieve the desired results regarding them.
- II. ET needs great effort to clearly link short term operational performance with long term objectives. This can be achieved by proper alignment of individuals and resources with strategic objectives to create synergistic value. Once alignment of

objectives, key performance indicators and targets/initiatives is achieved, new possibilities for high organizational performance will appear. This will enable the result of individual performances to predict a possible attainment of organizational strategic objectives.

- III. Driving the Scorecard to every level of the company signals to each employee what the key drivers of success are at the company and provides everyone with the opportunity to define how he or she contributes to that success. The company also create a consistent language in the company—the lexicon of measurement that guides action and can lead to breakthrough results. Leading Scorecard practitioners are recognizing the value of cascading. Allowing every employee to participate in setting meaningful objectives and measures can generate a flourishing spirit of involvement and partnership that leads to amazing results for everyone involved. In addition, ET also needs to conduct appropriate, timely and practical trainings that aim at increasing the capability of concerned employees on the effective cascading of strategic objectives to individual level.
- IV. The company needs to make the targets and initiatives of BSC to be measurable as much as possible to avoid vagueness and subjectivity problem during individual performance measurements and from this to enable to predict a possible attainment of organizational strategic objectives. This can be achieved from having clear understanding of the effects that performance management (BSC) practices have on performance of the organization.

5.5. Future area of research

As part of good research practice, the researcher recommends conducting a related research in the future considering those determinant factors of PMS to get better result regarding its effect on organizational performance. This would help in designing comprehensive and effective BSC implementation process for the overall improvement of the organization performance.

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APPENDICES

Part Two: Questions related with the topic (Please Circle the numbers for each question)

I	Statements to assess Awareness level of Ethiopian Airlines employees about Organizational Performance matrices of ET.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1	Productivity is organizational performance matrices of ET.	1	2	3	4	5
2	ET uses Revenue as organizational performance matrices.	1	2	3	4	5
3	I aware ET uses Customer Satisfaction to measure its organizational performance.	1	2	3	4	5
4	ET's organizational performance will be determined by its Cost Minimization.	1	2	3	4	5
5	ET uses aviation Industry Ranking to measure its organizational performance.	1	2	3	4	5
6	I understand Quality of service is one of organizational performance matrices of ET.	1	2	3	4	5

II	Statements to assess the alignment of Ethiopian Airlines strategies with key performance indicators (KPI).	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1	ET's BSC goal setting tailored according to the airlines' priorities and focus areas.	1	2	3	4	5
2	KPI's in the BSC enables me to focus on attainment of strategic objectives of ET.	1	2	3	4	5
3	Key performance matrices of the airline in BSC are designed based on its mission and vision.	1	2	3	4	5
4	ET's BSC links short-term operational performance with long-term strategic objectives.	1	2	3	4	5
5	KPI's in the BSC enables to achieve ET's strategic objectives.	1	2	3	4	5
6	ET's BSC creates the ability for management to translate a generic strategy to actionable plan.	1	2	3	4	5

III	<i>Statements to identify whether Organizational Performance matrices of ET integrated with individual performance measures.</i>	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1	I believe my work unit's objectives are aligned with the Airline's vision and mission.	1	2	3	4	5
2	It is possible to say that BSC in ET translates organizational goals in to individual job objectives.	1	2	3	4	5
3	I believe KPIs in ET's BSC allows to measure accomplishment of individual performances.	1	2	3	4	5
4	I believe the targets/initiatives in the BSC will enable to achieve strategic objectives of ET.	1	2	3	4	5
5	I clearly understand what is expected from my performance to contribute for attainment of strategic objectives.	1	2	3	4	5
6	I believe the targets/initiatives under BSC is aligned with the organizational performance matrices.	1	2	3	4	5
7	I believe my performance measures are designed considering organizational performance matrices.	1	2	3	4	5

IV	<i>Statements To identify the challenges in cascading the organization objectives to individual level.</i>	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1	The management of the airline periodically monitors the achievement of corporate objectives using BSC.	1	2	3	4	5
2	The management takes the initiative to cascade the BSC to individual level to achieve strategic objectives.	1	2	3	4	5
3	I understood the corporate objectives in each perspectives of the Airlines BSC.	1	2	3	4	5
4	I believe ET's BSC at all levels is prepared by participating all concerned parties.	1	2	3	4	5
5	ET's vision and mission is effectively communicated to all parties.	1	2	3	4	5
6	I understand to which unit/division my activities contribute.	1	2	3	4	5
7	ET is providing formal training related to balanced scorecard cascading system.	1	2	3	4	5

V	<i>Statements To attest the effect of Performance Management System (PMS) on Organizational Performance of ET.</i>	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1	The Airlines uses it's BSC to set, track and achieve its key business strategies.	1	2	3	4	5
2	I believe Organizational performance of ET depends on successful implementation of the BSC.	1	2	3	4	5
3	I believe ET's BSC provides management with a comprehensive picture of business operations.	1	2	3	4	5
4	While designing the KPI's the measurement frequency is aligned to organizational performance review.	1	2	3	4	5
5	I understand the BSC as a driver of Organizational Performance.	1	2	3	4	5
6	I believe ET's BSC practice helps to satisfy the expectation of customers.	1	2	3	4	5
7	I believe ET's BSC performance reviews tailored according to the airlines' priorities and focus areas.	1	2	3	4	5
8	I believe ET's BSC practice helps to increase my productivity.	1	2	3	4	5

Part Three: Open ended questions (Please fill the following questions on the space provided)

1. Please specify any challenges in cascading ET's Strategic objectives to individual level?

2. Any other comments regarding BSC practices of ET.

THANK YOU VERY MUCH!!!