The Effect of Performance Management Practices on Organization Performance: The Case of Ethio telecom

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Declaration

I, Teressa Belete, MA student in Business Leadership, declare that the research project titled, “The Effect of Performance Management on Organization Performance: the case of Ethio telecom’’ is my original work under the guidance and supervision of the research Advisor Dr. Worku Mekonnen. It has not been submitted for any degree in any university. All cited documents have been acknowledged dually.

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Date : ______________________ Place: Addis Ababa, Ethiopia_

Certification

Mr. Teressa Belete, has conducted the thesis under my supervision and guidance. I therefore certify that this project is his original & genuine work.

Name: Worku Mekonnen (PhD)

Signature: ________________________

Date: ________________________

Place: Addis Ababa, Ethiopia_

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Abstract

This study examined the effect of performance management on organization performance in the case of ethio telecom based on a sample data collected from different work units of the organization. Out of the 334 questionnaires expected to be collected,315 are filled and collected back with no missing value. The study employed explanatory research design using multiple regression analysis. The data is analyzed using SPSS. The finding of the correlation result revealed that all the performance management practices planning, communication, reviewing, assessment and reward are positively correlated with organization performance. However, the regression result has shown that only assessment and reward significantly affects organization performance positively. Hence, the study recommends that ethio telecom need to work on its assessment and reward practices to influence its organizational performance positively and significantly.

Keywords – Performance management, organization performance, ethio telecom

Chapter One

Introduction

1.1 Background of the Study

Today's businesses across the globe are facing different global challenges. According to Schwab (2019), such global challenges to businesses includes: globalization, technological innovations, and team engagements. Globalization mainly boosts competition among firms as it is ruining boundary concepts for investment. Similarly, the frequent technological innovations are making product and service differentiations among firms resulting in increased efficiency while the problem of lack of team engagement can be expressed in terms of low productivity, high absenteeism, and frequent turnover.

Accordingly, Padmaja (2015) argues that for an organization to be profitable and ahead of its peers, it needs to compete in more markets, operate across more platforms and manage more stakeholders than ever before. This requires organizations to not just cut costs but also transform the way work is conducted and overhaul the way performance is driven and measured. Performance management system is one of the key driving tools to realize such transformations. According to Briscoe and Claus (2008), performance management is a system through which organizations set work goals, determine performance standards, assign and evaluate work, provide performance feedback, determine training and development needs and distribute rewards. These contents of performance management can be categorized in to three main phases (Schneier, Beatty and Baird,1987): Planning, managing and Reviewing and Rewarding phases.

Undertaking all the performance management processes gives paramount benefits for employees, supervisors, and organizations (Fatemeh , 2019 : Sahoo and Sukanta,2012).

The benefits for employees include improving better understanding of their duties and work with supervisors to achieve the organization goals, reduces enmity between staff and the risk of staff violence, gives focus on paying salaries and benefits ,bonuses and other compensatory payments based on the performance value and performance of the individuals, enables employee performance measurement to be tangible and clear manner, provides employees the opportunity to comment on issues, goals, and plans, as well as to discuss them in an intimate setting, enable employees to receive adequate and continuous feedback from various sources (supervisors, customers, colleagues, etc.) and helps employees to gain insight into their expected performance status.

On the other hand, the benefits of performance management to supervisors includes easy evaluation of employees with impact of increasing employee productivity, enabling supervisors to direct their employees in order to align their goals with those of their organizations, creating the right environment for open ,unbiased and mutually beneficial communication and dialogue between supervisors and employees, shifts supervisors focus to emphasize on positive aspects of their employees performance and once they have it they can easily explain the evaluation process to their team

Finally, performance management contributes a lot towards the organization's achievements. It helps to met the organization goals as the communication between supervisors and employees become smooth, organization values are reinforced by applying this system, every member of the organization clearly understands goals and priorities of their organization and creates lasting organizational commitment to reward the best in the working environment.

Thus, how these all benefits of performance management to different stakeholders of the organization contributes to its organizational performance is the central question to be addressed by this study. Organizational performance has different dimensions. According to Carpi, Douglas, and Gascon (2017) there are six strategic performance areas for an organization. These are defining and communicating company goals, utilizing the performance management software, providing frequent feedback, using peer review, preemptive management, and recognition, and setting regular meetings to discuss outcomes and results. They also argue that in too many companies, the performance-management system is slow, weak, or downright broken. Same authors further conclude that at best, such organizations are not operating as efficiently or effectively as they could and at worst, changes in technologies, markets, or competitive environments can leave them unable to respond.

Understanding the impact of performance management practices include planning, communicating, reviewing, assessing, and rewarding on organization performance which is measured mainly in terms of finance, customer and employee satisfaction will help to device appropriate practices to gain the maximum benefit out of performance management. Especially, making such assessment for ethio telecom at this time will give the company huge opportunity to timely act to the current telecom market reform processed by Ethiopian government so that it will be agile to the change.

The Ethiopian government is processing both the liberalization and privatization of telecom industry in the country. The liberalization has intention of providing full operation license to two operators while the privatization will transfer 40% of ethio telecom’s share to a foreign company via bid and 5% to Ethiopian citizens, leaving the lion’s share of 55% to the government (ECA,2020)). Especially, the former reform might be a challenge to ethio telecom as it has no experience of operating under competition.

1.2 Statement of the problem

In today's workplace, company performance improvement and the role of performance management are increasingly popular topics. With pressures to drive down operational budgets and to do more with less due to competitions, organizations are now required to become even more effective and efficient to execute better business strategies to remain successful in the market. Specially in telecom industry where there is changing customer demands, greater access to mobile devices, evolving business models and regulatory requirements have all created a busy agenda, the management need to focus on performance management (KPMG,2016).Performance management is a key enabler for telecom companies in achieving a company’s commercial and strategic goals and objectives. Olubayo (2014) also emphasizes that due to the close interaction and relationship between employees and managers, there can be direct effects on a telecommunication performance when internal and external changes occur.

Empirical researches undertaken on impact of performance management on organizational performance for telecom industry also shows that only few are influencing their organizational outcomes via their performance management(Stevens,2014).As a result, Nankervis and Compton(2006) concluded that satisfaction with performance management systems remain problematic, although there are some indications that the increasing integration of the balanced scorecard within these systems appears to encourage more strategic links between individual, group, and organizational outcomes, as espoused by strategic human resource management theorists through which it improves organizational performance.

This shows that the impact of performance management system is not similarly affecting outcomes of all organizations. It is only via assessment for a specific company that we understand the impact.

Moreover, some literatures undertaken on local firms are mainly on impact of performance appraisal, which is one among the different performance management practices, on organization or employee performance than impact of performance management practices on organizational performance. Such studies include Tekalign et al(2016) where they evaluated the impact of performance appraisal on employee Performance in the case of Hawassa University. Thus, there is limitation of domestic literatures to the best knowledge of the researcher.

Thus, in order to answer the core question, is there any relationship between performance management of ethio telecom and its organization level performance, one has undertaken a research as to the best knowledge of the researcher, there is no such assessment made on the company so far. Hence, this the gap to be filled by this research.

1.3 Research Questions

To meet the above-mentioned objectives, the research paper tries to answer the following core questions:

- ✓ What is the effect of planning on organization performances?
- ✓ What is the effect of communication on organization performance?

- ✓ What is the effect of reviewing performance on organization performance?
- ✓ What is the effect of assessment on organization performance?
- ✓ What is the effect of performance rewarding on organizational performance?

1.4 Objectives of the study

The general objective of the paper is to evaluate the relationship between performance management and organization outcomes for ethio telecom.

More specifically, the objective of the paper is:

- ✓ To determine effect of planning performance on organizational performance
- ✓ To determine the effect of communication on organizational performance
- ✓ To examine effect of reviewing performance on organization performance
- ✓ To examine effect of assessing performance on organization performance
- ✓ To determine the effect of rewarding performance on organization performance

1.5 Significance of the study

Determining the effect of performance management on organizational performance will provide benefit to the stakeholders. One of the stakeholders in this case is ethio telecom. Understanding the effect of performance management on its organizational outcomes such as financial performance, customer satisfaction, employee satisfaction and its internal process will give the company opportunity to identify its areas of focus for the upcoming competition. That is, if performance management play positive role in boosting its organizational performance, it will be one areas for the company to work effectively and create its own competitive advantage. The other contribution is to the scientific knowledge. In whatever small contribution, the research will also contribute to the scientific knowledge in evaluating the relationship between the variables. The third contribution is to future researchers who might be interested to undertake similar research for other or same company. It will serve as a base for such researchers.

1.6 Scope of the study

According to its 2020 first quarter report, Ethio telecom has twenty one divisions directly reporting to Chief Executive Officer (CEO). Division in the company is equivalent to Deputy CEOs in other public enterprises. It also has branches all over the country where about two hundred fourteen shops are available. There are about eighteen thousand permanent employees and more than thirteen thousand contract employees who are mainly security guards and derivers. One can geographically categorize the company in to three places. Head quarter that includes all the twenty divisions reporting to CEO regardless of their location, Zonal Offices which are six in number and located in Addis Ababa but out of head quarter and the third is Regional Offices that are dispersed throughout the capital city of regional governments and other areas around our country and they are fifteen in number.

The research considers all managements and employees that are under the headquarter only with the exception of contractual employees as they are not managed by ethio telecom and the research also excludes those employees that are newly joining the company and have less than one-year experience as they cannot show the full steps of performance management processes. The head quarter management and employees are targeted as Ethio telecom structure is functional based and practically all work units in zones or regions reports to the head quarter work units and there is no unique nature at these places regarding performance management.

1.7 Organization of the paper

In order to achieve its main goal, the research paper is structured in to five chapters. The first chapter is introduction about the paper including this part and the second chapter is review of related theoretical and empirical literatures. The conceptual framework and hypothesis are also discussed under this chapter. The third chapter presents the research methodology in detail including the design, data collection and analysis tools employed. The fourth chapter is presentation, analysis, and interpretation of the data while the fifth and last chapter is drawing conclusion and proposing recommendations based on the findings of the paper.

1.8 Limitation of the Study

The main limitation of the study is that it considers organizational factors as main factor impacting organization performance. But literatures shows that both economic and organization factors impact organization performance. Only the latter is considered as some argue that it is the main factor determining organization performance (Hansen and Wernerfelt ,1989).

Moreover, some contents of the data collection instrument such as rate of return on assess, trend of customer complaints would have been used from secondary data source, but the researcher did not find the complete sources from the company and as a result opinion of respondents is used as proxy.

Chapter Two

Review of Related Literature

2.1 Theoretical Literature

2.1.1 Definition of Performance Management

Researchers among themselves have different opinions of performance management. Some view performance management as a narrow concept that applies to planning, scheduling, and budgeting practices in business, while others discuss it in the context of legislation such as the Sarbanes–Oxley Act- law that the U.S. Congress passed on July 30,2002 to help protect investors from fraudulent financial reporting by corporations (Eckerson, 2004). The issue is further compounded by the fact that performance management is also known and identified by other names, such as business performance management and enterprise performance management. On the other hand, Aguinis (2013) defined organization performance management as a continuous process of identifying, measuring and developing performance in organizations by linking everyone's performance and objectives to the organization's overall mission and goals.

To provide clarity to the industry, performance standards group was established in 2003(White, 2005). They define performance as a set of integrated, closed-loop management and analytic processes, supported by technologies that facilitates the creation of strategic goals by stipulating specific objectives and key performance indicators that are meaningful to the organization. Moreover, it supports the subsequent management of the performance to those goals. The objectives and indicators are then associated with operational metrics and linked to performance incentives, which lead to effective strategy execution throughout the organization. Armstrong and Baron (2005) confirms that there is consistence of definition for performance management since 2003 and summarize the definition as a combination of three main processes which are planning, managing and rewarding. Planning stage is where specific objectives are set while the management part includes series of activities such as observing and document efforts and accomplishments, providing assessment and communicating employee regarding performance. The rewarding stage is where performance management reward best performances. This paper uses definition of Armstrong and Baron mentioned above throughout the paper

2.1.2 Definition and Measurement of Organizational Performance

According to Boyne (2002), organizational performance is one of the most important variables in the management research and arguably the most important indicator of performance. The auther further argues that 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. For example, according to Javier (2007), organization performance is equivalent to managing the known 3Es (economy, efficiency, and effectiveness) of a certain program or activity. This shows that an organization to be effective needs to continuously ensure being economical which means that it has to reduce its cost of input to produce something, efficient in the sense that it uses as low as possible amount of inputs to produces as large as possible outputs and effective in meeting all its targets. However, according to Daft (2000), organizational performance is the organization's ability to attain its goals by using resources in an efficient and effective manner. In this definition, the economy aspect of the performance stated by Javier(2007) is overlooked even though other dimensions are similar.

Due to these and other different definitions for performance, Hefferman and Flood (2000) claims that performance has suffered from not only a definition problem, but also from a conceptual problem. The two main definitional clarity problem is on the term performance and what determines it. The term performance is sometimes confused with productivity. According to Ricardo (2001), there is a difference between performance and productivity: Productivity is a ratio depicting the volume of work completed in a given amount of time while performance is a broader indicator that could include productivity as well as quality, consistency, and other factors. Due to this, he argued that performance measures could include result-oriented behavior (criterion-based) and relative (normative) measures, education and training, concepts and instruments, including management development and leadership training, which means that performance should be broader based which include effectiveness, efficiency, economy, quality, consistency behavior and normative measures. Thus, this definition is followed throughout the remaining chapters of this paper.

The other controversial issue of organization performance is what factors determines it. According to Hansen and Wernerfelt (1989) in the business policy literature, there were two major streams of research on the determinants of organization performance. One was based on economic tradition, emphasizing the importance of external market factors in determining organizational performance and the other line of research was built on the behavioral and sociological paradigm and saw organizational factors and their ‘fit’ with the environment as the major determinant of success.

The economic model of organizational performance provided a range of major determinants of organizational profit which included: characteristics of the industry in which the organization competed, the organization’s position relative to its competitors, and the quality of the firm’s resources. On the other hand, the organizational model of firm performance focused on organizational factors such as human resources policies, organizational culture, and organizational climate and leadership styles (Chien,2004)

The economic factors and organizational factors model were supported by many researches including Hansen and Wernerfelt (1989) who found in their study that economic factors represented only 18.5 % of variance in business returns, while organizational factors contributed 38 % of organizational performance variance. This research focused more on organizational factors that determine organization’s performance. As concluded by Trovik and McGivern (1997), organizational factors were found to determine performance to a greater extent than economic factors.

The measurement concept problem of performance is that scholars define performance measurements in different ways. According to (Gimenez, 2000), researches have used many variables such as profitability, gross profit, return on asset, return on investment, return on equity, return on sale, revenue growth, market share, stock price, sales growth, export growth, liquidity and operational efficiency to measure organizational performance. these measurements of performance are mainly focused on the objective measurement of financial aspects of the organization. However, Salzainna (2004) argues that besides financial indicators as an evaluation of firm's performance in any industry, other industry-specific measures of effectiveness may also reflect the success of the organization. These measures include customer satisfaction, job satisfaction, organizational commitment, and employee turnover and internal process of the company. Similarly, Kaplan and Norton (2001) have argued that many organizations nowadays focus on managing intangible assets like customer relationships, innovative products and services, high-quality and responsive operating processes, which are non-financial in nature, rather than managing tangible assets such as fixed assets and inventory, which are financial in nature. Therefore, the changing nature of value creation complicates the performance measurement process when the performance measurement systems are not kept abreast with this latest phenomenon. Thus, this paper evaluates ethio telecom performance management measurement practices in terms of the financial and non-financial measurement of performance stated above as it creates balance between the two.

Ethio telecom is currently using Balanced Score Card to measure its performance. This measurement is in line with the above arguments by Kaplan and Norton (2001). The four dimensions of balanced score cared namely Finance, Customer, Internal process and learning and growth are considered by the company. Accordingly, this study mainly summarizes the organization performance dimensions in to three: Financial, customer satisfaction and Employee productivity. In support of this, Bourne et al. (2005) argues that for companies using Balanced Score Card and providing service, the three measurements well express the organization performance considering long term growth.

Financial performance is a measure of how much a company's ability to create profit, profit or revenue. Financial performance is the company's financial condition over a certain period that includes the collection and use of funds measured by several indicators such as capital adequacy ratio, liquidity, leverage, solvency, and profitability. In a more generic terms IAI (2016) defines financial performance as company's ability to manage and control its resources.

According to Minh (2015), customer satisfaction is measurement of the difference scores or gaps between expectations and perceptions on service quality. Quality in turn is measured by the availability, responsiveness, reliability, completeness, and professionalism of service provision. Sweeny and Mcfarln (2002) defined job satisfaction as the result of a psychological comparison process of the extent to which various aspects of their job measure up to what they desire. Thus, the larger the gap between what employees have and what they want from their jobs, the less satisfied they are. Performance management process such as clear objective setting, communication of such objective in creating awareness to employees on what is needed of them, continuous feedbacks on their daily job, review of their performance all empowers employees to develop confidence in their daily activities

2.1.3 Performance Management Process

An effective performance management need to pass through different process so that it becomes holistic and effective in brining tangible output. A performance management system is a set of interrelated activities that are treated holistically as an integrated and key component of an organization 's approach to managing performance through people and developing the skills and capabilities of its human capital, thus enhancing organizational capability and the achievement of sustained competitive advantage (Armstrong, 2009).

At the corporate level, performance management links strategic planning and performance concepts with budget development. At the program level, performance management links strategic plans to annual action plans, budget requests, and annual performance reviews while all driven by outcome-based performance measures (Verardo,2007). This section discusses these different stages of performance management and their relationship with organization performance

2.1.3.1 Performance Planning

Under the planning process, both the strategic and performance planning's are undertaken. Strategic planning is a long-term, future oriented process of assessment, goal setting, and strategy building that maps an explicit path between the present and a vision of the future. It is a disciplined and creative effort to produce fundamental decisions and actions that shape and guide what an agency is, what it does, and why it does it.

Formulation of strategic plan for a company also needs to go through a rigorous process which includes identification of company strength, weakness, opportunity and threats or risks. Moreover, the organization need also to consider the political, economic growth, social, and technological changes, and ecological impacts for suitable growth throughout the strategy time horizon. Once it is clearly defined, Darbi(2012) argues that the strategic plans should be cascaded down through departmental, directorate, divisional or sectional plans to the individual level where each staff member and his/her supervisor enter into an annual performance agreement. Such cascading and the buy in of employees become smooth when they are also part of the strategic plan development. Like the goal theory originated by Locke and Latham (1990 & 2002) that states specific, realistic and challenging goals lead to higher performance than no goals or generalized goals, such as ‘try your best‘, people who participate in setting their own goals are likely to set more difficult goals than others will set for them, and goal difficulty leads to increased commitment to achieving the goals (Nitsuh,2017).Thus, ensuring employee participation in goal setting helps as a fuel to boost employee commitment for implementation of the objective

On the other hand, the performance planning is a system of agreeing the results a staff member is expected to deliver by linking these results with the strategic unit plans and required competence **(**Marr,2003)It involves a discussion and agreement between the supervisor and the employee regarding what needs to be done and how it should be done with the consideration of both results and behaviors. This is achieved by using the strategic and unit plans, job description, performance agreement and personal development plan. The job description is one of the source documents for the development of performance agreements for individual staff members. It is essential that all positions in the organization have job descriptions in place with clarities on purpose of the job, competency profiles, requirement for the job and job responsibilities. The performance agreement is a description of an agreed understanding of the expected level of performance of an individual staff member by his/her supervisor. At the beginning of a fiscal year, a staff member together with his/her supervisor meet to discuss and agree on the results and performance criteria for the subsequent year and both sign the performance agreement, which forms the basis for the assessment of the staff member’s performance for that performance cycle. The performance agreement should reflect the unit objectives, key results, performance indicators and targets, assumptions, resource requirements, values, and organizational contribution that are related to the strategic plan, cascaded through to individual level. Finally, personal development plan is required as staff can only be expected to meet a performance agreement when they have the required competence to perform. Thus, each staff member should therefore have a Personal Development Plan, which describes his/her development needs and goals for the performance cycle.

Generally, once an organization 's strategic plan have been clearly formulated, the next job is the organization's teams must start to work on the goals that they need to be met in order to attain the organizational objectives laid out in the strategic plan. A way to achieve this is by cascading the organization-wide strategy with its objectives down into the organization to create business unit objectives through performance planning. These objectives can then be further broken down into individual performance plans with clearly articulated ownership and accountability.

This all activities during the planning process are directly related to the performance of the company.

2.1.3.2 Execution Stage

Literature indicate that what really matters in any performance management is how effectively it is implemented. The performance execution stage focuses on: commitment to goal achievement, ongoing performance feedback and coaching, communication with supervisor, collecting and sharing performance data and preparing for performance reviews. During this stage, the employees strives to produce results and display behaviors agreed upon earlier as well as to work on developmental needs. According to Pulakos(2004) specially, ongoing feedback is very critical to make sure that the behavioral and results expectations from team is achieved. Performance in both areas should be discussed and feedback provided on an ongoing basis throughout the rating period. In addition to providing feedback whenever exceptional or ineffective performance is observed, providing periodic feedback about day-to-day accomplishments and contributions is also very valuable. Unfortunately, this does not happen to the extent that it should in organizations because many supervisors are not skilled in providing feedback. In fact, supervisors frequently avoid providing feedback because they do not know how to deliver it productively in ways that will minimize employee defensiveness. For the feedback process to work well, it must be a two-way communication process and a joint responsibility of supervisors and employees, not just the supervisors. This requires training both supervisors and employees about their roles and responsibilities in the performance feedback process (Wexley,1986). Supervisors' responsibilities include providing feedback in a constructive, candid, and timely manner. Employees' responsibilities include seeking feedback to ensure they understand how they are performing and reacting well to the feedback they receive. Having effective, ongoing performance conversations between managers and employees is probably the single most important determinant of whether or not a performance management will achieve its maximum benefits from a coaching and development perspective.

On the other hand, even the two ways feedback is not enough and there need to be a 360-degree feedback mechanism (Sahoo and Mishra, 2012). A well-managed and well-integrated 360-degree feedback processes provide good quality feedback from colleagues and supervisors, which can be a definite improvement over feedback from a single individual. Multi-rater feedback makes team members more accountable to each other.

2.1.3.3 Performance Assessment

Performance assessment involves both the supervisor and employee and the evaluation of the extent to which the desired behaviors have been displayed, and whether desired results have been achieved. Organizations should provide a convenient means of summing up performance judgments so that high or low performances can easily be identified (Armstrong, 2010). Performance ratings should let people know where they stand at least in the mind of the supervisor and can provide a basis for predicting potential on the somewhat dubious assumption that people who perform well in their existing jobs will perform well in the future in different jobs. This is dubious because past performance is only predictor of future performance when there is a connecting link (Bourne,2000). The performance assessment reflects on aspects such as performance agreement implementation, results and value assessment, and organizational contribution. Assessment of performance in these performance areas results in the overall assessment of the staff member and action to be taken in the next assessment period.

2.1.3.4 Performance Review /Appraisal

The performance review stage involves a meeting between the employee and the supervisor 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 employee receives feedback on his or her performance. The purpose and result of performance review and verification are to ensure continuous progress towards set objectives, alignment of performance, timely feedback and management of performance, support and coaching where necessary, equity, and moderation of performance. The process of performance evaluation and verification is the basis for both strategic and operational management.

2.1.3.5 Performance Rewarding

When managers take time to satisfy and recognize employees who have performed well, it plays an enormous role in enhancing employee's performance (Torrington & Hal1, 2006). Evaluating and rewarding performance while evaluation of performance takes place every day, individual performance is summarized at least annually during the performance review discussion and documented in the Performance and Development Summary. This records the leader's assessments of strengths and areas for improvement. It also offers a place to plan training and development activities that are consistent with improving performance and supporting career development plans. Thus, both the best and poor performances need to be managed.

Aguines(2013) argues that an employee's compensation, usually referred to as tangible returns, includes cash compensation (i.e., base pay, cost of living and merit pay, short-term incentives, and long-term incentives) and benefits (i.e., income protection, work/life focus, tuition reimbursement and allowances). However, employees also receive intangible returns, also referred to as relational returns, which include recognition and status, employment security, challenging work and learning opportunities. A reward system is the set of mechanisms for distributing both tangible and intangible returns as part of an employment relationship. It should be noted that not all types of returns are directly related to performance management systems. This is the case because not all types of returns are allocated based on performance. For example, some allocations are based on seniority as opposed to performance.

In whichever recognition type we make, performance of staff should be recognized in a fair, relevant and equitable manner, and should facilitate improved performance(Baird et al., (2012). Informal recognition of performance forms part of the continuous monitoring and feedback process between staff and supervisors. Similarly, Bourne (2000) recommends that we should pay attention to poor work performance by a staff member as part of the continuous performance monitoring and feedback process.

2.1.4 Key Success Factors for effective Performance Management

Identifications of the key success factors for adoption of effective performance management is important as it helps organizations where to focus in managing their corporate performance. Ratnawat et al. (2013) argues that with the evolution of the performance management concept, researchers have provided a set of multi-dimensional measures in the form organizational factors and Balanced Scorecard(BSC) that can be used to evaluate the performance management effectiveness. The organizational factors include support from top management, employee engagement, reward management and culture.

2.1.4.1 Top Management Support

Top management commitment refers to attachment and readiness to put extensive effort on behalf of the organization (Salancik and Pfeffer ,1977). Accordingly, Cheng et al. (2007) have highlighted that for the successful implementation of a performance management process, companies should have active senior management support, participation, and leadership. This is mainly if top management commitment and leadership acceptance for performance management implementation is absent, employees will have the tendency to give less or no priority to the new system. As rightly put forward by Pace (2011), the most critical challenges that any organization has to face during the implementation stage of a performance management are related to poor management support. The absence of commitment from senior and line management can further complicate matters as employees from lower levels will certainly not take the performance management seriously (Ochurub,2012).

2.1.4.2 Employee Engagement

Employee engagement is a relatively new concept for the business and academic world (Swarnalatha and Prasanna, 2014). From a theoretical point of view, employee engagement has been related to job performance, and this is the reason why the theme has attracted so much interest over the past decades. Harvard Business Review Analytic Services report (2013) states that in this rapid cycle economy, business leaders know that having a high-performing workforce is essential for growth and survival. They recognize that a highly engaged workforce can increase innovation, productivity, and bottom-line performance while reducing costs related to hiring and retention in highly competitive talent markets. Robinson et al. (2004) stated that an employee who is engaged is conscious about the goals of the organization and will aim at improving job performance for the benefit of the organization. The literature on employee engagement has also shown that low engagement and job satisfaction can lead to several problems such as labor turnover, absenteeism and other potential costs associated with low performance. But if the importance of employee engagement is agreed due to the above arguments on the benefit, how one can increase employee engagement? According to Freeman (2018),there are six key drivers for engagement: constructive performance conversations between employee and supervisor, career development and training where employees feel that they have opportunities in their organization, support of supervisors to balance work-life time, inclusive working environment, employee involvement in decision makings and communication from supervisor.

2.1.4.3 Reward Management

According to Bae and Lawler (2003), positive employee perceptions on the reward strategy impacts their disposition towards the organization. This is line with the findings of Rhoades et al. (2001) who argue that the reward system assumes a basic part in spurring workers to perform innovatively.

Organizations can have two types of reward alternatives while designing their reward management strategies namely intrinsic and extrinsic. According to Edirisooriya (2014),reward is conducive when the employees show readiness to contribute to the profitability of the organization through additional efforts. Another pre-requisite of the reward system is that employees should see a visible link between their day-to-day tasks and the expected reward through enhanced motivation and improved performance (Bajorek and Bevan, 2015).

Purkayastha and Chamberlain (2011) came up with the conclusion in their research that a firm dealing in the financial services took care of its employees even in the turbulent environment since they believed that performance management and reward system was responsible for this. In addition, they argued that management should give food for thought on the most effective system of reward to be devised which caters for the needs of the workforce, the specificities of the organization and congruence between the individual interests and strategic goals of the institution. As is the case for training, the prospective reward system should be well communicated and marketed to all the employees and stakeholders irrespective of their hierarchy levels, receive top management support and commitment and above all be owned, managed, and driven by line managers This will ensure that resistance from employees would be minimal and the effectiveness of the performance management is easily evaluated and measured.

2.1.4.4 Culture

Much attention has been given to organizational culture in the past twenty years owing to its potential impact on the success of organizations (Kotter and Heskett, 1992). Strong culture has almost considered as a driving force to improve the performance of the employees. It enhances self-confidence and commitment of employees and reduces job stress and improves the ethical behavior of the employees (Saffold, 1998). Further Sffold (1998) states that mostly studies on culture tend to emphasize on a single organizational culture. But in the Deal and Kennedy's (1982), point of view, both strong and weak culture have a great impact on the organizational behavior but in the strong culture, employee's goals are side with the goal of management and helpful to increase the overall organizational performance.

The widespread popularity and interest in organizational culture stem from the common belief that corporate culture usually leads to superior organizational financial performance. Three organizational factors namely innovation, outcome orientation and teamwork have been proposed by Baird et al. (2012) in their examination relating to the impact of organizational culture on performance. According to Baird et al. (2012), innovation is merely the conception of a qualitatively new thing, through the course of learning and knowledge building which supports a culture that are responsive to new prospects, shift from prevailing paradigms, risk-taking and acceptance for mistakes. In other words, innovation is challenging the ways things are being done in an organization.

2.1.5 The Relationship between Performance Management System and Organizational Performance

The details on how the different dimensions of performance management affects organizational performance is discussed in this subsection.

2.1.5.2 Relationship Between Performance Planning and Organizational Performance

As briefly discussed under section 2.1.2.1, performance planning stage undergoes a number of activates including development of company mission, vision, objectives and setting annual performance plan. These all activities directly affect the organizational performance as if one fails to plan, he or she is planning to fail. Recent studies have identified trends in effective performance planning and determined the impact of this activity on organizational success. The messages from these studies are senior managers must be attentive to the performance plannig in their organizations as they affect the organizational performance (Sumilan,2006). It proves that successful organizations realize that performance planning as a critical business tool in translating strategy into results.

According to Hewitt Associates (1994), performance management systems in general and planning in particular directly influence five critical organizational outcomes: financial performance, productivity, product or service quality, customer satisfaction, and employee job satisfaction. on the other hand, Lingle and Schiemann(1996) identify similar paths through which effective performance planning affects organization performance. Their research examined performance in four strategic performance areas deemed crucial to long-term success: Financial performance, Operating efficiency, Customer satisfaction, and Employee performance and concluded that appropriate planning plays big role on all the strategic performance areas.

2.1.5.1 Relationship Between Managing and Reviewing Performance and Organization Performance

The managing and reviewing phase of performance management includes activities of managing performance such assessing feedback against the set objectives or standards, periodic review of performance and communication. The output of these activities indicates where the organization is in terms of its plans and give room for improvement. Communication on such improvements will improve commitment of stakeholders that improves the performance. For instance, financial statement reports such balance sheet, income, cashflow and changes in capital reports are prepared periodically indicating the financial performance of the organization. The way the company effectively measure the financial performance indicators, timely feedbacks, periodic review of the performance to correct factors reducing the financial performance matters for the overall financial performance of the organization. Similarly, Armstrong and Baron (2005) argues that the overall objective of performance management contributes towards financial performance of the company though creation of transparency over the costs of the company and its revenue. Same authors also argue that companies with effective performance management and review have higher profits, better cash flows, stronger stock market performance, and a greater stock value than companies without performance management.

In addition, if the performance monitoring reveals a serious performance deficit the assessment, managers may have to coach the subordinate. This will consist of discussing the desired performance and if necessary, modeling the performance for subordinate, asking the subordinate to perform and then giving critical feedback until the performance is at the required level. Sometimes a subordinate's performance is substandard because of personal or interpersonal problems. Here the manager or supervisor may have to counsel the subordinate and offer solutions to overcome these problems

Similarly, the continuous measurement and control over the customer satisfaction measurement variables enables companies to meet the expectation of their customers. Samwel (2018) argues that management literature often presents profit as the one-step goal of performance management, but performance management is actually a process of clarifying goals, uncovering opportunities and effecting measurable performance improvements – in the customer service industry, those enterprise-level goals translate into key performance indicators (KPIs) that reflect customer experience and satisfaction. Therefore, true success requires an understanding of customer needs and wants and the ability to react accordingly. Thus, managing and reviewing performance is expected to positively impact customer satisfaction.

2.1.5.2 Relationship Between Rewarding and Organization Performance

Rewarding performance happens on the end of performance period. The main activities include evaluating employee's accomplishments and skills; discussing evaluation with employees (McAfee and Chanmpagne, 1993). It evaluates the effectiveness of the whole process and its contribution to overall organizational performance to allow changes and improvements to be made, and also provides the feedback to the organization and to individual staff about their actual performance.

Managers who seek to influence the performance of their subordinates need to ensure that good performance is followed by positive consequences (Schultz et al., 2003). Ideally, good performance should not only lead to recognition, but also to material benefits for the subordinate. The important point is that there should be a clear link between good performance and reward in the organization.

sometimes a subordinate fails to perform as expected (Schultz et al., 2003). Similarly, if the poor performance persists, it may be necessary to start disciplinary procedures. This needs to be aligned with labor union proclamations whenever applicable so that it protects not to be exposed to legal costs. In both cases, it directly contributes to the performance of the organization (Gunter and Furnham ,1996).

2.2 Empirical Literature Review

2.2.1 Relationship Between Performance Management and Organizational Performance

Currently, there is a continuing debate in the performance management literature as to whether performance management has a positive impact on business performance or not. As a result, the evidence is mixed. Hence, one might question that under what circumstances does performance management positively impact organizational performance?

The finding of a survey conducted on 88 chief executive officers (CEOs) of 88 companies by DDI (1997) reveals that Sixty-three percent of CEOs believe their performance management system drives the key factors associated with business strategy. Seventy-nine percent say their system drives the cultural strategies that maximize human assets. Further, it concludes that when CEOs realize the value of performance management in driving business strategy, overall system effectiveness is significantly higher with interesting finding that the success of performance management and its effect on business and cultural strategies depend heavily on senior-level support.

Similarly, research done by Sumilan (2006) strongly points out that there are four main mechanisms of performance management that highly contribute to the success of an organization. The first is agreement on strategy which shows that ninety-three percent of the companies with high performance reported agreement among top management on strategy. The second is clarity of communication which shows that good communication demands a clear message, and measurement provides a common language for communication that smoothens daily performances. The third mechanism is focus and alignment of efforts that shows that high performing companies performance managements linked to strategic company measures and that individual performance measures were linked to unit measures. The last and fourth mechanism is Organizational culture where compared to those not properly managing their performance, those implementing it have more frequently reported strong cultural elements, such as cooperation and teamwork among the management team, a greater extent of employees self-monitoring their own performance, and a greater willingness to take risks.

A study by Yankelovich Partners for William M. Mercer (1995) also shows that the 1,200 workers surveyed said that on average they could improve their daily output by at least 26 percent if only they weren't hindered by lack of direction, support, training, and equipment. One in four said they could raise productivity by 50 percent. This shows that an effective performance management system delivers the direction and support workers need.

Samwel (2018) has assessed the impact of performance management systems on organization and employee work satisfaction of private banks in Tanzania and the findings of the research shows that it has positive impact on both organization and employee performances.

However, there are some research findings that indicates that having performance management system alone will not ensure the positive impact on performance unless some conditions are fulfilled for the success. Wyat(1994) conducted a research focused on identifying best practices in performance management by examining the systems of a select group of 37 companies recognized for financial success and innovative resource programs. The finding is that only those with decentralized control allowing individual business units the flexibility to customize the system fosters a greater sense of employee ownership and those with strong links between pay and performance are successful.

2.2.1 Effective Implementation of Performance Management

As it is discussed under the preceding theoretical literature part, the importance of implementing an effective performance management will continuously ensuring that a set of activities and outputs meets an organization's goals in an effective and efficient manner. The dominant findings indicate that there are enterprises which are generally less likely to adopt formal performance management practices, including goal setting, assessing performance and performance evaluation practices. Similarly, they usually pursue traditional means of basic Human Resource functions such as employee recruitment, selection, training and compensation. There are also few companies that properly exercise effective performance management. Under this section, findings of practical research undertaken on organizations performance management implementation, importance and other views are presented.

Makamu (2016) assessed the performance management and development system in selected South African national government departments by taking samples on employees between salary levels 3- 12 that are from 47 such companies. The research finding indicates that current performance management and development system are not effective in improve the company success. The study further demonstrates that employees are demotivated and have lost confidence and trust in the appraisal system. The main cause for the problem, as identified by the researcher, is supervisor’s bias as they are biased in managing and implementing the system mainly using the performance management as compliance rather than management.

Similarly, Maleka(2014) critically evaluated the effectiveness of the performance management and its alignment with organizational goals for Department of Communication(DoC) in South Africa. The research finding reveals that although certain element of the performance management within the DoC can be perceived as being effective, however there are issues which still need to be addressed such as to communicate with employees and clearly defining the purpose of the performance management , commitment of senior managers and addressing the staff attitudes and perceptions, as staff attitude and negative perception by employees can have detrimental consequences to the organization and positive perception can improve the organization and commitment of employees towards organizational performance. However, the research is silent on the causes of the gaps whether it is due to design problem where stakeholders should participate and feel ownership.

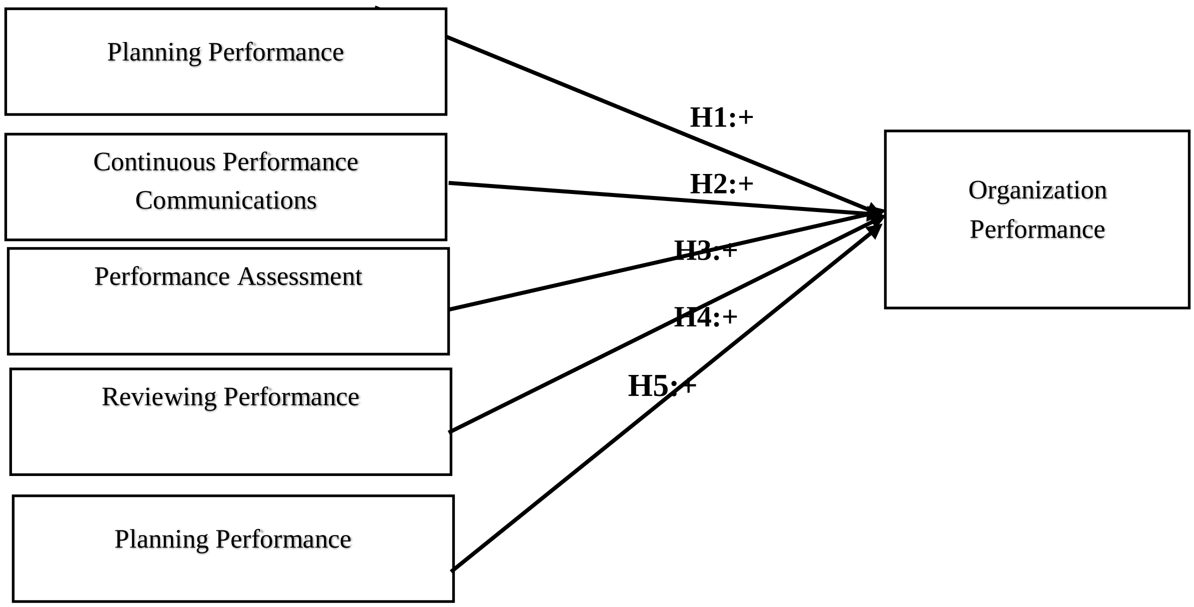
Unlike findings of the above researchers, the one by Colorosa(2016) on a company called Blue Star Recyclers (BSR), a company that recycles electronics while providing employment for individuals with disabilities (including Autism), is different. The research output shows that managers focus on the abilities of their employees and on the production necessary to meet the mission of the organization, while also creating a fun work environment. In doing so, they have experienced almost no turnover or absenteeism. The author further recommends that other organizations can use as a model BSR of focusing on the outcomes and objectives of employees, linking individual goals to organizational goals, and creating an environment in which employees like to work.

2.3 Conceptual Framework and Hypothesis

2.3.1 Conceptual Framework

Based on the discussion made so far referring to different theoretical and empirical literatures, a research framework would be built. The framework is constructed based on different literatures (Samwel,2018 and Ying,2012).Accordingly, first, the paper would test the relationship between setting objectives which is the most important activity in the developing and planning performance stage with organizational performance (Hypothesis 1). In the second stage, the researcher would test the relationship between Performance communication and organizational performance (Hypothesis 2). The third is testing the relationship between reviewing performance and organization performance (Hypothesis 3). Fourth is testing the relationship between assessment and organization performance((Hypothesis 4). and finally, the relationship between rewarding and organization performance is tested(Hypothesis 5).Figure 1 below illustrates the research model.

Conceptual Model



Source: Adopted from Samwel (2018) and Ying(2012)

Figure 1: Research Model

2.3.2 Hypothesis

H1: Planning performance in organization will lead to better organization performance

H2: Continuous communication on performance within organization better organization performance.

H3: Assessing performance results in better organization performance

H4: Reviewing Performance will lead to better organization performance

H5: Performance Rewarding will lead to better organization performance.

In all the cases, the independent variables (planning, communication, assessment, reviewing, and rewarding) positively impact the dependent variable (organization performance).The findings of the study will be later summarized in evaluating the set hypothesis.

Chapter Three

Research Methodology

This chapter clearly describes the research methodology including the research approach, design, description of target population and sampling, and other measurement and checking mechanisms for reliability and validity.

3.1. Research Approach

A research approach can be qualitative or quantitative depending on its nature. Qualitative research is an umbrella process which covers an array of procedures to decode, translate, and come to terms with the meaning of naturally occurring phenomena in the social world (Wexley,1986). while on the other hand quantitative research method is a process of collecting numerical data and analyzing it using statistical method. Due to the nature of the research in evaluating impact of different variables on a variable, qualitative approach does not seem appropriate. Hence, the researcher adopted quantitative approach to see the impact of performance management on the successes of the ethio telecom.

3.2. Research Design

Research design can be exploratory, descriptive or explanatory. The choice between these research designs is mainly determined by the nature of the research to be conducted. Explanatory research is also called causal research is conducted to understand the impact of certain changes in existing standard procedures. As this study has also selected the quantitative research approach to know the impact of performance management practices on organization performance the explanatory design is appropriate. Hence this study employees an explanatory research design. Accordingly, on top of using statistical tools such as mean and standard deviations, the relationship between the performance management systems and the organizational performance is also identified using Pearson’s correlation and linear multiple regression.

3.3. Population and Sampling

The total population for the research and the sampling frame, size, design, technique and other activities are as described in the following sub-sections.

3.1.1. Target Population

The target population for the study is ethio telecom employees and management that are working under head quarter. The exceptions, as clearly discussed under scope of the paper, are contract employee and those with less than one year tenure. As per ethio telecom 2013 E.C quarter one report, there are about 21 Divisions with total headcount of 2,036 employees in headquarter. These are the target population for the study

3.3.2. Sampling Frame

It is difficult for a researcher to make random sampling without defining sampling frame. Here the researcher frames the random selection sampling from employee data base. The researcher relies on the list of employees who are in the headquarter, who are permanent and have more than one-year experience. This framing is more cost effective compared to other alternatives as the company has Enterprise Resource Planning (ERP) system.

3.5.3. Sample Size Determination

The size of the sample depends on various considerations, including population variability, statistical issues, economic factors, availability of participants, and the importance of the problem.

There are different techniques to determine sample size. This study will determine the sample size using Sloven's formula which was developed by Sloven in 1960. It is determined based on the confidence internal needed and error tolerance. This mechanism seems appropriate for the sample size determination of this research as literatures indicate that the mechanism is appropriate for a researcher who does not much know the behavior of the population. The formula is:

$$Sample\ si(n) = N/(1 + Ne2)$$

Where N=population number,

e= Error tolerance (level).

In this study, the confidence interval is assumed to be 95% which means error tolerance of 5%

Thus, $Sample\ si(n) = 2036/(1 + 2036 * (0.05^2))$

$= 334$

Thus, a sample size of 334 will be used for the survey as source of primary date for the research

As there is probability of losing questionnaire by respondents, a 1% contingency is taken for additional respondents.

3.5.4. Sampling Design

Mainly there are two types of sampling design: Random and non-random. The selection between the two for a researcher is determined by the nature of the population, level of accuracy and other factors. For this research, random sampling design is selected as it helps to get a representative sample from all the work units. Again, under random sampling, there are many sampling techniques such as random, stratified, cluster and multistage sampling. All have their own feature to choose for a specific sampling. In this study, stratified random sampling is applied where the division are stratified first and then employees are randomly selected from each division. It will be proportionate sampling as the number of employees selected from each division will be proportionate to their number of staffs fulfilling the population definition already made. This sampling design is selected as it is the appropriate tool to see the components part of a population.

3.5.5. Sampling Technique

In order to get the representative sample, a stratified random sampling techniques is used. The sampling technique is appropriate as components of the total employees will be addressed the employees will be first categorized in to their respective work unit/division.

Then random sampling technique will be applied in order to selected respondents from the respective divisions

3.5.6. Sampling Procedure

The sampling procedure will make sure that it is free of systematic bias and sample errors. The procedure to be followed will be first to define the population and secure the employee database from ERP system. Second will be stratifying this data in to the corresponding division or work unit. Third will be applying a random selection method by using excel sheet. The research will also take 1% contingency of respondents in order to avoid probability of committing systematic bias due to non-respondents. Finally, the randomly selected sample respondents will be asked to fill the questionnaire. This procedure is selected as it is cost effective and ensures the appropriateness of the data to be collected.

3.5.7. Sample Distribution Plan

The sample selection is distributed among the division of ethio telecom using the proportionate stratified random sampling method. In summary, the population and sampling activities will be as summarized below:

No.	Division Name	Number of staff (Population)	Sample Taken
1	Strategic Planning and Program Management	38	**6**
2	Customer Service	700	**115**
3	Marketing	45	**7**
4	Sales Division	110	**18**
5	Finance	98	**16**
6	Corporate Communication	31	**5**
7	Customer Experience and Quality Management	56	**9**
8	Wireless Network	85	**14**
9	Infrastructure-Power and Environment	50	**8**
10	Infrastructure-Transport Network	65	**11**
11	National Operation and Service Management	60	**10**
12	Fixed Network	137	**22**
13	Information Systems	77	**13**
14	Information Security	83	**14**
15	Physical Security	10	**2**
16	Legal	34	**6**
17	Audit	46	**8**
18	International Business	20	**3**
19	Facility and Fleet	125	**21**
20	Human Resource	101	**17**
21	Supply Chain	65	**11**
	Total	**2036**	**334**

Source: Constructed based on Ethio telecom ERP Database,2020

3.6. Types and Sources of Data

The types of data collection mechanism used is a structured questionnaire and primary data source is used. The primary data source will be collected through structured questionnaire online. This data source is obtained by preparing the soft copy of the structured questionnaires and communicating the link to the selected respondents. The data is checked for out layers. This data covers the main input for the analysis of effect of performance management systems on organizational performance.

3.6 Data Collection Instrument

The data collection instrument need to be reliable and valid. The instrument is adapted from different sources that are already standardized and tested instruments (Kardaslarson human resource consultion,2013). Data is collected through the use of close ended survey questionnaires from employees and the management. All items were measured on a 5 - point Likert scale (ranging from 1 – strongly disagree to 5 –strongly agree).

The research instrument is divided into four different parts. Part 1 consisted of 5 items to measure the demographic data of the respondents. Parts 2 consisted of 28 items used to measure the different dimensions of performance management and part 3 consists of 18 items used to measure organization performance.

3.8 Model Specification

In order to see the impact of a unit change in the independent variables on the dependent variable, a liner regression is conducted with the following model summary:

$$\mathrm{OP} = \alpha + \beta 1\mathrm{PP} + \beta 2\mathrm{CP} + \beta 3\mathrm{RP} + \beta 4\mathrm{AP} + \beta 5\mathrm{RP} + \varepsilon$$

Where OP = Organization performance

α = the intercept

PP = Performance Planning

CP = Performance Communication

RP = Performance Review

AP = Performance Assessment

RP = Reviewing Performance

$\beta 1 - - - \beta 5$ = Coefficients

ε =error term

3.8 Validity and Reliability of the Data Collection Instrument

Ensuring validity and reliability of the data collection instrument is very decisive as input data determines the output.

3.8.1 Validity

Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure (Kothari, 2004, p.73). One of the methods to test validity, content validity, refers to whether the content of the questionnaire is right to measure the latent concept that we are trying to measure (planning, communication, review, assessment, and reward) (Muijs, 2010, p.66). In this study, the researcher tried to develop a content-valid constructs by extensive search of literature to select carefully all the variables and their measurements from prominent sources. Moreover, a sample questionnaire filling was made before mass implementation to check if there is any confusion to the respondents and no issue was found.

3.8.2 Reliability

To ensure the reliability of the measurement scales, Cronbach ‘s alpha was used in the calculation(Cronbach, 1951). Whereby a higher value of above 0.6 indicates that the variables are reliable while values above 0.9 are regarded as most reliable but anything below 0.6 was regarded inconsistent with the reliability scales as to Haines,Saba and Choquette (2008).

3.9 Research Ethics

It is at the discretion of the respondents if they wanted to be a part of the study or not. As indicated in the introductory part of the questionnaire, they are given the option to remove themselves from the research at any point. Respondents took part in the research after they are briefed about the targets and importance of the research. There is also a guarantee of retaining the secrecy and anonymity of the gathered data and the researcher made sure to satisfy the respondents that the information to be collected merely is to conduct the research.

3.10 Data analysis methods

The data obtained via the primary source is analyzed using Statistical Packages for Social Science (SPSS) software version 20. The collected data is online and directly entered on SPSS so that statistical tools like measures of central tendency and standard deviations are used to see the relationship between the independent and dependent variables.

Chapter Four

Data Presentation, Analysis, and Interpretation

This chapter deals with the presentation, analysis and interpretation of data obtained from the selected respondents through the online questionnaire distributed to them so that the research questions posed in the preceding chapter get answer. The main research question is does performance management impacts organizational performance? Of the total 338 questionnaires distributed (including the one percent contingency for uncollectability) 315 of the questionnaires are filled with zero missing value that shows appropriate management of the questionnaire. This is due to the fact that all the questions are made mandatory to be filled online and does not accept any submission with missing value. Using this data, this chapter focuses on evaluation of all the research questions and hypothesis.

4.1 Demographic Characteristics of the Respondents

For the researcher to understand the variations among the respondents, the study analyzed the respondents' information such as to Gender, work experience in ethio telecom, job positions, and education qualifications. The results are as presented in table 4.1- to 4.5 below.

Table 4.1. Respondents' Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	177	56.2	56.2	56.2
	Female	138	43.8	43.8	100.0
	Total	315	100.0	100.0	

Source: Researcher's own calculation from survey result (2021)

As can be seen in table 4.1 above, the portion of male is greater than female. This variation is normal and even better than the company female work force shares as it is 28% to female and 72% to male based on its 2013 E.C second quarter report.

Table 4.2. Respondents' Work Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 - 3	7	2.2	2.2	2.2
	4 - 6	51	16.2	16.2	18.4
	7 - 10	89	28.3	28.3	46.7
	11 - 20	150	47.6	47.6	94.3
	Above 21	18	5.7	5.7	100.0
	Total	315	100.0	100.0	

Source: Researcher's own calculation from survey result (2021)

Majority of the respondents have work experiences ranging between 11 to 20 years that accounts for about 47.6 percent which is nearly half of the respondents. But if one considers those who served the company above 11 years, they constitute more than half of the respondents. Those who worked for the company from 7 to 10 years are also second large ones contributing about 28.3 of the total respondents. This shows that majority of the respondents have enough experience on performance management practices of ethio telecom to evaluate. The remaining have less than seven years in the company

Table 4.3. Respondents’ Job Position

Position		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Management	92	29.2	29.2	29.2
	Non-Management	223	70.8	70.8	100.0
	Total	315	100.0	100.0	

Source: Researcher’s own calculation from survey result (2021)

As can be seen in the above table, the respondents are mix of management and non-management, the later contributing the lions share (60.8%). This is also expected result as the management contributes small proportion compared to the total staff of the company. But having each mix is very important for the research to evaluate both segments opinion.

Table 4.4. Respondents’ Educational Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	6	1.9	1.9	1.9
	Frist Degree	215	68.3	68.3	70.2
	Master’s Degree and above	94	29.8	29.8	100.0
	Total	315	100.0	100.0	

Source: Researcher’s own calculation from survey result (2021)

The education qualification of the respondents also show that majority are first degree holder with very small number being Diploma holders.

Table 4.5. Respondents' Work unit

	Division	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Finance	8	2.5	2.5	2.5
	Facility and Fleet	15	4.8	4.8	7.3
	Fixed network	15	4.8	4.8	12.1
	Customer service	139	44.1	44.1	56.2
	Human resource	16	5.1	5.1	61.3
	International business	8	2.5	2.5	63.8
	Information system	10	3.2	3.2	67.0
	Information security	10	3.2	3.2	70.2
	Infrastructure-Transport Network	6	1.9	1.9	72.1
	Sales	18	5.7	5.7	77.8
	Customer Experience and Quality Management	8	2.5	2.5	80.3
	Infrastructure-Power and Environment	5	1.6	1.6	81.9
	National Operation and Service Management	6	1.9	1.9	83.8
	Legal	10	3.2	3.2	87.0
	Audit	9	2.9	2.9	89.8
	Marketing	5	1.6	1.6	91.4
	Corporate Communication	4	1.3	1.3	92.7
	Wireless Network	10	3.2	3.2	95.9
	Supply Chain	8	2.5	2.5	98.4
	Physical Security	1	.3	.3	98.7
	Strategic Planning and Program Management	4	1.3	1.3	100.0
	Total	315	100.0	100.0	

Source: Researcher's own calculation from survey result (2021)

The respondents are dispersed throughout the selected divisions with encompassing about 44 percent of the respondents as it is the giant division in the company. It is also interesting takeaways from the table that all the 315 respondents reacted the research data collection instrument are 100% valid in terms of completeness.

4.2 Descriptive Analysis of the Variables

The descriptive statistics is used to get the mean, standard deviation, minimum, and maximum value of the variables. Accordingly, the descriptive statistics undertaken for both the independent and dependent variables shows that communication has the highest mean from the independent variables which is slightly above four indicating that respondents strongly agree on the presence of continuous communication on performance with standard deviation of 0.5. On the contrary, rewarding has relatively the lowest mean of 3.6 that shows respondents agree on the rewarding of high performance with standard deviation of about 0.8. In between, the mean value for performance planning and review is about 3.9 indicating that the respondents agree on the appropriate implementation of this performance management phases with standard deviation value of 0.5 for each. The mean value for assessment is also 3.7 showing that the respondents also agree for appropriate assessment in place.

Table 4.6. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Planning	315	2.00	5.00	3.9987	.51425
Communication	315	1.75	5.00	4.0413	.56105
Review	315	1.50	5.00	3.9667	.55008
Assessment	315	1.00	5.00	3.7280	.73969
Rewarding	315	1.00	5.00	3.6968	.82973
OrgPerforamnce	315	1.44	4.94	3.5861	.64573

4.3 Reliability Test Result

Table 4.7 Measure of Internal Consistency-Cronbach's alpha

Measure	Cronbach's Alpha	N of Items
Planning	.722	5
Communication	.705	4
Review	.789	6
Assessment	.882	9
Reward	.757	4

Source: Own calculation from the Survey Data (2020)

The above table shows the reliability test for all the independent questions. As one can sees from the table, the internal consistence test for all the independent variables shows that all the values for Cronbach's alpha are greater than 0.6 and all are reliable. However, there are some variation in degree of reliability. The internal consistence test for planning consists of five questions and the result is 0.72 representing 72% reliable scale. Similarly, communication, review, assessment and reward consist of four, six, nine and four questions respectively with alpha values of 0.70,0.88,0.75 respectively.

4.4 Correlation Analysis

Correlation analysis is used to describe the strength and direction of the linear relationship between two or more variables. This analysis employees Pearson Correlation Coefficients to check the correlation between performance management and organization performance for ethio telecom. According to Field (2005) Pearson correlation coefficients (r) can only take on values from –1 to +1. The sign indicates whether there is a positive correlation (as one variable increases, so too does the other) or a negative correlation (as one variable increases, the other decreases). The size of the absolute value (ignoring the sign) provides an indication of the strength of the relationship. A perfect correlation of 1 or –1 indicates that the value of one variable can be determined exactly by knowing the value on the other variable.

Accordingly, the output is as presented in below table.

Table 4.8 Correlation of dependent and independent variables

		Planning	Communication	Review	Assessment	Rewarding	Org Performance
Planning	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	315					
Communication	Pearson Correlation	.548**	1				
	Sig. (2-tailed)	.000					
	N	315	315				
Review	Pearson Correlation	.473**	.521**	1			
	Sig. (2-tailed)	.000	.000				
	N	315	315	315			
Assessment	Pearson Correlation	.403**	.311**	.496**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	315	315	315	315		
Rewarding	Pearson Correlation	.388**	.267**	.382**	.634**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	315	315	315	315	315	
OrgPerforamnce	Pearson Correlation	.361**	.314**	.432**	.620**	.539**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	315	315	315	315	315	315

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

Source: Researcher's own calculation from survey result (2021)

The person correlation coefficients are run for all the independent variables including performance planning, continuous communication, performance reviewing, assessment and rewarding of performance that are denoted in the table by planning, communication, review and rewarding respectively with the dependent variable organization performance denoted by Orgperfomance. The output shows that all the five independent variables are correlated with organization performance. Further, one can also discusses the strength of the relationships as Pearson Correlation coefficient also measures the strength and direction of relationship between variables. A coefficient of +1 indicates a perfect positive relationship while -1 indicates a negative relationship. Zero (0) indicates no relationship between two variables.

Accordingly, the strength of the relationship of the independent variables with the dependent variable is not uniform. According to Field (2005), of $r=\pm0.1$ to $\pm .29$ represent a weak relationship while $r=\pm0.3$ to $\pm .49$ represent a medium relationship while $r=\pm0.5$ to ± 1.0 indicate a strong relationship. Thus, as can be seen from the above table, the correlation coefficient is 0.36, 0.31, and 0.43 for planning, communication and review respectively which show that there is medium relationship between these variables and organization performance. It is high for assessment and reward as the coefficients are 0.62 and 0.53 respectively.

4.5 Regression Analysis

As discussed in the preceding sections, correlation measures the strength and direction of relationship between variables. However, in order to identify the best predictor of the dependent variable, we need to use regression. Multiple regression models is used as the equation was specified. However, one need to undertake checking of the different basic assumptions of regression before running it. Such test is undertaken as below for the basic assumptions

4.5.1 Multicollinearity Test

Linear regression assumes that there is little or no multi-co linearity in the data. Multicollinearity occurs when the independent variables are not independent from each other. A second important independence assumption is that the error of the mean has to be independent from the independent variables. According to Keith (2006),such tests can be undertaken using different criteria .One of such criteria is the Correlation matrix where multicollinearity can be checked looking at the outputs of the Pearsons Bivariate Correlation results. The coefficient among all independent variables need to be smaller than 1. As can be seen from table 4.8, all the coefficients fulfill this requirement which shows that there is no multicollinearity problem among independent variables. The second criteria is to check tolerance which measures the influence of one independent variable on all the other independent variables. The result is presented in Table 4.9 below. The result need to be less than one. Accordingly, the finding shows that all the tolerance coefficients are less than one that again shows that there is no Tolerance problem. The third is Variance Inflation Factor (VIF).The rule is if VIF>10, there is an indication for multicollinearity to be present; with VIF> 100, there is certainly multicollinearity in the sample. The result is also shown in the same table, table 4.9 below and all the VIF coefficients are less than 10 which shows that there is no multicollinearity indication. The VIF values for the independent variables are even less than 2 for all.

Table 4.9 Multicollinearity Test Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.665	.254		2.620	.009		
	Review	.125	.066	.106	1.893	.059	.584	1.712
	Assessment	.348	.053	.395	6.627	.000	.516	1.940
	Reward	.162	.044	.206	3.654	.000	.575	1.741
	Planning	.042	.070	.033	.592	.554	.599	1.669
	Communication	.087	.064	.075	1.367	.173	.607	1.646

a. Dependent Variable: OrgPerfomance

Source : Researcher's own calculation from survey result (2021)

4.5.2 Autocorrelation Test

The other assumption of linear regression analysis is that there is little or no autocorrelation in the data. According to Stevens (2009), autocorrelation occurs when the residuals are not independent from each other. We can test the linear regression model for autocorrelation with the Durbin-Watson test. The value of Durbin Watson assumes to be between 0 and 4, values around 2 indicate no autocorrelation.

The Durbin-Watson result is as seen in table 4.10. The value from the table is about 1.41 which is below 2 indicating that there is no autocorrelation.

Table 4.10 Autocorrelation Test Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.660[a]	.435	.426	.49530	1.411

a. Predictors: (Constant), Communication, Reward, Review, Planning, Assessment

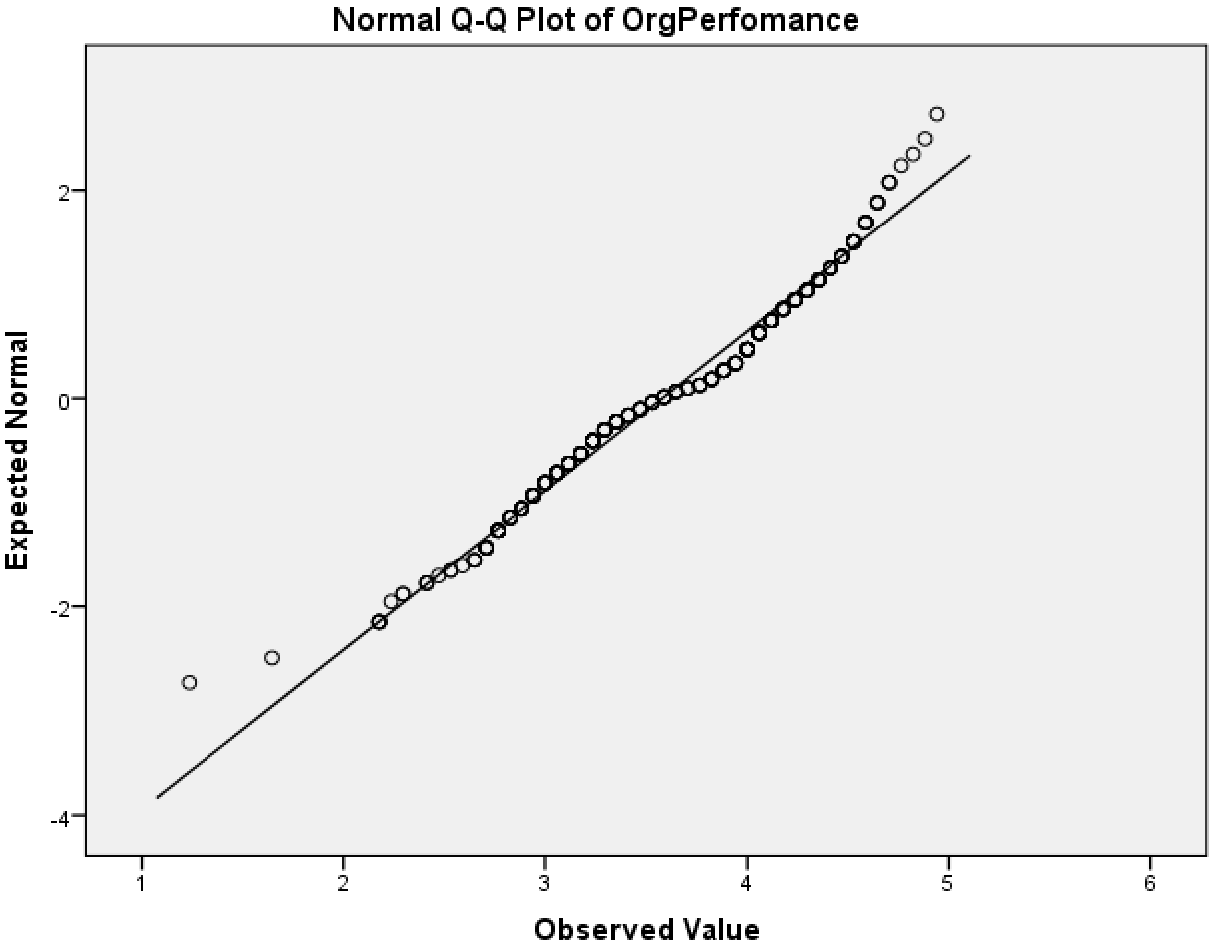
b. Dependent Variable: OrgPerfomance

Source: Researcher's own calculation from survey result (2021)

4.5.3 Linearity Test

Linearity test is used to determine how the equeation to show the impact of the independet variables is related to the the dependent variable. The linearity test is shown in table 4.11 below and it shows that the data appears to be normally distributed and does not have non linear pattern that shows the appropriateness of the specifed model. distributed as it follows the diagonal line closely and does not have a non-linear pattern.

Fig 2: Linearity Test Result



Source: Researcher’s own calculation from survey result (2021)

4.5.4 ANOVA Test

The main purpose of ANOVA or usually called F- test is to examine whether the independent variables, taken together, have a significant effect to the dependent variable. If the significance value of the F statistic is smaller the assumed error margin,0.05 in this case, then the independent variables explain the variation in the dependent variable significantly.

Accordingly, the result indicated in table 4.11 below shows F value of 47.585 which is significant at 0.00 significance level which is smaller than the error margin of 0.05.Thus,statistically,all the independent variables predicts the dependent variable

Table 4.11 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	58.369	5	11.674	47.585	.000[b]
	Residual	75.806	309	.245		
	Total	134.175	314			

a. Dependent Variable: OrgPerfomance

b. Predictors: (Constant), Reward, Communication, Review, Planning, Assessment

As all the assumptions tested above supports the linear multiple regression model specified in chapter three, now let's run the regress and see the result.

Table 4.12 Regression Output Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.665	.254		2.620	.009
	Planning	.042	.070	.033	.592	.554
	Communication	.087	.064	.075	1.367	.173
	Review	.125	.066	.106	1.893	.059
	Assessment	.348	.053	.395	6.627	.000
	Reward	.162	.044	.206	3.654	.000

a. Dependent Variable: OrgPerfomance

As can be seen in table 4.12 above the coefficients of the all the independent variables is positive denoting that there is positive impact of all the independent variables on the dependent variable.

The result shows that there is statistically significant impact of reward and assessment on organization performance while the remaining variables such as planning, review and communication have no statistically significant impact on organization performance.

Now the equations cab be presented as below.

$$OP = 0.66 + \ 0.04PP + 0.08CP \ + 0.12RP + 0.34AP + 0.16RP$$

The output shows that a one unit increase in practices on reward leads to an increase in the performance of the organization by 0.16 units. Similarly, assessment even have more impact as one unit increase in activities on assessment leads to an increase of 0.34 in organizational performance. Another take way of the regression result is that the R square for the regression is 0.43 which shows that the independent variables explain only 43% of the variations in the dependent variable. The remaining 57% of the variations are explained by external factors than the variables considered in the model.

Now based on the results so far, the hypothesis of the research can be evaluated whether they are accepted or rejected.

H1: Planning performance in organization will lead to better organization performance.

As the correlation and regression results undertaken for the relationship between planning and organizational performance shows, they are positively related to each other. However, the effect of planning on organizational performance is statistically insignificant. Thus, the hypothesis is accepted as it is merely hypothesizes on the direction of the relationship.

H2: Continuous communication on performance within organization has impact on better organization performance.

Like the planning variable, continuous communication is also positively related with organization performance which shows that continuous communication leads to betterment in the organization performance. But the impact on organization performance is not statistically significant. In conclusion, the hypothesis is accepted as both are changing in the same direction

H3: Assessing performance results in better organization performance.

Same conclusion can be drawn for this hypothesis where we reject the null hypothesis which assumes the opposite of H3. On top of that assessment has statistically significant impact on organizational performance. Hence, H3 is accepted

H4: Reviewing Performance will lead to better organization performance.

Like planning and communication, reviewing also has positive relationship with organization performance but the impact is statistically in significant. Hence H4 is accepted as the direction of change is the same

H5: Performance Rewarding will lead to better organization performance.

Like assessment, it has positive relationship with organization performance and the impact on organization performance is statistically significant. Hence, H5 is accepted

Chapter Five

Conclusion and Recommendation

5.1 Conclusion

The research tried to see the effect of performance management on organization performance in the case of ethio telecom. In order to meet this objective, the study has undertaken mainly two activities: The first is critical review of both theoretical and empirical literatures related to the variables under discussion. This has helped the researcher to identify the theoretical arguments on impact of performance management on organization performance. Moreover, the empirical literatures review undertaken on the top so far also helps to see ahead what the outcome looks like in other sectors or countries. The second accomplishment is collection of data from selected samples via structured questionnaire which is used to see the relationship between the performance management and organization performance. In addition, same data is also used to see to what extent the performance management predicts organization performance using multiple regression equation. This helps to answer the research questions posed at the beginning of the study. Thus, conclusions can be drawn on these two areas of the study.

The theoretical literature review has shown the controversies on what determines organization performance. As discussed there are economic factors that rely on external market to determine the organization performance and organizational factors such as human resource and management that are internal to the organization. The researcher concluded from the literature in chapter two that as the organizational factors impact more and the paper has followed same argument in selecting organizational factors such as planning, communication, reviewing, assessing and rewarding performance as determinant of organizational performance. However, the statistical test has shown that in the case of ethio telecom, these variables explain only 43% of the variations in the organizational performance. Hence, one can conclude that the remaining 57% might be explained by the economic factors that are not the target of the this research.

The empirical literature review has also shown different case studies on the effect of performance management on organization performance where one can conclude that the outcomes are different from company to company based on different company or country specific cases. Even though the relationship between the two is positive in most of the study findings, it is null or no impact on few ones due to factors such as top management sponsorship.

Different conclusions can also be drawn from the samples and the analysis undertaken:

- The correlation analysis shows that there is positive and good relationship between performance planning, communication, review, assessment and reward as independent variables, and organizational performance as dependent variable.
- The linear multiple regression shows that planning, communication, review, assessment and reward of performance positively impacts organization performance.
- However, only assessment and reward have statistically significant impact on organizational performance.

5.2 Recommendation

One of the significances of this study is to come up with recommendations based on the findings of the analysis that might help ethio telecom and other researchers to leverage on the research.

- The research has revealed that performance assessment is significantly affecting ethio telecom's performance. Hence the company need give due attention to continuous improvement of its performance assessment practices.
- Similarly, performance rewarding also significantly affects the company's performance and hence the company need to strongly work on its rewarding systems.
- While ensuring participation during performance planning is important as discussed in the literature, only 60% of the respondents believe that the planning follows the participatory approach and better the company improves this.

5.3 Recommendation for Further Research

The research tried to address the effect of performance management on organization performance. However, the regression analysis shows that only 43% of the variations in the organization performance are explained by performance management variables considered. This might be due to the fact that there are also external factors that determine organization performance of ethio telecom. Holistically looking at such analysis might close such gaps. Specially, for monopoly companies like ethio telecom, the impact of external stakeholders might significantly explain the variations in the organization performance. Thus, this is recommendation of the research for further understanding on the topic.

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Appendix 1: Questionnaire

Dear Respondent,

This study is to be conducted as part of a research project which shall be submitted in partial fulfillment of Master of Art Degree in Business Leadership. The overall purpose of this study is to examine "the effects of performance management on organizational performance of Ethio telecom''. I kindly request you to fill this questionnaire genuinely assuring that the data will be used solely for the intended professional purpose and is subject to ethical rules of research at Addis Ababa University.

I would like to thank you in advance for your participation. Please do not hesitate to call on +251911502699 or email at beta424@gmail.com for any enquiry on the questionnaire.

Part 1. General Information

The following questions are general questions on demography and experience. Please put tick mark (√) in the circle with most closely represent your personal situation. Please mark one item only per question.

1. Gender Male ☐ Female ☐

2. Age 18-29 ☐ 30-39 ☐ 40-49 ☐ Above 50 ☐

3. Educational qualification

Diploma ☐ First Degree ☐ Master's Degree or above ☐

4. Work experience in Ethiotelem (including ETC) in years

1-3 ☐ 3-6 ☐ 7-10 ☐ 11-20 ☐ Above 21 ☐

5. Position status Management ☐ Non-Management (Professional) ☐

6.Division (please write on the space) ----------------------

Part Two: Performance Management evaluation survey questions.

Please, indicate the degree of agreement or disagreement that fits the situation in your company best putting tick mark (√) in the box. Please, tick per statement based on a five point scale Where 1 = strongly disagree, 2 = disagree, 3 = nor disagree nor agree, 4 =agree, 5 = strongly agree.

Performance Management Practices	Rating				
	1	2	3	4	5
2.1 Developing and Planning Performance					
1. There is formal strategic plan which sets out objectives and how they will be achieved					
2. Expectations from each work units are clearly defined annually					
3. Revisions are allowed once annual performance plans are prepared					
4. The planning embraces participatory approach					
5 Management is committed to the successful implementation the plan					
2.2 Continuous Communication					
1. As employee/manager, I know what is expected of me at all times					
2. I know how my performance impacts the organization.					
3. We frequently hold meetings with the purpose to inform employees.					
4. I understand the mission of my organization as a whole and the various components within it					
2.3 Reviewing performance					
1. Performance review meetings are meaningful and productive.					
2. Performance review provide a common view of the organization					
3. The review enable discussions in meetings of superiors, subordinates and peers					
4. Supervisors insist on producing evidence during reviews					
5. Supervisors always accept genuine inputs for the review					
6. There is an appeals process in place if the employee disagrees with the appraisal.					
2.4 Assessment					
1. The assessment measures the right things.					
2. I believe the performance assessment is fair.					
3. The assessment process is simple and quick to do					
4. Managers view the assessment as a valuable management tool.					
5. Ratings are accurate and reflect actual performance.					
6. Managers are timely in doing performance assessments					
7. Managers are rated on how well they do assessments.					
8. Performance Standards are consistent across the organization					
9. Ratings are based on actual performance and not personal feelings.					

2.5 Rewarding Performance					
1. High levels of performance are recognized and rewarded.					
2. The system supports developmental opportunities.					
3. Performers who need improvement are given developmental opportunities.					
4. Employees are informed in writing where performance is unsatisfactory					

Part Three: Organizational Performance evaluation survey questions.

Please, indicate the degree of agreement or disagreement that fits the situation in your company best putting tick mark (√) in the box. Please, tick per statement based on a five-point scale Where 1 = strongly disagree, 2 = disagree, 3 = nor disagree nor agree, 4 =agree, 5 = strongly agree.

Organization outcome	Rating				
	1	**2**	**3**	**4**	**5**
3.1 Financial performance					
1. Return on assets in our company is well below the industry average.					
2. Value added per employee in our company is well below the industry average.					
3.Company cost is decreasing from time to time compared to the industry					
3.2 Customer Satisfaction					
1. The number of customer complaints within the last period has decreased strongly.					
2. Speed of dealing with customer complaints (comparatively to others I know) is high.					
3. We deal with customer complaints faster than our similar companies					
4. We retain existing clients and manage to attract new one					
5. Reputation of our company in eyes of the customers has declined					
6. Our new products and services are often perceived as very novel by customers.					
3.3 Employee Satisfaction					
1. Employees are very satisfied with the situation within the company.					
2. Productivity of employees is much higher than industry average.					
3. Employees’ trust into leadership is high.					
5.Trust among employees is strong.					
6. Employees do not feel special commitment to the organization.					

7. Employees are prepared to go an extra mile for the company					
8. Work costs per employee are well above the industry average					
9. Learning ability and adaptability of employees is high (in comparison to competition).					

Thank you once more for taking your precious time to fill the questionnaire!