Performance Management Practice in Ethiopian Airlines

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Declaration

I, **Mesay Ayalew**, the undersigned, declare that this thesis entitled: "**Performance Management Practice in Ethiopian Airlines"** is my original work. I have undertaken the research work independently with the guidance and support of the research advisor. This study has not been submitted for any degree or diploma program in this or any other institutions and that all sources of materials used for the thesis has been duly acknowledged.

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This is to certify that the thesis prepared by **Mesay Ayalew**, entitled **Performance Management Practice in Ethiopian Airlines** and submitted in partial fulfilment of the requirements for the Degree of Master of Arts in Business Leadership complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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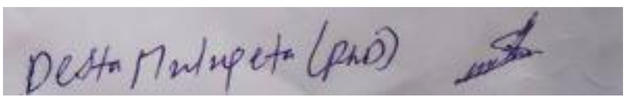
Signature: 

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ABSTRACT

The study aims to examine the performance management practice in Ethiopian Airlines a government owned national carrier of Ethiopia located Addis Ababa, Ethiopia. With a concentration on employee perceptions towards performance management practice and the extent of its effective implementation. The Airline permanent employees located at the headquarters are considered as the population and simple random sampling technique was used to determine the sample size. The sampling frame was divided into non-overlapping strata that is the Airline operational divisions in this study and proportional simple random sampling applied to distribute the questionnaires. A descriptive research approach was used by applying qualitative data collection through questionnaires and qualitative data collection from the organizations documents and literature. A total of 388 questionnaires were distributed to the staffs and 348 responded by filling their questionnaire, 89.69 % reply ratio. The variables used are performance planning, execution, assessment, and review. The analysis made using frequencies, mean and standard deviation to describe the statistical results of the study, and presented by using tables. The overall finding of the research shows that the Arline practice is at a good level based on the aggregate mean score for performance planning (4.22), performance execution (3.91), performance assessment (3.71) and performance review (3.77), which was substantiated by the respondent's more than 70% agreement level. On the other hand, the result also indicates that there is a need for employee performance management system improvement on employee participation in the planning phase; getting regular feedback on performance and updates on goal changes in the execution phase; transparency and impartiality of the evaluation criteria on the assessment phase; and supervisors' accuracy on rating, organization role in linking rating with rewards and availing training for identified gaps in the review phase.

Keywords: Performance Management, Performance planning, execution, assessment, and review.

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

According to David Bookbinder (2017) people are an organization's most valuable asset and the key to its success. He explained that employees are the major source of organization's return on investment (ROI), which is a value created through investment of time and resources. Organizations that focus on their employees by seeing and treating them as assets not just numbers, gain competitive advantage against their competition. Also, making the employees in front and centre of any organization's guiding principles by entrenching in its organizational culture to maintain the competitive edge (Bookbinder, 2017). Wright, McMahan and MacWilliams (1993) asserted human resources are a source of competitive advantage because they meet the criteria of being valuable, rare, inimitable and not substitutable. However, human resources are characterized by complex nature and conditions not all organizations can successively develop human resources as a sustained competitive advantage.

In an employee-focused environment, employee failures were considered as a learning opportunity as this environment inspires innovation, collaboration, and continuous improvement (Bookbinder, 2017). Organizations consider the human resource value can be enhanced through development; hence they engage in Human Resource Management practices to benefit from their employee's value. Human resource management (HRM) is a comprehensive and coherent approach to the employment and development of people. HRM can be regarded as a philosophy about how people should be managed, which is underpinned by several theories relating to the behavior of people and organizations. It is concerned with the contribution it can make to improving organizational effectiveness through people, generally it equally concerned with the ethical dimension of how people should be treated in accordance with a set of moral values (Armstrong & Tayler, 2014).

In any organization performance management is considered as one of the vital human resource management processes. The process helps organizations to recognize the role of their employees to be a strategic player in achieving their organizational objectives in the competitive environment. The process confirms that the required set of activates adoption should result in an output managed in an efficient and effective manner. Michael Armstrong defined performance management in his Handbook as, "Performance management is the continuous process of improving performance by setting individual and team goals which are aligned to the strategic goals of the organization, planning performance to achieve the goals, reviewing and assessing progress, and developing the skills, abilities and knowledge of people" (Armstrong,2009).

Organizations set up performance management system for several purposes with different process and stages. Performance management is a planned process for improving organizational performance by developing the performance of individuals and teams. It is a way of achieving a better output by managing and considering the performance in the agreed framework of planned goals, standards and requirements. Performance management is a system consists of interlinked foundations thoughtfully designed to realize a purpose, which is achieving a high performance. With in the system performance management is carried out through the process of planning, goal setting, monitoring, providing feedback, analysing, and assessing performance, reviewing, dealing with under-performers, and coaching. (Armstrong, 2009). The process is owned and driven by line management; it is not a Human Resource directed yearly procedure. Performance management is managing the businesses. (Mohrman & Mohrman, 1995)

The basic elements necessary for effective performance management are:

1. Transparent communication and collaboration.
2. Employee development recognition.
3. Honest and regular feedback and reviews.
4. Employee development.
5. Goal setting.

Employee Performance management is more than an individual appraisal system. It is integrated with other key human resources activities like human resource management, talent management, training & development, rewarding and it also contributes to the overall organization cultural change achievement. Consequently, performance management assists in horizontal integration and organizing the HR practices to be interrelated that result in the practices to complement and reinforce one another. As an important part of a high-performance work system, it contributes to the development of more effective work systems that largely determine levels of Performance (Armstrong, 2009).

As a profit-oriented organization, Ethiopian Airlines required to have an effective and efficient performance management process to stay competitive and achieve its desired goals in the ever-changing Airline business environment.

Nonetheless, previous studies and the researcher personal observation indicates there are challenges to efficiently implement the performance management system in the Airline as expected. This can be attributed to the lack of proper administration of the performance management and employee's reserved perception about the effectiveness of the overall performance management system. Therefore, the subject is selected to further review the employee performance management practices of the Airline based on existing literatures written with regards to other similar organizations, by relying on the theoretical and empirical methods applied.

Accordingly, the research attempts to examine the performance management practices at Ethiopian Airlines by concentrating on employee performance management and taking into consideration the best practices reflected in the performance management literatures.

1.2 Statement of the Problem

As one of the key factors of Human resource Management, performance management plays a vital role in assisting managers in recognizing the need for training and development of their employees in a particular area. This benefits the employees and the organization to reach their target and lead the competition. Performance management consists of several activities like performance appraisal, both on the job and off the job trainings, feedback methods, performance assessment and many more. Performance management helps in enhancing employee skills, motivate them, attainment of common goals, working as a team, assisting to overcome obstacles with regular feedback, providing several benefits like bonuses, incentives, working from home, different allowances etc, to keep them aligned with their duties. Nevertheless, most organizations usually underutilize or misuse this tool to achieve their desired goals, poorly implemented performance management systems in organizations are doing more harm than good (Singh & Twalo, 2014).

To enhance their customer service and remain competitive several service organizations implemented performance management system. However, in most cases managers and employees have reservation with performance management: firstly, Managers avoid performance management activities, especially offering developmental feedback to employees fearing that it will endanger their relationship with their subordinates on which they rely on the regular activities. Employees avoid performance management activities particularly development needs for the fear of being considered unproductive in their evaluation which will endanger their income and professional progress. Secondly, preliminary research on related topics show that a noticeable and significant gap has been observed in cascading organizational mission and objectives to employees with proper selection of performance measurements and evaluation. According to Armstrong (2009), alignment of individual and organizational objectives is one of the most essential purposes of performance management system.

According to a study made by Netsanet Nega (2022) the employees of Ethiopian Airlines view each of the performance management system factors differently. Though they view positively some factors of the performance management system, they generally expressed that the performance management system lacks clarity to be considered as effective. Binyam Wubshet (2015) concluded that though the Airline is using Balanced Score Card (BSC) as a performance management tool, it is not being fully utilized and there are still several identified gaps on its implementation.

Organizations often face significant challenges in delivering services that are both effective and efficient to their customers. As a profit-oriented organization, Ethiopian Airlines need to have an effective and efficient performance management process to stay competitive and achieve its desired goals in the ever-changing Airline business environment. Despite extensive research made on performance management and factors affecting it, limited attention has been given to the actual practices involved. This study seeks to address this gap by examining performance management practices of the Airline.

1.3 Research Questions

Based on the previous statement of research problem, the following main research questions were formulated.

1. What components of performance plan are included in Ethiopian Airlines performance management system?

2. How do managers and employees at Ethiopian Airlines execute the performance management system?

3. How is the performance monitoring undertaken at Ethiopian Airlines?

4. How is the performance review and evaluation carried out at Ethiopian?

1.4 Objective of the study

1.4.1 General Objective

The general objective of the study is to evaluate the performance management practices of Ethiopian Airlines.

1.4.2 Specific Objectives

The specific objectives of the research are:

- To examine the practices of planning phase of the performance management system at Ethiopian Airlines
- To evaluate the performance execution stage of the performance management system undertaken by Ethiopian Airlines
- To review whether the performance monitoring stage is taking place properly in Ethiopian Airlines.
- To study the practices of the performance review and evaluation stage of the performance management system at Ethiopian Airlines.

1.5 Significance of the Study

The study is anticipated to be significant in three different aspects. First, due to its importance to give an overall overview for the management, employees of Ethiopian Airlines and other stakeholders about the organization's performance management practice. The study findings will help the decision making of the management on the improvement of the performance management system. And it is expected to present data on the awareness and perception of employees with regards to performance management to enable the Airline's management design training, produce guidelines, and implement coaching practices to increase the employee's awareness with regards to performance management system importance and purpose. The performance management practice status, compared to theoretical knowledge of performance management, will help employees to accept and work on the required changes and use it to improve their performance improvement. And pursue the outcomes of their performance result in terms of merit increase, follow up on their profession improvement, use it for their training needs, for promotion and transfers, and plan for alternatives in case of demotions or separations. Stakeholders including owners and business partners will have an insight on the performance management practices efficiency and its impact on their decision-making process on the probability of the organization ability to meet the planned organizational goals that affect their relationship.

Second, the study can contribute to the practical knowledge of performance management implementation and employee expectation for organizations located in Ethiopia and encourages further research on the practical application of employee performance management in different organizations.

Third, the study also contributes to the personal development of the researcher in the field of performance management and for anyone interested in knowing about the employee performance management system practicality in the local organization context.

1.6 Scope of the Study

The study is designed to examine the performance management practices of Ethiopian Airline based on employee's perception on its practicality and with an aim to provide improvement recommendations for the results which require changes. The central question of the study aims to answer is how the Airline handle the performance management practices, what are the employee perceptions towards this practice and to know the extent of the effectiveness of the employee performance management implementation and the insights that can be drawn from the experience.

The research paper has a methodological scope that will use mixed research design mainly using quantitative approach, apply survey data collection method and descriptive statistics to interpret and present the data. The cope also defines the research focus group, which will be the 12,900 permanent employees of the Airline working across different divisions and it will not include other type of employment methods and newly entrant permanent employees. The geographical coverage includes employees working at the Addis Ababa head office only.

The research will be conducted within the allotted time frame by focusing on performance management practice processes steps determined through the literature review to address the research questions. The applicability of the research result will be valid based on the existing employee performance management system in the airline, however any future changes in the organization might affect its usage and practicality.

1.7 Limitations of the Study

The intention of the study is to examine and analyses the experience of Ethiopian Airlines employees with regards to the practices of the organization’s performance management. In this regard the research can obtain valuable results, however potential limitations should be discussed.

Due to time and financial constraints, this research was restricted to the selected employees located at the head office of Ethiopian Airlines in Addis Ababa. As indicated previously the Airline has employees working under the seven strategic business units namely, Ethiopian International Passenger services, Ethiopian Regional services, Ethiopian cargo, Ethiopian Maintenance Repair Overhaul, Ethiopian Aviation Academy, Ethiopian Inflight Catering, Ethiopian Ground service and other corporate offices. However, due to the nature of the Airline business, the workforce resides at dispersed geographical locations found within and outside of Ethiopia. Hence, it is difficult to reach all of them with in limited time frame. Though performance measurement of contract and outsource employees, expat employees, parttime workers and newly joined staffs is important, it is not considered to be part of the study because these employees were not being evaluated through the regular performance management process.

A broder scope future studies in this area could be done by interested researchers to include all members of the organization to increases the conclusiveness of the findings.

1.8 Organization of the Paper

The organization of the study subdivided into five chapters. Chapter one deals with an introductory part which consists of an introduction, the background of the study, statement of the problem, basic research questions, general & specific objectives of the study, significance of the study, scope, and limitations of the study and organization of the paper. Chapter two consists review of related literature, while chapter three deals with the research design and methodology. Chapter four focus on data presentation, analysis, and interpretation of assessment on practices of the performance management system, and the final chapter five deals with the summary of findings, conclusions, and recommendations based on the findings.

CHAPTER TWO

2. Literature Review

The purpose of the of the literature review is to show the study's linkage in describing the research questions and provide information about the linkage with other corresponding literatures.

2.1 Definition and Concepts of Performance Management

To describe performance management first we need to define what "Performance" means. According to Oxford Reference when performance is defined in broder terms, it is a "behaviour: usually overt, observable behaviour, particularly the carrying out of some task, function, or role, the adequacy of which can be assessed" (https://www.oxfordreference.com). Based on this definition it can be concluded that Performance contains both behaviours and results. Behaviours are initiations of the performer to convert intangible targets into action and consequences steered by mental and physical effort. This definition suggests that when managing performance, both the inputs (behaviours) and the outputs (results) should be considered (Rameshabu, 2017).

There is no single, definitive definition of performance management, and the existing ones typically describe it as encompassing a variety of tools and activities. Generally, performance management is defined as the process that sets objectives to help individuals and teams recognise their role in the organization's mission and strategy, enhances performance at the individual, team, and organizational levels, and holds people accountable for their performance by linking it to rewards, career advancement, and, when necessary, contract termination (CIPD, 2016).

Aguinis (2014), states performance management is an ongoing process of assessing, measuring, and improving the performance of individuals and teams, ensuring that their efforts are aligned with the organization's strategic goals. Based on this definition he describes two components of performance management, the first is performance management as a non-stop cycle of establishing targets and objectives, observing performance, and providing consistent coaching and feedback. The second component is it requires managers to ensure that employees' performances and results support the organization's objectives, eventually enabling the organization to acquire a competitive edge. And it sets a direct correlation between employee performance and organizational objectives, making each employee's contribution to the organization clear and measurable.

According to Armstrong (2009), performance management is a structured process aimed at improving organizational performance by nurturing the advancement of individuals and teams. He further described it as a method for achieving better results by understanding and managing performance within a defined framework of planned goals, standards, and skills. And the process ensures a shared understanding of what needs to be achieved and focuses on managing and developing people in ways that increase the possibility of success both in the short and long term with the ownership and as a driving force by line management.

According to Armstrong and Baron (1998), performance management is both strategic and an integrated approach to delivering successful results in organizations by improving the accomplishment and developing the abilities of teams and individuals. Performance management is crucial for stimulating and satisfying employees while advancing a positive psychological contract, as it creates clear role expectations. It enables managers to ensure that employees reach to their maximum potential, steering towards an improved individual and organizational results. This whole view highlights the importance of performance management as a driving force of organizational success.

The term "performance appraisal" was mostly replaced with the term "performance management" in several organizations. While performance appraisal focused on the yearly assessment of an employee's aggregate activity, performance management refers to a continuous method that comprises establishing and aligning objectives, training, and developing employees, delivering informal feedback, conducting recognised performance assessments, and linking performance to recognition and rewards. Performance appraisal, which is the systematic assessment of an employee’s strengths and weaknesses, is an important element of performance management, however it is only part of the larger system (Aguinis, 2014).

2.2 Performance Management System (PMS)

Various performance management models have been presented in literatures, each offering valuable contributions to the management of both organizational and employee performance. According to Armstrong (2009), a performance management system is a series of interlinked activities and practices that are seen holistically. It is a vital part of an organization's strategy for managing performance through its people and improving the skills and capabilities of its employees. As a result, it improves the organization's overall ability and helps in achieving a continual competitive advantage. Based on Armstrong and Baron (1998) it is a planned process used by an organization to convey its vision and objectives to all employees, establishing performance targets for teams and individuals that are aligned with the broader goals, implementing formal reviews on the progress toward these targets, using the evaluation process to identify coaching, development, and reward needs, assessing the entire process to improve its effectiveness, and using formal evaluation procedures to frequently address performance expectations.

Aguinis (2014) emphasizes that performance management system is a constant process, encompasses the regular setting of goals, observing performance, and offering consistent training and feedback. He further explains that performance management require managers to confirm employees' activities and outputs are according to the organization's goals, in so doing creating a link between individual performance and organizational objectives, which makes employee's contribution to the organization visible.

From these definitions, we can conclude that performance management system (PMS) is a vital element of organizational management, aimed at improving both the individual and organizational performance. It ensures that employees are aligned with common goals, receive ongoing feedback, stay motivated, and have opportunities for growth. When executed effectively, a performance management system enhances productivity, engagement, and job satisfaction, while also contributing to the long-term success of the organization. Therefore, it is in their best interest for organizations to establish a system to review and measure their employee's performance.

2.3 Evolution of Performance Management

It is difficult to know the exact point when performance management started, but according to Koontz (as sited by Armstrong,2009), it was first noted during the Wei Dynasty (AD 221–265). At that time, the emperor assigned an "imperial rater" whose role was to assess the performance of the imperial officials. After several centuries, in the 16th century, Catholic priest Ignatius Loyola established a formal system for rating the members of the Jesuit Society (Armstrong & Baron, 1998).

Earlier history of performance management mainly revolved around performance evaluation, aiming to obtain precise ratings of individual performance. The first recognized application of performance ratings in the workplace occurred in the late 1800s, with the introduction of efficiency ratings in the United States Federal Civil Service and trait assessments such as punctuality and assertiveness were used for officer’s performance during World War I. The emergence of scientific management theories in the early 20th century (Taylor, 1911) shifted the focus toward productivity, further promoting the use of ratings as a tool to control and improve performance (Pulakos, Muller-Hanson & Arad, 2019).

In the 1950s, wide acceptance of personality-based performance rating methods was observed. At first, employees were judged based on traits such as knowledge of the job, honesty, and loyalty. However, it becomes clear that judging the success of employees based on their inborn characteristics had no relation with their job output. As a result, businesses began to pursue improved employee assessment methods. Up until the 1950’s evaluations were informal and relying on management judgements and opinions, and this period formal appraisal systems based on personality emerged. In the 1960s, yearly formal assessments began to place greater emphasis on a person's perspective, future accomplishments, and ambitions. However, these approaches create legal challenges and fairness questions in the 1970s and in 1980 which leads to a shift to wholistic approaches to emerge. In the 1990s, employee motivation and engagement grew in importance. Several firms have abandoned yearly performance appraisals in favour of more continual feedback-driven approaches. Starting early 2000s and beyond manifested the development of high-performance, highly committed, or high-involvement management systems. Where performance management and the attainment of higher employee engagement levels were crucial components, focused on creating environments that fostered both individual and organizational growth. These systems aimed to optimize performance while actively engaging employees, ensuring their commitment and involvement in achieving collective goals (Armstrong ,2009).

2.4 Theories of Performance Management

To manage performance effectively, various theories and frameworks have been developed over the years to provide structure, insights, and practical approaches to maximizing employee productivity and engagement. These theories offer a lens through which organizations can assess, monitor, and improve employee performance, ensuring that goals are met, employees are motivated, and the organization thrives. According to Armstrong (2009) performance management concepts describe its theoretical basis and how it should work in practice by providing a framework within which performance processes can be developed, operated, and evaluated.

The following are the three key theories that support performance management:

2.4.1. Goal Theory

Locke and Latham's goal-setting theory offers a comprehensive framework for understanding motivation by highlighting the significant connection between goals and performance. Various research's supports the idea that performance is most effective when goals are specific, challenging, and tied to performance evaluation, include feedback, and a sense of commitment and acceptance. The impact of goals on motivation can be influenced by factors like ability and self-efficiency. Deadlines also enhance goal effectiveness. Additionally, a learning goal orientation tends to result in higher performance compared to a performance goal orientation, and group goal setting holds as much importance as individual goal setting (Lunenburg, 2011).

This theory forms the basis of performance management's focus on setting and agreeing on objectives, which serve as benchmarks for measuring and managing performance. Goal theory supports the establishment of objectives, as well as the feedback and review components of performance management (Armstrong, 2009).

2.4.2. Control Theory

The theory is crucial for organizational management, as well as for defining the organization's strategy, developing, and designing its structure, and in processes like staff selection, socialization, evaluation, leadership, and motivation. The unit of analysis in control theory is organizational control, which involves implementing an effective control system. This system considers control mechanisms, cultural dynamics, and the diverse behaviours of members, with organizational culture serving as a key internal variable (Silva, Rodrigues, Oliveira & Machado-Santos, 2021).

Control theory as described by Armstrong emphasizes the role of feedback in influencing behaviour. When individuals receive feedback on their actions, they become aware of the gap between their current performance and expected outcomes, prompting them to take corrective actions. Feedback is considered a critical component of performance management processes (Armstrong, 2009).

2.4.3 Social Cognitive Theory

Albert Bandura's Social Cognitive Theory (SCT) is a framework that views learning as a social process, deeply embedded in a social context, and shaped by the dynamic, reciprocal interaction between individuals, their environment, and their behaviour. What makes Social Cognitive Theory distinctive is its focus on the role of social influence and the significance of both internal and external social reinforcement. The theory examines the processes through which people learn and sustain behaviours, considering the social context in which these behaviours develop. It emphasizes the impact of prior experiences on an individual's likelihood of engaging in certain activities, shaping their expectations, anticipations, and reinforcement mechanisms. These factors are crucial in determining whether a behaviour is adopted and the reasons behind it. The central aim of social cognitive theory is to explain how individuals use reinforcement and control mechanisms to pursue goal-oriented behaviours that can be maintained over time (Mehmood, Hasan, Ali, Nawaz & Amajid, 2022).

The theory is built on Bandura's core concept of self-efficacy as observed by Armstrong. And this concept states that an individual's belief in their ability to succeed greatly influences their performance. Therefore, fostering and enhancing positive self-belief in employees is a key objective in performance management (Armstrong, 2009).

2.5 The main purpose of Performance Management

Different authors describe the purpose of performance management in various forms, for reference Cleveland (1998) noted that performance appraisals are not just used to differentiate between individuals; they also fulfil many organizational needs. For instance, performance appraisals can be utilized as criteria in validity studies, as input in training needs assessments, or as part of a personnel planning initiative. This describes performance management is not an evaluation “system” only but also has important other management functions.

Aguinis (2009) further elaborate the idea by categorizing the performance management aim in to “six important purposes” namely strategic, administrative, communication, developmental, organizational maintenance and documentation purposes. Accordingly, he described their meanings and character as follows: First strategic purpose, means aligning individual goals with organizational objectives, reinforcing behaviors that contribute to the achievement of the organization's overall goals. The second purpose is administrative, it provides valid and useful information to guide decisions related to employee salary adjustments, promotions, retention or termination, recognition of exceptional performance, identification of underperformers, layoffs, and merit increases. The third purpose is communication, it keeps employees informed about their performance, highlights areas for improvement, and clarifies both organizational and supervisory expectations, emphasizing the most important aspects of their work. The fourth purpose is developmental, it offers feedback that enables managers to coach employees, fostering continuous performance improvement. The fifth purpose is organizational maintenance. It is concerned with supplying valuable insights into employees' skills, abilities, promotional potential, and career histories, supporting workforce planning, identifying future training needs, evaluating organizational performance, and assessing the effectiveness of human resource initiatives (e.g., whether employees show improved performance after participating in a training program). And finally, documentation purpose which is generating data to assess the accuracy of newly proposed selection tools and inform important administrative decisions. This data is particularly valuable in the context of litigation (Aguinis,2009).

In summary, the overall purpose of performance management is to contribute to the attainment of high performance by the organization and its people (Armstrong & Baron, 1998). Its main goal is to enhance and develop the performance of individuals, teams, and ultimately, organizations. It serves as a tool for driving cultural change, specifically in fostering a high-performance culture. Its purpose is to enhance individuals' ability to meet and surpass expectations, helping them reach their full potential for both their personal growth and the organization's success. Performance management lays the foundation for self-development, but more importantly, it ensures that the support and guidance needed for individuals to grow and improve are easily accessible (Armstrong, 2009).

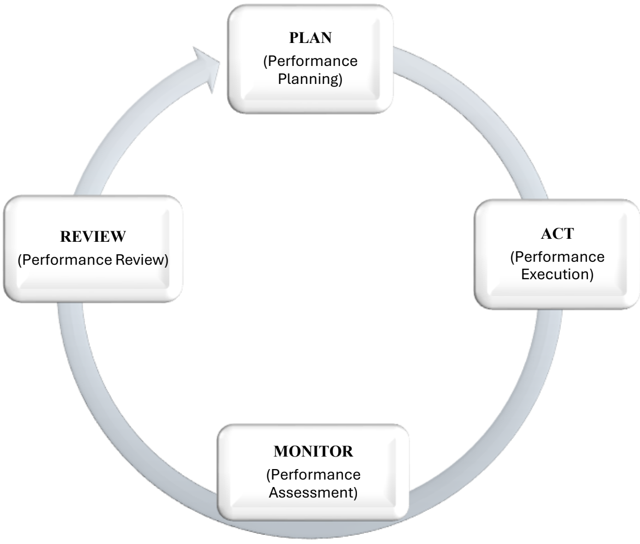
2.6 Performance Management Process

The paper focuses on the practices related with performance management system; accordingly, it is important to describe the expected performance management processes to be followed while implementing it in an organization. Mohrman and Mohrman (as cited by Armstrong, 2009) noted that performance management practices come from and being adopted to meet the organizations specific changing requirements. This result in a wide range of practices. Thus, there are also various types of performance management systems described by different authors. However, the basic agreed up on common characteristics and goals of performance management is to help the business, and its people achieve high level of performance (Armstrong 2009).

For Armstrong (2009) performance management is a planned process with five primary elements namely: agreement, measurement, feedback, positive reinforcement and dialogue. It focuses on measuring the results delivered in terms performance achievement compared to the plan laid out as goals or objectives. As stated by Schneier, Beatty and Baird (1987), a performance management system is classified into development, planning, managing, reviewing and rewarding phase. The phases of performance management system were outlined by Pulakos (2004) as performance planning, ongoing feedback, employee participation, performance evaluation, and feedback. As per Aguinis (2014), performance management is a continuous never-ending process and once established it becomes part of an organization's culture. These processes include six closely related components which are: prerequisites, performance planning, performance execution, performance assessment, performance review, and performance renewal and re-contracting.

According to Armstrong (2009) a performance management system operates as a continuous and self-renewing cycle as shown below in Figure 2.1

Figure 2.1 The Performance Management Cycle



Source: (Armstrong, 2009)

As shown above there are different descriptions of performance management process by different authors', however, the most widely recognized and common system consists of four key levels: Performance Planning (PLAN), Performance Execution (ACT), Performance Assessment (MONITOR/TRACK), and Performance Review (REVIEW). Each phase the system will be briefly outlined as follows.

2.6.1 Performance Planning

The performance planning phase of the performance management system is the key stage where employees are typically provided with clear information about the organization's expectations and about their performance. In this phase, managers and employees collaborate to set individual goals and targets, reaching an agreement on the performance expectations that need to be met (Aguinis,2014). As part of performance management arrangement, Armstrong (2009) states that the planning phase requires an agreement between an employee and the manger how the individual is expected to perform in terms of behaviours and results. And the performance management cycle starts at this stage with a discussion between the manager and the employee. The goal is to ensure that the employee understands the objectives of the performance management system, the performance standards, and the competencies required to achieve the desired outcomes.

This is a crucial step as it ensures employees are informed clearly about defined expectations and performance assessment standards, allowing each employee to commit to achieving the set goals. The Performance planning takes into consideration of both results and behaviours as well as a development plan. Performance standards serve as a benchmark to evaluate how well employees have met each performance target (Aguinis,2014). Grote (2002) also substantiate the process stating that job performance is determined by two key factors: what a person achieves and how they approach and carry out their tasks. Results deal with what the person achieved. The discussion of results focuses on the outcomes that an employee is expected to deliver, ensuring they provide exceptional services and products over time, aligned with their individual responsibilities (Grote, 2002, Aguinis,2014). Behaviours encompass competencies, skills, expertise, and proficiencies, as well as an individual's alignment with organizational values and their personal style, manner, and approach. Behaviour reflects how a person performs their job (Grote,2002). Behaviour is a crucial element in understanding an employee's competencies (Aguinis,2014). According to Grote (2002) for an organization to succeed, both behaviours and results are essential. Employees must complete their tasks, deliver outcomes, and achieve results. At the same time, they must perform their work in a manner that aligns with the organization's expectations regarding how team members should interact with one another and with external parties (behaviours). Aguinis (2014) states the development plan centres on identifying areas for improvement and setting specific goals to be achieved in each situation. It typically addresses both results and behaviours. These plans highlight an employee's strengths and areas needing improvement, offering a clear action plan to address weaknesses and enhance strengths. This approach encourages continuous learning and growth, provides opportunities for improvement, and helps employees avoid past performance issues.

While the roles of the manager and employee are distinct, both should prepare and set expectations ahead of the performance planning discussion to ensure a clear framework for the period. The planning activities were described as follows. It starts with reviewing of the company's mission statement, visions and values, strategic goals for the coming performance year, sectional objectives, and employee's job description. The manager required to consider goals the employee expected to achieve, essential competencies and behaviours required to be demonstrated in their performance over the twelve months. The employee is expected know their job responsibilities, identify potential goals, consider key competences needed for success and think about how their performance will be measured to discuss during the planning session. However, development planning is primarily the employee's responsibility, and they should focus on their future goals and the development efforts required to achieve them. While the manager is mainly responsible for identifying the goals, responsibilities, and competencies expected from the individual, the employee plays a central role in identifying areas for development and addressing their needs (Grote, 2002).

2.6.2 Performance Execution

The performance execution stage is where the actual work takes place, and employees start performing the tasks and behaviours needed to achieve their established goals (Aguinis,2014). Grote describes the stage for the employee, as their key responsibility is to complete the tasks and achieve the objectives. And for the manager, there are two main responsibilities: fostering an environment that motivates employees and addressing any performance issues that arise.

In this stage, managers play a vital role in offering continuous support, resources, and guidance to ensure employees are working towards their goals having the necessary tools and information to succeed (Aguinis, 2014). The manager has two main responsibilities. The first is to create an environment that motivates employees to perform at a high level. The second is to address and resolve performance issues as they arise and other several key responsibilities during the phase. These include maintaining performance records to track employee progress, updating objectives as circumstances change by regularly reviewing the projects, goals, and objectives set during the performance-planning meeting, providing ongoing feedback and coaching to help employees succeed, offering development experiences and opportunities to encourage learning and growth, reinforcing positive behaviours to maximize performance by focusing on what employees are doing well rather than solely on their shortcomings, and conducting a midterm review meeting as a formal appraisal is an effective tool to ensure that performance stays on track (Grote, 2002).

On this stage the aim is to keep employees on track to meet their objectives and address any performance issues early, before they escalate into serious problems (Aguinis, 2014). The employee's primary responsibility is to complete the tasks and remain committed to achieving the goals. However, there are several other key responsibilities for the employee, including: seeking performance feedback and coaching, maintaining open and regular communication with the manager about progress and challenges in meeting objectives, updating goals as circumstances change or new priorities arise, completing the development plan and taking responsibility for its successful execution once it is agreed upon with the manager, tracking achievements and accomplishments, and maintaining their own records of successes and areas for improvement. By actively participating in the midterm review meeting, employees can gain valuable insights into how their performance is viewed before it becomes part of the formal year-end evaluation (Grote, 2002).

2.6.3 Performance Assessment

The performance assessment stage is where both the employee and the supervisor evaluate the employee's performance. Involving the employee in this process enhances their ownership and commitment to the system. Additionally, it provides valuable insights that can be discussed during the performance review (Aguinis, 2014). According to Grote (2002) performance assessment essentially involves evaluating how well the individual has performed and completing the appraisal form. And evaluating an employee’s performance is one of the final steps in an effective appraisal system, not once in a year drill required by HR.

Aguinis (2014) stated that both the employee and the manager play key roles in assessing whether the expected results have been achieved and to what extent the desired behaviours have been demonstrated in this phase. Additionally, the inclusion of self-appraisal by the employee is crucial for identifying and addressing any discrepancies between the self-assessment and the manager’s evaluation. Self-appraisal helps reduce employee defensiveness during appraisal meetings and improves their satisfaction with the assessment process, as it enhances the perception of accuracy and fairness.

The process the performance assessment phase include: the manager’s primary responsibilities of reviewing the original list of competencies, goals, objectives, and key responsibilities for the position. The manager must also prepare a preliminary assessment of the employee’s performance over the entire year, review the employee’s list of accomplishments and self-appraisal, and prepare the final assessment of their performance. Next, the manager writes the official performance appraisal using the appraisal form, reviews it with his/her immediate manager for concurrence, and determines any necessary revisions to the employee's key responsibilities, goals, objectives, competencies, and development plans for the next appraisal period. Finally, the manager prepares for the performance review meeting. Employees have the responsibility to review their own performance over the year, assessing their accomplishments against the development plan. They should prepare a list of their achievements and send it to their appraiser. In addition, they are required to complete a self-appraisal form, review if there are any necessary revisions required to their key responsibilities, goals, objectives, competencies, and development plans for the next performance period, and be prepared for the review meeting (Grote,2002).

2.6.4 Performance Review

The performance review, usually referred as the appraisal meeting, is a stage where the employee and manager meet to discuss the employee's performance. An effective appraisal meeting focuses on both the present and the future. The present includes discussions on any compensation changes that may result from the achieved results, while the future involves setting goals and development plans that the employee will be expected to accomplish before the next review session (Aguinis,2014). As highlighted by Grote (2002) the performance review meeting is considered as bot the starting and ending of the periodical performance management process. During the initial period of the meeting the employee's performance from the completed year is reviewed and the success or failure of their development plan is evaluated. By the end of the meeting, the appraiser and the individual set a date to develop the plan for the upcoming year's goals, objectives, and development.

The performance review meeting serves as a platform where the five key elements of performance management i.e. agreement, measurement, feedback, positive reinforcement, and dialogue can be effectively applied (Armstrong, 2009). The appraisal meeting is considered as a significant part of the performance management process as well as the most challenging one. This is because many managers feel uncomfortable providing feedback, especially when the performance reflects unrealized targets.

The review process includes the examination of the performance appraisal prepared by the manager and self-assessment by the employee with regards to the employee's individual achievements. Discussion focusing on employees' strengths demonstrated. Employees expect to seek clarifications or examples that are unclear. This will help the employee to understand how the manager assesses the performance and consider how the feedback affects the future performance. Managers are required to ensure that the employee understands the core message that they intend to send and handle administrative requirements after the conclusion of the review. Administrative issues include rating of the evaluation, signing of the review or rating form by both, individual comments and the appeal process if there a disagreement by the employee (Grote,2002). According to Armstrong (2009), performance management systems often include a rating system, typically conducted during or after a performance review meeting. This rating reflects the quality of an employee's performance or competencies, with the assessor selecting the level on a scale that most accurately represents their assessment of the individual's performance. The rating scale is intended to help make objective judgments, allowing those judgments to be categorized in a way that informs decisions about performance or contingent pay, or simply to provide a concise summary of how well an individual is performing.

2.7 Best Practices of Performance Management System

For performance management to be successful, certain capabilities are crucial to achieving accurate outcomes in terms of individual, team, and organizational performance. Performance management must deliver on its intended goals and accomplish them in the way it is meant to. However, too often, reality falls short of the vision, with unfulfilled promises and pledges that go unnoticed (Armstrong,2009). Lawler, Mohrman and Resnick (as cited in Armstrong,2009) stressed that Performance management should prioritize the process of performance review and the organizational context in which it occurs, rather than focusing solely on the form or system. Too often, the system takes precedence, while the process itself is overlooked. Aguinis (2009) acknowledged that performance management systems are rarely implemented in an ideal way due to various challenges. However, as scientist-practitioners, all should continually strive to incorporate each of the key characteristics to ensure the system fulfils its potential and delivers on its promises.

Strebler, Bevan, and Robertson (as cited in Armstrong, 2009) suggested that for performance management to be effective, it must adhere to the following principles: it should have clear aims and measurable success criteria; be designed and implemented with appropriate employee involvement; be simple to understand and operate; align with core management goals for effective use; provide employees with a clear view between their performance goals and those of the organization; focus on role clarity and performance improvement; be closely linked to a well-resourced training and development infrastructure; clearly communicate the purpose of any direct link to rewards, with proper equity and transparency safeguards; and be regularly and openly reviewed against its success criteria.

Ed Lawler (as cited in Armstrong,2009), outlined a perspective on achieving an effective performance management process, including performance pay and ratings, which he described as "best practices." Key elements for success include:

- Ownership by Line Managers: Line managers play a crucial role in the success of the performance management system. Their approach to managing the system is key to its effectiveness.
- Training: Training is essential for both managers and employees. It ensures that both understand the process, their roles, and the necessary skills and behaviours to contribute to accurate performance evaluation ratings.
- Top Management Commitment: Top management must demonstrate strong commitment to the performance management system and emphasize the importance of high performance across the organization.
- Performance Goals Aligned with Business Strategy: Best practices emphasize that performance goals should be aligned with business strategy. These goals should be jointly set by managers and employees, with this collaboration helping to justify performance ratings.
- Ongoing Feedback: Managers should provide continuous feedback to employees throughout the year regarding their performance and progress toward goals, enabling them to improve and stay aligned with expectations.
- Development Planning: Development planning is critical, focusing on competencies and how employees achieve their results. Feedback should highlight both strengths and weaknesses, with a focus on planning for improvement.

- Linking Financial Rewards to Performance Ratings: Tying financial rewards to performance ratings requires effective budget management, where managers differentiate between employees based on performance.
- Calibration Meetings: These meetings allow managers to compare and adjust performance ratings to ensure consistency and fairness. They strengthen the credibility of the ratings and reinforce the importance of the performance management process.
- Electronic HR Systems: The use of electronic HR systems integrates performance data with performance plans and ratings, making the process ongoing and more than just a year-end event.

By incorporating these best practices, organizations can create a more effective, transparent, and aligned performance management system.

2.8 Challenges of Implementing an Effective Performance Management System

A well-designed performance management system (PMS) can drive productivity, enhance employee satisfaction, and foster a culture of continuous development. However, implementing an effective PMS is not without its challenges. And Performance management is easy to describe but hard to operate. And there is no such thing as 'one best way' to carry it out. The process can be complex, requiring a balance between the needs of the organization and the aspirations of the employees (Pulakos, 2004).

2.8.1 Performance Models and Resistance to Change

The performance management model is a systematic framework that allows organizations to improve employee performance in alignment with their strategic objectives. It consists of principles, processes, and components aimed at aligning individual and team performance with the overall goals of the organization (Aguinis,2014). Performance management is not an easy solution due to its demanding and challenging nature. Despite their initial potential, overstretched plans can often lead to systems that quickly fall apart or short of delivering a lasting solution (Amstrong, 2009).

New performance management system development and implementation is a major organization process intervention and change in strategy. The overall management activities and practices are required to be adjusted because the anticipated changes can result in resistance from stakeholders to implement the system (Amstrong, 2009). In the current dynamic business environment change is inevitable but any resistance from employees can hamper the organization process. It must be noted that several critical steps must be completed before launching the performance management system, including developing a communication plan, establishing an appeals process, providing training for evaluators, and conducting pilot testing to identify and resolve any issues (Aguinis,2014).

As Lawler, Mohrman, and Resnick (1984) emphasized, performance management should prioritize the process of performance review and the organizational context in which it occurs, rather than focusing solely on the form or system itself. It is believed that best performance management model and practices are required to implement an effective performance management system (PMS). However, all best models and practices relay on the management, employees and stakeholder unreserved support and commitment for the implementation of a successful PMS.

2.8.2 Commitment by Senior and Line Management

Furnham (as cited in Armstrong, 2009) states, almost all performance management systems perform badly and viewed negatively by managers and employees alike, though they are considered as a basic management required processes in all types of organizations. The most critical challenges in implementing performance management systems are often linked to poor executive engagement and execution. Without the commitment of the management even a well-developed performance management system is ineffective. Lack of dedication to PMS demonstrated by senior and line mangers will likely in employee's disengagement and doubt about the system.

At one point, the personnel department (HR) was not only the sponsor but also the custodian of performance appraisal schemes. As a result, line managers often viewed these systems as the responsibility of the personnel department, rather than something that directly concerned or involved them (Armstrong, 2009). Hence, Armstrong & Baron (2004) argue that performance management should be owned and delivered by line managers, not just a personnel system managed by the HR department. Therefore, without willingness and commitment from line management, the implementation of performance management is likely to fail.

2.8.3 Lack of Knowledge and Skill

In many cases, the manager and employee are not actively involved in the design or administration of the performance management system. They are often not trained to use it effectively, and human resources rarely seek feedback on their reactions or opinions about the system, often disregarding any suggestions they offer for improvement (Grote, 2002).

Though, not all stakeholders in performance management will have their needs and expectations satisfied simply by designing attractive and effective appraisal systems. These expectations will be met through the procedures adopted and the training provided as part of the system's implementation (Grote,2002). Hence, a lack of or poorly designed training on the performance management system (PMS) fails to translate effectively into the organization, hindering it to a successful implementation of the performance management.

2.8.4 Evaluating Performance

Performance management systems typically measure both behaviours and results. And it is evaluative, meaning it is judged based on whether it helps advance or hinder organizational goals. Additionally, performance is multidimensional, as it involves various behaviours needed to fully describe an employee's overall performance (Aguinis,2014). Evaluating competencies is considered the most difficult part of performance management. Line managers typically feel less comfortable discussing and providing feedback on behaviours, which are more subjective and harder to quantify compared to objectives. As a result, they may avoid addressing this area.

According to Grote (2002), both managers and employees are aware that negative reviews can harm an individual's career. Managers are mindful of the lasting impact of written appraisals and are often reluctant to record negative feedback in writing due to the permanence of the paper trail. Hence, managers often hesitate to deliver negative feedback to employees they work closely with and may have personal relationships with. Similarly, employees dislike being told they are not performing as well as they believe. Negative feedback can trigger defensive reactions and foster hostility, rather than providing constructive performance feedback.

The difficulty in delivering effective performance feedback often arises because managers have not conducted proper performance planning at the beginning of the year. Without holding a planning discussion at the start, it becomes challenging to evaluate performance accurately at the end of the year.

2.8.5 Alignment of Performance Management with organization mission

Among the many purposes of a performance management system, the main ones are to align employee activities with the organization's mission and goals, identify the results and behaviours needed to implement strategy, maximize the extent to which employees demonstrate desired and achieve desired outcomes, and serve an administrative function by generating information used in the reward system and other HR decision-making processes (Aguinis,2014).

Grote (2002) elaborate that if the organizations main objectives stated in its mission, vision and values statements are not reflected in the employees' targets and they become accountable for it in the performance appraisal process, the employees may consider them irrelevant. However, if these statements standardized in the appraisal process and employees are being evaluated based on the demonstration of these organization values and contribute to achieving its strategic goals, it sends a clear message that the mission statement is not just a passing trend, but a core part of the organization's values and objectives. Performance appraisal process is considered the most powerful management tool to direct the attention and energy of all organization members towards achieving its strategic goals and organizational values.

Moreover, organizations should acknowledge that performance management process consists of closely interrelated components, each playing a crucial role in its success. If any component is poorly implemented, the entire system can be compromised. A poorly designed and executed performance management system can have disastrous effects, such as employees quitting, reduced motivation among those who stay, and strained supervisor-subordinate relationships that may suffer irreparable damage. Additionally, such systems can be biased, leading to costly lawsuits and a waste of time and resources. Ultimately, low-quality or poorly implemented systems can breed frustration and cynicism among everyone involved (Agunis,2014).

2.9 Performance Management Practices

Aguinis (2014) suggests that practical constraints often prevent the full implementation of an ideal performance management system. Performance management systems are rarely executed in a perfect manner. However, Armstrong (2009) highlights that the primary goal of performance management is to cultivate a high-performance culture, where individuals and teams are responsible for the ongoing improvement of business processes, as well as for their own development and contributions, all within a framework supported by strong leadership.

As one of the most influential strategy implementation and control (performance management) tools it is necessary to give insight into Balance score card (BSC). Moreover, it is relevant to the subject paper due to its application by Ethiopian Airlines as a performance management system.

2.9.1 Balanced Scorecard (BSC) Overview

Kaplan and Norton (1992) introduced the Balanced Scorecard (BSC) as a versatile management tool that enhances the effectiveness of strategy implementation and provides a more valuable, timely, and detailed assessment of organizational performance. The key mechanism supporting this claim is the alignment between strategic goals and the controllable drivers of those goals, which are captured through the dimensions and individual metrics of the BSC. For example, a company focused on a cost-leadership strategy can identify critical process- and learning-related measures essential for achieving cost superiority. By clearly defining the desired outcomes and the drivers of those outcomes, as captured by the BSC, senior executives can direct the energy, skills, and knowledge of employees throughout the organization towards the achievement of the business's long-term objectives.

The Balanced Scorecard is a managerial tool used to clarify organization vision and strategy by interpreting them to actionable measures. It allows organizational performance to be evaluated against established objectives and goals. The framework allows conversion of strategic goals into operational objectives that guide behaviour and drive performance. (Kaplan & Norton,1992) Accordingly, the balanced scorecard let managers to view the organization from four important outlooks. These include:

2.9.1.1 Financial perspective:

Financial performance measures indicate whether a company's strategy, implementation, and execution are effectively contributing to its bottom-line outcomes (Kaplan & Norton, 1992). Traditional financial goals typically focus on revenue and profitability growth, firm productivity, and shareholder value. The financial perspective helps shareholders assess the attractiveness of investing in the company by highlighting which financial goals are most important from their viewpoint.

Niven (2006) argues that dedicating resources, time, energy, and capabilities to factors like quality service, customer satisfaction, and knowledge while neglecting financial results indicators may fail to generate significant added value for the organization.

2.9.1.2. Customer Perspective:

The Balanced Scorecard (BSC) involves interpreting organization’s broad mission and customer service goals into distinctive measures that show the key factors affecting customers. Customer demands often falls under four areas: time, quality, performance and cost. The BSC monitors important customer service quality indicators such as timeliness, excellence, cost and service. Niven (2006) further point out that to achieve positive financial results, organizations must generate and deliver quality products and services that customers perceive as valuable. By doing so, they can retain customers, increase market share, achieve high customer satisfaction, and gain a stronger competitive advantage over rivals.

2.9.1.3. Internal Business Perspective:

Balanced scorecard internal measures must be derived from the business process that affect customer satisfaction significantly. These factors are service delivery time, employee skills and abilities, productivity and quality of service. Focus on identifying and assessing core capabilities and critical technologies to maintain market leadership should be made by organizations. Kaplan and Norton (1992) recommend that managers must prioritize to meet customer needs by employing exceptional customer performance results from the processes, decisions, and actions. The perspective evaluates working conditions, activities, or process that can create value to the customers and owners of the organization. The key measurements used are speed, quality in terms of minimising rework, defects or wate, and unit cost.

2.9.1.4. Innovation and Learning Perspective:

The Balanced Scorecard measures an organization's ability to innovate, including its role as a pioneer in new product development, process enhancement, and workforce training and development. Kaplan and Norton (1992) stress that 'learning' goes beyond just 'training.' It involves elements like mentorship, coaching, and fostering communication among employees, enabling them to quickly seek help when faced with challenges.

This perspective encourages organizations to invest in training that drives continuous process improvement. The capacity to learn, grow, and introduce new products and services is essential for sustaining business success, expanding in the global market, and increasing the company's value (Kaplan & Norton, 1992).

Learning and development in an organisation come from people, systems, and organizational procedures. To be competitive, organizations are required to spend in employee skill development, improve and acquire latest information technology and systems, and align organizational procedures and practices (Kaplan & Norton, 1996).

2.9.2 Balanced Score Card (BSC) at Ethiopian Airlines

The balanced score card was implemented at Ethiopian Airlines as a performance management tool starting from January 2010. As per Ethiopian Airlines Human Resource procedure manual (as of 2025) – the purposes of performance management system at the Airline outlined as follows: -

- Relate employee performance evaluation to the achievement of strategic goals and objectives.
- Rewarding employees in line with their individual performance and the productivity of Ethiopian.
- Creating a sense of understanding by establishing non-financial quantitative indicators other than financial indicators.
- Achieving a balance among short-term, medium-term and long-term management objectives through a diverse measurement of performance.
- Promoting organizational learning through a repeated cycle of goal setting.

- Providing a common strategic communication platform linking the heads and members of the organization.
- Identify the training and development requirements for performance improvements.

The organization's corporate wide strategies, goals and objectives are cascaded from the top management into the individual employee level. The organizations strategic objectives cascaded to divisions, section and individuals through the four BSC outlooks namely: Financial, Customer, Internal Process and Learning & Growth perspectives. Based on the function of the divisions and sections specific measurement metrics are attached to each perspective. The section level BSC's further cascaded to an individual level by defining key performance indicators (KPI's) through Individual scorecards (ISC's). The performance management appraisal period follows the fiscal year which starts on July 1st and ends at 30th of June each year. A formal appraisal is conducted semi -annually with rating results in January and July and the aggregate rating of the two semi-annuals is used as the yearly evaluation rating.

2.10 Empirical Review

According to Mawardi (2013) in her study "Performance Management Practices at Management Sciences for Health (MSH) – The Case of Ethiopian Office," employees had a positive perception of the organization's mission, vision, and strategic objectives. However, they noted a failure to customize the performance appraisal system to individual job roles. A major concern among employees was the perceived intervention of higher management in dictating performance review ratings. Additionally, employees felt that the benefits associated with achieving or excelling in performance were insufficient to foster job satisfaction. Despite an adequate training budget, they believed that the training provided was not sufficient to meet their needs. She recommends that, in addition to addressing the observed concerns regarding the implementation of the performance management process, MSH management should focus on building the confidence of staff members in the system's implementation.

In his study "The Practices and Challenges of Performance Management System in Dashen Bank," Getachew (2021) concludes that although Dashen Bank clearly articulated its mission, vision, and core values within the performance management system, these elements were not effectively cascaded down to the employee level. Furthermore, employees were excluded from the performance management process, with no involvement in the performance planning phase or engagement with the performance measures. Additionally, during the performance assessment phase, there was no opportunity for employee self-assessment or dialogue with assessors. This led to biased ratings from management and fostered employee resentment towards the evaluation process. The absence of an automated performance management system further worsened the situation, hindering accurate reporting and the effective use of performance data. He recommends that for the full implementation of the performance management system by correcting the drawbacks observed. And it should enable the company, teams, and individuals to become more effective in their daily activities, leading to the achievement of desired goals and fostering the successful growth and improvement of all.

In their study "Employee Performance Management Practices and Organizational Effectiveness," Nduati and Wanyoike (2022) highlighted that although there is no definitive empirical conclusion, it is crucial to link performance management practices to organizational effectiveness. They noted several benefits of role clarity, including higher employee satisfaction, reduced turnover, increased creativity and learning, enhanced organizational commitment, greater job involvement, improved job performance, and greater organizational efficiency. The performance review process benefits organizations by serving as a basis for promotion, compensation, employee development, and communication. In terms of organizational effectiveness, the benefits include improved customer satisfaction, a stronger organizational image, reduced costs, enhanced customer engagement and value, increased efficiency, better management, and improved overall organizational outcomes.

With regards to the application of the performance approach, Tewabech (2016) conducted a study on the impact of Balanced Scorecard (BSC) implementation on the performance of Ethiopian Airlines and found that the BSC assisted the Airline to overachieve its strategic objectives by meeting the target or milestones. She identified that the Customer perspective which set customer focus targets, Internal processes targets on improvements of processes and systems, and Learning and growth perspectives which focuses on Human resource capability improvements were the major drivers contributing to the Airline's successful performance.

To the best of the researcher knowledge there are limited research on the subject, Binyam (2015) made a study concentrating on "the performance appraisal practice" which does not have a complete view of the whole performance management system. Other research papers reviewed focuses on analysing the effect of performance management system on the Airline employee training and development (Merima,2020), output and motivational factors (Netesanet, 2022) and the performance system impact on the organization performance (Tewabech, 2016) to mention a few. However, this research tries to analyse the performance management practice itself and bridge the gap based on applicable theories and the employee's perception towards the practical implementation of the process in the Airline.

CHAPTER THREE

3. Research Design and Methodology

Introduction

The study aims to assess the performance management practices implemented at Ethiopian Airlines. Ethiopian Airlines is the national carrier of Ethiopia and the largest aviation group in Africa. The Airline is currently leading the continent in terms of fleet size, number of destinations, number of passengers transported, cargo operation and revenue earned and profitability. It's under the implantation of the corporate 15 years strategic plan termed as Vision 2035 with an aim of continuous and sustainable growth. As of January 2025, the airline employed more than 15 thousand permanent staffs and more than 4 thousand working in different form of employment basis working across the seven business units and corporate offices. As part of the Airline Human Resource (Human Capital Management) strategy and in alignment with its expansion strategy, the organization adopted Balance Score Card (BSC) approach for its performance management. The BSC is applied as a strategic instrument to cascade business objectives and goals to an employee level, to communicate organizations mission to all employees and to measure and evaluate how employees are performing compared to established targets and objectives.

And on this chapter the paper shows the study method that combines various observational processes to achieve the research objectives. It consists of research approach, research design, research population, data source and collection instruments, method of data analysis, reliability and ethical consideration.

3.1. Research Approach

The nature of the data to be collected determines the research methods. The major research methods are qualitative, quantitative, and mixed methods. In contemporary research, especially in social sciences, education, health, and business, the mixed-methods approach is often seen to enhance the rigor and relevance of research findings. The combination allows researchers to explore not just the how and how much of a phenomenon, but also the why and in what context, leading to more nuanced and actionable insights (Jugessur,2022).

In recognition of the growing importance of a mixed approach in contemporary research, the researcher adopted a mixed-methods strategy, combining both quantitative and qualitative techniques. This approach was chosen to enhance the credibility of the results, improve the interpretation of findings, address the limitations fundamental in using a single method, and provide validation through the integration of both approaches.

3.2. Research Design

According to Kothari (2004), a research design refers to the methodical planning of conditions for data collection and analysis, ensuring that it supports the research objectives while preserving efficiency. This design guides the researcher in concluding the type of data to collect for the study.

The study employed a descriptive design, which allows the researcher to offer an accurate account of observed occurrences. The primary goal of descriptive research is to describe the current situation at the time of the study.

3.3. Research Population

The population considered in this study are the permanent employees located at Ethiopian Airlines headquarters in Addis Ababa. As of January 2025, the total number of staffs located at the Addis Ababa headquarters are estimated to be 14,408, out of this around 12,900 estimated to be permanent employees. Employees working outside of the headquarters, like the domestic stations and foreign countries, other staffs including contract, expatriate, parttime, outsourced and newly entrants with less than six months of service are excluded from the target population. This is because limited access and practicality to manage the survey and some of the staffs are not part of the standardized performance management process.

3.3.1 Sample Size Determination

Studying the entire population is often not feasible due to factors such as time, cost, and accessibility. Therefore, it is essential to select a sample that accurately represents the population. Constraints like these make it impractical to study the whole population, so careful sampling is necessary to ensure the findings are representative.

In this paper, the researcher applied a sample size determination of Yamane's formula, 1967, Which is considered widely used method in survey research applied to estimate an appropriate sample size for a given population considering its precision and practicality. Therefore, this formula is applied to calculate the minimum representative sample size from the given population and sample size for each division. The 12,900 permanent Ethiopian Airlines employees located at the Airline head quarter are considered as a population to determine the sample size.

The formula for Yamane's sample size calculation is:

n=N/ (1+N*e ^2)
Where: -
n=sample size
N= the size of the population
e = margin of error 5%.

n= 12,900/ (1+12,900 (0.05^2)) = 387.96 ≈388
Thus, the total sample size is **388.**

3.3.2 Sampling Techniques

The number of employees to be included in the study were selected based on the proportional division employees' number out of the aggregate total employees corresponding to the sample size. That is, stratified and random sampling methods were used in the sampling techniques to enable the researcher to get the core targets for the study and ensure minimum sampling bias. The questionnaires were distributed among management and non- management employees among the divisions.

The corresponding proportional sample size for the Airline divisions indicated in the table below.

Table 3. 1: Sample size by division

No	Ethiopian Division	Total Number of Employees	Sample size for Strata	Percentage of Strata
1	Maintenance and Overhaul (MRO)	4128	124.16	32%
2	Customer Service	3483	104.76	27%
3	Ground Services	2709	81.48	21%
4	Corporate (Human Resources and Finance)	1419	42.68	11%
5	Ethiopian Cargo and Logistics	1161	34.92	9%
		12900	***388***	***100%***

3.4 Data Source and Collection Instruments

The study will utilize both primary and secondary data. Primary data was predominantly collected through a survey method using standardized questionnaires. Additionally, secondary data will be gathered from a variety of sources, including both published and unpublished theoretical literature. This included books, dissertations, online sources, scholarly journals and the Airline's Human Resource procedure manuals and reports,

A five-point Likert scale (i.e., Strongly Agree, Agree, Neutral, Disagree, Strongly Disagree) was used in the questionnaire to capture and measure respondents' opinions. The questionnaire was tailored to align with the research problem. The decision to use a questionnaire was made due to its cost-effectiveness, speed, and efficiency in collecting substantial data at a reasonable cost.

3.5. Method of Data Analysis

The data collected for this study were analysed in the following manner. The collected information from the questionnaire was sorted, coded, keyed, and entered into Microsoft excel and transferred to SPSS. The Data collected through a questionnaire in the form of a Likert scale ranging from 1 strongly disagree-to-5 strongly agree were analysed using descriptive statistics tools. The collected data were presented on tables, frequency distribution, mean value and standard deviation to verify the performance management practices implemented at Ethiopian Airlines.

According to Hsieh and Shannon (as cited in Getachew, 2021) qualitative content analysis is a research method used to interpret the meaning of text data in a subjective but systematic way. It's a way of examining qualitative material to ensure reliable and valid results that support a specific argument. Accordingly, the organization observed procedures, policies and practices were used to compare with the employee response to elaborate the interpretations and reasons.

3.6. Reliability

Internal consistency reliability refers to the degree of consistency between different items or components within a set that are intended to measure the same construct. Cronbach's alpha, developed by Lee Cronbach in 1951, is a commonly used measure of internal consistency reliability. It evaluates how closely related the items in a scale are, helping to determine the reliability of the instrument used in the study.

According to Streiner (as cited in Jugessur, 2022), Coefficients of 0.90 or greater are nearly always acceptable, 0.70 or greater is acceptable in most situations, 0.60 or greater may be appropriate in some exploratory studies for some indicates and 0.50 greater considered poor and mostly difficult to be acceptable. Alpha should be positive and usually greater than 0.60 to provide good support for internal consistency reliability.

Table 3.2 Showing Internal consistency value and significance

	Cronbach's Alpha	***Internal Consistency/Reliability Test***
1	$\alpha \geq 0.9$	Excellent (High - Stake Testing)
2	$0.7 \leq \alpha$ 0.9	Good (Low Stakes Testing)
3	$0.7 \leq \alpha < 0.7$	Acceptable
4	$0.7 \leq \alpha < 0.6$	Poor
5	$\alpha < 0.5$	Unacceptable

Source: Jugessur (2022)

Therefore, as per the analysis made through using Cronbach's reliability statistics test using SPSS for all variables, alpha ranged from 0.863 to 0.957 indicating that the measurements used are reliable.

Table 3.3: Alpha Value for the Variables

Performance Planning Reliability Statistics	
Alpha Value	N of Items
0.863	12
Performance Execution Reliability Statistics	
Alpha Value	N of Items
0.921	10
Performance Assessment Reliability Statistics	
Alpha Value	N of Items
0.936	8
Performance Review Reliability Statistics	
Alpha Value	N of Items
0.957	15

3.7 Ethical Considerations

The distribution of questionnaires was made to the permanent employees of the Airline who showed willingness to respond. During the research the participants were handled in a respected manner and no information was solicited without their prior consent. The participants were informed the purpose of the research and assured that the information provided will be kept confidential and only be used for the research purpose.

The conclusions drawn and the recommendations provided were entirely based on the data collected and the feedback received from the respondents, ensuring that they are unbiased and grounded in the evidence gathered during the study.

CHAPTER FOUR

4. Data Presentation, Analysis, & Interpretation

Introduction

The research was conducted to evaluate Ethiopian Airlines employee's perception towards the practice of performance management process in the organization.

The chapter presents the results of the study with regards to the practices of the performance management, and the data was organized, analysed, and interpreted by using different descriptive statistics methods. A total of 388 questionnaires were distributed to employees which took substantial time. Out of the total 348 respondents filled and returned the questionnaire and 40 of the respondents did not return, thus the response rate becomes 89.69 % and non-respondents' portion is 10.31 % respectively.

4.1 Respondents data Structure

The questionnaire contains a part on the individual's profile, combining demographic details and other relevant features that may impact how the employee evaluates the performance management system in Ethiopia Airlines. The details of the demographic information summarized as follow:

Table 4.1: Demographic Data of the Respondents

Demographic Characteristics		Frequency	Percent
Sex	Female	196	56.30%
	Male	152	43.70%
Age	20-30 years of age	197	56.60%
	31-40 years of age	137	39.40%
	41-50 years of age	12	3.40%
	51 years & above	2	0.60%
Level of Education	Diploma	46	13.20%
	Degree	249	71.60%
	Masters	52	14.90%
	Above Masters	1	0.3
Working Experience in years at Ethiopian Airlines	Less than 1 year	74	21.30%
	1-5 years	104	29.90%

	6-10 years	123	35.30%
	11-15 years	37	10.60%
	Above 16 years	10	2.90%
Current Position	Management	32	9.20%
	Non-Management	316	90.80%
Working Division	Cargo	33	9.50%
	Customer Services	89	25.60%
	Ground Services	74	21.30%
	Corporate HR & Finance	41	11.80%
	MRO	111	31.90%

Source: Own Survey 2025

As indicated in the above, 43.7% of the survey participants were male and 56.3% being female, which shows that the division's under evaluation comprises predominantly female employees mainly in customer service division. The age distribution of the study indicates that 56.6% of them fell within the age group of 20 to 30 years, 39.4% of them fell within the ages of 31 to 40 years, and the remaining 4% being in the age group of 41 to 50 years or above. This outcome suggests that the Airline has largely a young workforce.

The bulk of the respondent's education level is BA/BSc degree at 71.6%, Diploma and MA/MSC degree holders constitutes fewer portion at 13.2% and 14.9 % respectively and only 0.3% has above master's degree qualification. The education level of the employees in the Airline suggests that a large proportion of highly qualified professionals are currently working.

The work experience of respondents indicates that 21.3% have been employed for less than a year, 29.7% worked for 1 to 5 years, 35.3% have been with the organization between 6-10 years, 10.6% have been serving from 11-15 years, and 2.9% were being loyal for the Airline for more than 16 years. Half of the airline's employees (51.2%) are relatively inexperienced, having worked for less than 5 years in the organization. And it indicates that the organization is hiring a significant number of new recruits as a quarter (21.3%) of the employees have less than a year experience. Most respondents 90.8 % were works at a non-management level and 9.5% works at a management position.

4.2 Analysis and Interpretation of the practices of PMS

The below analysis was conducted using descriptive statistics, with the mean scores of each variable being utilized. This approach was chosen to highlight the average responses of the respondents for every statement across the different dimensions of the predictor variable. The explanation is based on the subsequent measurement scale intervals instituted by Poonlar Btawee application (as cited in Hailu, 2013). The consideration of Mean scores with a value 4.51-5.00 as excellent very good, 3.51-4.50 good, 2.51-3.50 average or moderate, 1.51-2.50 fair, and 1.00-1.50 is poor.

A concise average (mean) score of the employee's view towards the performance management practice statements of the Airline indicated in the questionnaire was presented in a table format. The total of 348 responded questionnaires on a Likert scale of 1 to 5 from (Strongly Disagree, Disagree, Neutral, Agree and strongly Agree) were listed and subsequent descriptions were included and listed for the process variables.

4.2.1 Performance Planning

Performance planning is a process where the manager and an individual together deliberate and decide on future targets and how to achieve them. Based on this assumption the researcher evaluated the employees' opinions on this initial stage of performance management, and their reply is measured and showed below.

Table 4.2.A Performance Planning Mean, Standard Deviation and Aggregate Mean

Code	*Performance Planning*	Mean	Std. Deviation
	Statements		
PP1	I am fully aware of the Ethiopian Airlines mission, vision, strategic objective and values.	4.45	0.679
PP2	I believe that a clear definition of the mission and purpose of the organization makes possible clear and realistic business objectives	4.46	0.623
PP3	I believe that a performance management system is a systematic process for improving organizational performance by developing the performance of individuals and teams.	4.07	0.926
PP4	I know clearly about my division/section's strategic objectives.	4.36	0.700
PP5	I clearly understand the Performance Management process and practice of Ethiopian Airlines	4.09	0.815
PP6	My individual goal is aligned with the strategic objective of my division/section as well as the organization.	4.24	0.707

PP7	I know about what my job responsibilities are and what is expected from me.	4.56	0.606
PP8	In my section goal setting is carried out with discussion between the employee and the supervisor.	3.84	0.988
PP9	I have participated and reached an agreement with my supervisor about the standards that will be used to evaluate my work.	3.97	0.932
PP10	I have a clear understanding of the level of performance that is expected of me.	4.24	0.759
PP11	I am clearly communicated and agreed on how my performance is measured.	3.93	0.924
PP12	I have the necessary skills and competencies to achieve my individual goals and objectives	4.39	0.693
Performance Planning Aggregated Mean/STD		***4.22***	***0.050***

Source: Own Survey 2025

Table 4.2.B Employee Response Frequency summary for Performance Planning

Performance Planning	**Strongly Disagree**		**Disagree**		**Neutral**		**Agree**		**Strongly Agree**	
Code	**Freq.**	**%**	**Freq.**	**%**	**Freq.**	**%**	**Freq.**	**%**	**Freq.**	**%**
PP1	3	0.9%			19	5.5%	141	40.5%	185	53.2%
PP2	1	0.3%	3	0.9%	9	2.6%	156	44.8%	179	51.4%
PP3	6	1.7%	13	3.7%	63	18.1%	136	39.1%	130	37.4%
PP4	3	0.9%	5	1.4%	12	3.4%	172	49.4%	156	44.8%
PP5	3	0.9%	7	2.0%	62	17.8%	160	46.0%	116	33.3%
PP6	3	0.9%	5	1.4%	22	6.3%	194	55.7%	124	35.6%
PP7	1	0.3%	2	0.6%	9	2.6%	124	35.6%	212	60.9%
PP8	10	2.9%	21	6.0%	79	22.7%	143	41.1%	95	27.3%
PP9	10	2.9%	8	2.3%	73	21.0%	150	43.1%	107	30.7%
PP10	4	1.1%	1	0.3%	41	11.8%	163	46.8%	139	39.9%
PP11	7	2.0%	17	4.9%	68	19.5%	157	45.1%	99	28.4%
PP12	3	0.9%	2	0.6%	18	5.2%	159	45.7%	166	47.7%

Source: Own Survey 2025

As indicated in the table above the aggregate mean of the performance planning process indicates a value of 4.22 with standard deviation of +0.050. The employee's response to the inquiries for the performance planning process span from a mean value from 3.84 to 4.56 with a standard deviation value from +0.988 to +0.606. The overall value of the results indicates the employees agree or strongly agree on the performance planning process and the means score falls under "good" category.

The detail observation with regards to the respondents reply for the questionnaire statements described as follows: on their awareness of the Airlines mission, vision, strategic objectives; believe in the clear definition of the mission and purpose makes possible the clarity and realistic business objective and values; believing the performance management system contribution for the organization, team, and individual performance improvement; concurring their knowledge about their division objectives; understanding the performance management and practices of the airline; the perception with regards to their individual goal alignment with the strategic objective of the division and organization; Knowing their responsibilities and what is expected from them; concurring their clear understanding what is expected from them and finally confirming they acquired the necessary skills and competences to achieve their goals indicates that more than 75+% of the respondents agree or strongly agree on the statements with mean score ranging from 4.07 to 4.56 and a standard deviation from +0.623 to +0.606. This indicates that the majority respondents have good level of agreement and have a knowledge of the Airline's main purpose, division objectives, understand the planning phase of the Airline's performance management and practices.

Though the results indicate the employees agree on the overall planning process of the performance management system. Out of the performance planning process statements in the questionnaire the following elements show a lesser percentage of agreement (agree or strongly agree between 68% to 73%) or being neutral and disagree (around 26%) by the respondents, these are on their section goal setting is established with a discussion, on participation and reaching agreement with regards to standards used for evaluation and on the provision of clear communication regarding how performance will be measured. The mean score indicates a variation from 3.84 to 3.97 and standard deviation +0.988 to +0.924 for these statements

4.2.2 Performance Execution

Performance execution is the process of implementing the established targets and observing the employee activity to achieve intended objectives on efficient manner. The gathered data from the respondents regarding the performance execution practice in the Airline is presented below:

Table 4.3.A Performance Execution Mean, Standard Deviation and Aggregate Mean

Code	Performance Execution *Statements*	Mean	Std. Deviation
PE1	I am provided with sufficient resources to execute my job properly.	3.99	0.849
PE2	I receive feedback regularly about my performance from my supervisor.	3.85	0.983
PE3	I am always informed about a change in organizational goal and the initial goal set by me and the supervisor is also updated accordingly.	3.80	0.999
PE4	I always get support from my supervisor while I face challenges in performing my day-to-day activities.	4.04	0.952
PE5	There is a midterm review between my supervisor and me regarding my performance in the past months.	3.94	0.835
PE6	My organization tries to improve/address problems that affect my performance.	3.79	0.902
PE7	My supervisor encourages open discussion with respect to performance related issue	3.99	0.933
PE8	I am the person who is primarily responsible for performance execution.	3.90	0.970
PE9	Communication with my supervisor was factual, open, and honest.	3.95	0.944
PE10	Participation in performance management practices helped me to improve my performance.	3.89	0.989
	Performance Execution Aggregated Mean/STD	***3.91***	***0.081***

Source: Own Survey 2025

Table 4.3.B Employee Response Frequency summary for Performance Execution

Performance Execution	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
Code	**Freq.**	**%**	**Freq.**	**%**	**Freq.**	**%**	**Freq.**	**%**	**Freq.**	**%**
PE1	2	0.6%	21	6.0%	51	14.7%	177	50.9%	97	27.9%
PE2	11	3.2%	21	6.0%	68	19.5%	156	44.8%	92	26.4%
PE3	9	2.6%	29	8.3%	75	21.6%	146	42.0%	89	25.6%
PE4	8	2.3%	18	5.2%	49	14.1%	151	43.4%	122	35.1%
PE5	2	0.6%	18	5.2%	66	19.0%	175	50.3%	87	25.0%
PE6	8	2.3%	21	6.0%	75	21.6%	177	50.9%	67	19.3%
PE7	8	2.3%	15	4.3%	60	17.2%	155	44.5%	110	31.6%
PE8	13	3.7%	16	4.6%	56	16.1%	170	49.0%	92	26.5%
PE9	7	2.0%	16	4.6%	74	21.3%	142	40.8%	109	31.3%
PE10	13	3.7%	15	4.3%	69	19.8%	153	44.0%	98	28.2%

Source: Own Survey 2025

From the above tables' summary, employee responses on the performance execution practice of the airline focusing on overall support from their supervisor and the organization to succeed described on the following enquires. These statements include the respondents reply with regards to the delivery of sufficient resources to execute their job; getting support from their supervisor while facing challenges on their day-to-day activities; On the existence of a midterm review about the performance in the past months; On their supervisor character on encouraging open discussion with respect to performance related issue; Employee accepting, they are primarily responsible for the performance execution the result; If their communication with their supervisor is factual, open, and honest; On acknowledging the if participation in performance management practices helped them to improve their performance shows a mean score ranging from of 3.89 to 3.99 with a standard deviation of +0.989 to +0.849 and almost 72% or more of the respondents agree or strongly agree on the statements.

Despite these positive results, about 70% of the respondents reply agree or strongly agree and approximately 28% show neutrality or disagreement on some statements. These statements response are with regards to receiving feedback regularly about their performance from their supervisor, whether they were informed about a change in the organizational goal and their initial goal updates and finally on the organization role trying addressing problems that affect their performance. Their mean score is ranging from of 3.80 to 3.85 with a standard deviation of +0.999 to +0.983.

In general, the statements result show a "good" level of agreement regarding the performance execution process by the employees and the aggregate mean indicates a value of 3.91 with standard deviation of +0.081. The employee's response to the inquiries for the performance planning execution process varies from a mean value of 3.80 to 4.04 with a standard deviation value from +0.999 to +0.852. It can be an indication the effect of the Airline usage of an in-house developed information (IT) system that help the supervisors and employees to tracking performance progress, though it solely depends on both parties to strictly using it.

4.2.3 Performance Assessment

Performance assessment is a system of measuring the preferred actions and conclusions detailed in the performance planning has been executed throughout the specified time frame. On the next table the information collected from the questionnaire will be shown whether Ethiopian Airlines is implementing the assessment cycle effectively or not.

Table 4.4.A Performance Assessment Mean, Standard Deviation and Aggregate Mean

Code	Performance Assessment *Statement*	Mean	Std. Deviation
PA1	I am given chance to perform self -review and is reconciled with supervisor review.	3.86	0.870
PA2	I feel the evaluation is performed based on the standards and is free from prejudice, error, and bias.	3.58	1.045
PA3	I believe the procedure used to determine rating is fair and transparent	3.56	0.981
PA4	I receive continuous and timely performance feedback prior my semi-annual performance review	3.81	0.926
PA5	My supervisor/manager assess my performance based on my actual performance.	3.78	0.932
PA6	Where the performance has not met minimum standards, my supervisor and I discuss the reason for this and way for improving performance	3.84	0.931
PA7	The manager/Supervisor takes into consideration my performance throughout the evaluation period rather than focusing on pitfalls, failures and under achievements	3.66	1.022
PA8	The performance evaluation criteria used at Ethiopian is fair and capable of true measurement.	3.55	1.092
	Performance Assessment Aggregated Mean/STD	***3.71***	***0.813***

Source: Own Survey 2025

Table 4.4.B Employee Response Frequency summary for Performance Assessment

Performance Assessment	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
Code	**Freq.**	**%**	**Freq.**	**%**	**Freq.**	**%**	**Freq.**	**%**	**Freq.**	**%**
PA1	5	1.4%	23	6.6%	59	17.0%	188	54.0%	73	21.0%
PA2	19	5.5%	29	8.3%	93	26.7%	146	42.0%	61	17.5%
PA3	12	3.4%	34	9.8%	104	29.9%	144	41.4%	54	15.5%
PA4	7	2.0%	19	5.5%	89	25.6%	151	43.4%	82	23.6%
PA5	10	2.9%	19	5.5%	80	23.0%	167	48.0%	72	20.7%
PA6	10	2.9%	19	5.5%	66	19.0%	175	50.3%	78	22.4%
PA7	16	4.6%	29	8.3%	78	22.4%	160	46.0%	65	18.7%
PA8	21	6.0%	31	8.9%	100	28.7%	126	36.2%	70	20.1%

Source: Own Survey 2025

Per the tables presented above, the respondents reflection on the list of statements included in this process listed as follows – the respondent's confidence on the evaluation performed is based on the standards and is free from prejudice, error, and bias; the related process used to determine rating fairness and transparency; on the Supervisor considering the overall employee performance and not focus on pitfalls, failures and under achievements and lastly the general opinion whether the performance evaluation criteria used at Ethiopian is fair and capable of true measurement shows that that 43% or more of the respondents are neutral or disagree on the statements with mean score ranging from 3.55 to 3.66 and a standard deviation from +1.092 to +1.022. The summary for the above indicates the responses show lower level of agreement compared to the other statement responses in the assessment stage, which indicates a significant number of respondents' either are neutral or disagree.

With regards to the standardization and availability of self-assessment and concurrence with the supervisor records for review; on receiving continuous and timely performance feedback before the standardized semi-annual review; if their supervisor assesses the performance based on actual individual performance or not; and finally on the availability of discussion with their supervisor for improvement in case of performance has not met minimum standards, the respondent's reply result indicates 69% or more of the respondents agree or strongly agree on the statements with mean score ranging from 3.78 to 3.86 and a standard deviation from +0.932 to +0.870. The Airline HR procedure describes the availability overall duties and responsibilities of both the management and employees with regards to assessment, and the employee response reflects the practicality.

The aggregate mean of the performance assessment process shows a value of 3.71 with standard deviation of +0.813, again this is considered a "good' level of agreement reached, though considering the other performance process variables it is lesser in agreement value.

4.2.4 Performance Review

Performance reviews is a systematic process where the manager and the individual meet to reflect on the employee activities and agree on the rating outcome. The appraisal meeting is an essential process is where the employee gets feedback on their performance and plans for next year. The researcher presents the results with regards to performance review practice in the Airline based on the questions forwarded to the respondents.

Table 4.5.A Performance Review Mean, Standard Deviation and Aggregate Mean

Code	Performance Review *Statement*	Mean	Std. Deviation
PR1	The discussion I had with my supervisor is focused on the contribution I made, the capability I have, and my continuous development.	3.83	0.905
PR2	My supervisor keeps regular records on my performance and gets additional feedback from colleagues.	3.80	0.893
PR3	I feel that my evaluation is fair and is based on my actual achievement.	3.60	0.971
PR4	My supervisor accurately rates my performance.	3.64	1.002
PR5	The rating distribution at Ethiopian makes distinction between high and low performers	3.76	0.890
PR6	The feedback I receive helped me to identify my strength and weakness and work on my gaps.	3.90	0.971
PR7	I am allowed to express my idea on performance appraisal meeting and is a two-way communication.	3.89	0.892
PR8	My supervisor is willing to amend my rating if any error is identified.	3.79	0.987
PR9	I perceive fairness and accuracy of the performance evaluation have an effect on employee performance.	3.77	0.969
PR10	Performance management system at Ethiopian has provision for appeal in case there is disagreement with supervisor.	3.86	0.945
PR11	My performance rating will be checked for quality audit by responsible HR department.	3.82	0.879
PR12	I believe administrative decisions taken based on performance ratings are appropriate and valid.	3.76	0.914
PR13	I believe the procedure used to link rating with reward is fair and transparent.	3.68	0.984
PR14	ET develops intervention training programs that are tied to the gaps identified in the performance.	3.82	0.905
PR15	Are you satisfied with the existing performance management system of the Airline?	3.61	1.103
	Performance Review Aggregated Mean/STD	***3.77***	***0.075***

Source: Own Survey 2025

Table 4.5.B Employee Response Frequency summary for Performance Review

Performance Review	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
Code	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
PR1	6	1.7%	25	7.2%	65	18.7%	177	50.9%	75	21.6%
PR2	4	1.1%	22	6.3%	91	26.1%	155	44.5%	76	21.8%
PR3	8	2.3%	35	10.1%	108	31.0%	134	38.5%	63	18.1%
PR4	11	3.2%	34	9.8%	91	26.1%	145	41.7%	67	19.3%
PR5	9	2.6%	15	4.3%	89	25.6%	171	49.1%	64	18.4%
PR6	9	2.6%	19	5.5%	72	20.7%	146	42.0%	102	29.3%
PR7	10	2.9%	12	3.4%	63	18.1%	184	52.9%	79	22.7%
PR8	17	4.9%	11	3.2%	79	22.7%	163	46.8%	78	22.4%
PR9	16	4.6%	15	4.3%	72	20.7%	176	50.6%	69	19.8%
PR10	12	3.4%	12	3.4%	75	21.6%	163	46.8%	86	24.7%
PR11	9	2.6%	9	2.6%	91	26.1%	167	48.0%	72	20.7%
PR12	8	2.3%	19	5.5%	92	26.4%	159	45.7%	70	20.1%
PR13	16	4.6%	17	4.9%	96	27.6%	154	44.3%	65	18.7%
PR14	6	1.7%	19	5.5%	85	24.4%	158	45.4%	80	23.0%
PR15	23	6.6%	27	7.8%	85	24.4%	139	39.9%	74	21.3%

Source: Own Survey 2025

Referring the table 4.5, the performance review process response and statement descriptions starting from the discussion role and overall satisfaction of the respondents' view stated below. Starting from the respondent's view on the role of discussion with the supervisor has a focus on their contribution, capability, and continuous development; whether the supervisor keeps regular records on performance and gets additional feedback from the employee's colleagues or not ; on the rating distribution at Ethiopian Airlines process makes distinction between high and low performers; on the feedback they received helped them to identify their strength and weakness and work on their gaps; if there is an accommodation to express their idea on performance appraisal meeting and it's a two-way communication or not; on the supervisor willingness to amend a rating if any error is identified; on the perceived fairness and accuracy of the performance evaluation influence on employee performance; on their knowledge on performance management system at the Airlines has provision for appeal in case of disagreement; on the availability of performance rating quality auditing by responsible HR department and lastly on the feedback on administrative decisions taken based on performance ratings are appropriate and valid the results show a mean value between 3.76 to 3.90 and a standard deviation from +0.623 to +.0606. Moreover, more than 68% of the respondents agree or strongly agree on these statements. The Airline HR procedure with regards to performance management comprise a process which require rate quality auditing and states an administrative process in case of disputes.

On the following aspects of the statements border line level of agreement with a 37% of the respondents indicates replied neutral or disagrees on the statements. This indicates the respondents has reservation and has concern to be addressed on the following: the feeling if their evaluation is fair and is based on their actual achievement; the respondents view on the procedure used to link rating with reward fairness and transparency; on the availability of intervention training programs that are tied to the gaps identified in the performance at Ethiopian Airlines; the overall satisfaction level of the respondents with the existing performance management system of the organization. The mean result varies between 3.60 to 3.68 and a standard deviation from +0.971 to +.0984.

The group mean of the performance review process shows a value of 3.77 with standard deviation of +0.0751. The employee's response to the inquiries for the performance planning review differs from a mean value of 3.60 to 3.90 with a standard deviation value from +0.971 to +0.971. The overall value of the results indicates the employees agree or strongly agree on the performance planning review and the means score falls under "good" category.

CHAPTER FIVE

5. Summary of Findings, Conclusion, and Recommendation

This chapter presents a comprehensive overview of the study, including the main findings, conclusions, and recommendations. It must be noted that the recommendations are derived from the study's findings.

5.1. Findings Summary

The study aims to analyse the performance management practices at Ethiopian Airlines. To carry out the study utilized questionnaires comprising 45 of performance-related statements covering the four key aspects i.e., performance planning, performance execution, performance assessment and performance.

Based on descriptive analysis statistical method, the evaluation of the Airline's performance management practices and the data analysis presented in Chapter Four, the key findings are summarized below:

- Most of the respondent employees were female 56.3%. A majority of the survey participant's fall within the 20-30 years referred as young adults. Most of the respondent's education level, 71.6% are BA/BSC degree holders, and the predominant respondents 90.8 % are working in a non-management position and about half 51.2 % of the employees have 1-5 years or less work experience at the organization. About one third of the respondent's 31.9% are currently working at ET MRO division.

- The aggregate mean of the performance planning process indicates a value of 4.22 and the employee's response to the inquiries span from a mean value from 3.84 to 4.56. Majority of the respondents (more than 75%) agree or strongly agree Airlines mission, vision, strategic objectives awareness, believing the performance management system contribution, understanding the performance management and practices, on goal alignment with the strategic objective, understanding responsibilities and what is expected from them and the rest are neutral or disagree (around 26%) on goal setting is established with a discussion, on participation and reaching agreement with regards to standards used for evaluation and on the provision of clear communication which are part of the performance planning practices of the Airline.

- The aggregate mean for performance execution process indicates a value of 3.91 and the employee's response to the inquiries varies between a mean value of 3.80 to 4.04. Almost 72% or more of the respondents agree or strongly agree on the delivery of sufficient resources to execute their job, getting support from their supervisor, the existence of a midterm review, the supervisor character on encouraging open discussion, acknowledging they are primarily responsible for the performance execution and communication with their supervisor is factual, open, and honest and nearly 28% show neutrality or disagreement with regards to receiving feedback regularly, whether they were informed about a change in goals and the organization role trying addressing problems which are part of the performance execution practices of the Airline.

- The aggregate mean of the performance assessment process shows a value of 3.71 with the employee's response to the inquiries a mean value varies between 3.55 to 3.86 which is the lowest level of agreement from the four processes practices. In most statements 69% or more of the respondents agree or strongly agree on the standardization and availability of self-assessment; on receiving continuous and timely performance feedback, supervisor assesses actual individual performance, and finally on the availability of discussion with their supervisor for low performance improvement included in the performance assessment practices. And 43% or more of the respondents are neutral or disagree with regards to respondent's confidence on the evaluation is unbiased; on the fairness and transparency of the process used to determine rating; the supervisor consideration of overall employee performance and the general opinion whether the performance evaluation criteria used at Ethiopian is fair and capable of true measurement.

- The performance review process of the respondents has group mean value of 3.77 the employee's response to the inquiries for the performance planning review differs from a mean value of 3.60 to 3.90. More than 68% of the respondents agree or strongly agree on the role of the supervisor consideration of employee contribution during discussion, keeping regular records, getting feedback from employee peers, the willingness to amend rating error; employee acknowledging feedback help them to improve their performance gap, confirming their idea in meeting, and their knowledge on the performance dispute appeal process; and the availability of a process to distinguish high and low performer rating in the Airline, on the availability of performance rating quality auditing and lastly on the appropriateness of administrative decisions taken based on performance ratings. With a border line level of agreement that is 37% of the respondents indicates replied neutral or disagrees on the seeing their evaluation is fair and is based on their actual achievement, on the transparency and fairness of the procedure used to link rating with reward; on the availability of intervention training programs that are tied to the gaps identified in the performance at Ethiopian Airlines, and the overall satisfaction level of the respondents with the existing performance management system of the organization.

5.2 Conclusion

The primary objective of the study was to evaluate the practice of the performance management at Ethiopian Airlines. The literature reviews listed different types of performance management process and practices, but the ultimate purpose of performance management is to help organization and its employees to reach high level of performance standards. The research paper used four major variables namely planning, execution, assessment and review as performance management process and provides an explanation on the practical implementation of these processes at Ethiopia Airlines based on the employees' survey result. And the level of the practice compared with the different performance management related theoretical model.

Based on the findings from the descriptive analysis, the study showed that there is a good level of performance management practice at Ethiopian Airlines based on its existing performance management system. However, as Aguinis (2009) acknowledged that performance management systems are rarely implemented in a perfect manner due to various challenges.

This is true in case of the performance management practice observed at the Airline and some practices require improvements and these cases are stated as follows.

The performance planning phase of the performance management overall value of the results indicates the employees agree or strongly agree on the performance planning process with an aggregate mean value of 4.22 which is a “good” category. Though the results indicate the employees agree on the overall planning process of the performance management system. Out of which on goal setting discussion, on participation and reaching agreement with regards to standards used for evaluation and on the provision of clear communication regarding how performance will be measured the mean score variation from 3.84 to 3.97. Since this is a crucial step for employees to have awareness about defined expectations and performance assessment standards, to get each employee commitment to achieve the set goals it needs their high level of participation and agreement (Aguinis,2014). Hence, level of employee involvement in performance planning of the Airline needs further focus to address employee concerns and feelings, as noted by Grote (2002) the employee plays a central role in identifying areas for development and addressing their needs.

The employee responses on the performance execution practice of the airline focusing on overall support from their supervisor and the organization to succeed result in a “good” level of agreement with an aggregate mean value of 3.91. Despite these positive results, on receiving regular feedback, adjustments on organization goals communication, and on addressing problems affecting their performance employees feel there is a need for an improvement. Grote (2002) stress that ongoing feedback and coaching helps employees to succeed and offering development experiences and opportunities encourage learning and growth. Hence, in this stage, the supervisors or managers role is crucial in offering continuous support, resources, and guidance to ensure employees are working toward their goals.

The aggregate mean of the performance assessment process shows a value of 3.71 which is considered as “good’ level of agreement reached. Out of the four performance processes it has a lesser agreement value. Armstrong (2009), stated performance measurement standards that are clear, consistent, and free from error help employees to perceive system is reliable and dependable. However, the respondents are neutral or disagree on some of the performance assessment practices including the freeness of the standards from prejudice and error; on the related process used to determine rating fairness and transparency; on the Supervisor consideration of overall employee performance and not focus under achievements only and lastly the general opinion whether the performance evaluation criteria used at Ethiopian is fair and capable of true measurement. A review on the literature shows that involving the employee in this process enhances their belongingness and dedication to the process. Additionally, it gives valuable insights that can be discussed during the performance review.

The group mean of the performance review process shows a value of 3.77 and the overall value of the results indicates the employees agree or strongly agree and the Mean score falls under "good" category. This indicates the respondents has reservation and has concern to be addressed on the following: the feeling if their evaluation is fair and is based on their actual achievement or not; the respondents view on the procedure used to link rating with reward fairness and transparency; on the availability of intervention training programs that are tied to the gaps identified in the performance at Ethiopian Airlines; the overall satisfaction level of the respondents with the existing performance management system of the organization. The performance review stage often considered the utmost difficult stage of the process (Aguinis,2014). Due to its implication on the employee future in terms of rewards, employees dislike being told they are not performing as well as they believe and negative feedback can trigger defensive reactions and foster hostility (Grote,2002). However, addressing the difference between the employee and the supervisor is essential, as the performance management process concludes and starts again with the performance review discussion.

5.3 Recommendation

As indicated at the start of the study, Ethiopian Airlines is a profit-oriented organization, it is required to have an effective and efficient performance management process to stay competitive and achieve its desired goals in the ever-changing Airline industry. Accordingly, this study's analysis offers insights for the Airline and other organizations regarding employee performance management practices in relation to theoretical aspects of the performance management system.

Main Recommendation

Therefore, based on the study's findings, the following recommendations are forwarded to the relevant stakeholders.

On Performance planning stage employee participation is crucial though the results show moderate level of participation. Therefore,

- The researcher recommends that Ethiopia Airlines to enhance the system that allows employees and supervisors to collaboratively set performance goals and standards through mutual agreement, ensuring that employees understand and agree to the objectives they are expected to achieve and the criteria by which they will be evaluated.

On the performance execution process employee performance monitoring and giving regular feedback are vital for the employee positive performance outcome. Thus,

- The Airline is recommended to further improve the monitoring of the regular employee feedback process, the timely updating of changes occurred to the employee in case of organizational or individual targets are revised and to thoroughly address employee concerns which affect their performance.

On the performance assessment process, the magnitudes of acceptability, fairness, reliability, honesty, and inclusiveness have a highly significant impact on employee performance. Accordingly,

- It is recommended that the supervisor and managers of the Airline need to address the perceived reserved level of unfairness on the process with a dedication to implement the standardized performance assessment procedure to benefit from the employee improved performance. They are required to confirm performance assessments are fair, develop team goals, and guide employees in their development plan during the assessment process.

On the performance review process, actual output evaluation, linkage between rating and reward, employee training to aid identified gaps and the overall satisfaction of the performance practice plays a vital role its effectiveness. Hence,

- The researcher recommends that the Airline need to capitalize performance review to strengthen the supervisor-employee relationship by enhancing its' motivational schemes, promoting transparency, eliminating bias, and enhancing employee attitudes through training and development. Additionally, both supervisors and employees need to receive training to foster a fair and effective performance management practice.

Finally, the role of the higher management and the human resource department as guardian of the performance management procedures and process is essential on addressing these issues for the continuous enhancement of the Airline performance management system.

Recommendation for Future Research

Performance management is highly complex and dynamic process affected by several factors. Therefore, it is unrealistic that one specific study will address all aspects of the performance management practice of the Airline. In addition, due to limited time and resource the research could not cover all geographical area and non-permanent employees of the Airline.

Though the study examined the practices of the performance management of Ethiopian Airlines. There is a room for a further evaluation of the subject matter in different aspects. Consequently, future researchers could further investigate performance management practices of the Airline by including various variables.

And also, it is recommended that similar researches to be done for other organizations considering this research findings identifying the pros and cons of performance management practices will help an organization performance sustainability.

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APPENDIX

Dear Respondent,

Your participation in this research study, conducted as part of the requirements for the Master of Arts Degree in Business Leadership, is greatly appreciated. This questionnaire is intended to gather primary data on the perceptions of Ethiopian Airlines employees regarding the "Performance Management Practice at Ethiopian Airlines." The study is conducted primarily for academic purposes, and the confidentiality of all data is fully guaranteed. Additionally, the findings of this study will provide valuable insights to Performance Management system users and management at Ethiopian Airlines, supporting the effective implementation of the system to achieve the desired outcomes.

Thank you in advance!!

Part One: Respondent Profile

Instruction: This part of the questioner asks you about your personal and job-related information. Please put a "√" mark in the box next to each question. **Please note that there is no need to disclose your name on the questionnaire.**

I – General Information

What is your age group?

20-30 years of age	31-40 years of age	41-50 years of age	51 years & above

Sex:

Male	Female

What is your highest Academic Qualification?

Diploma	Degree	Masters	Above Masters

Your Work experience at Ethiopian Airlines?	Less than 1 year	1-5 years	6-10 years	11-15 years	Above 16 years

What is your current position classification in the organization?	Non-Management	Management

In which division you are working?	MRO	Customer Service	Ground Services	Corporate (HR & Finance)	ET Cargo

Part Two: Questions related with the topic (*Please p*ut a "√" mark in the box next to the point which highly relates to your perception).

	II - Performance Planning	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
No						
1	I am fully aware of the Ethiopian Airlines mission, vision, strategic objective and values.					
2	I believe that a clear definition of the mission and purpose of the organization makes possible clear and realistic business objectives					
3	I believe that a performance management system is a systematic process for improving organizational performance by developing the performance of individuals and teams.					
4	I know clearly about my division/section's strategic objectives.					
5	I clearly understand the Performance Management process and practice of Ethiopian Airlines					
6	My individual goal is aligned with the strategic objective of my division/section as well as the organization.					
7	I know about what my job responsibilities are and what is expected from me.					

8	In my section goal setting is carried out with discussion between the employee and the supervisor.					
9	I have participated and reached an agreement with my supervisor about the standards that will be used to evaluate my work.					
10	I have a clear understanding of the level of performance that is expected of me.					
11	I am clearly communicated and agreed on how my performance is measured.					
12	I have the necessary skills and competencies to achieve my individual goals and objectives					

		1	2	3	4	5
	III- Performance Execution	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I am provided with sufficient resources to execute my job properly.					
2	I receive feedback regularly about my performance from my supervisor.					
3	I am always informed about a change in the organizational goal and the initial goal set by me and the supervisor is also updated accordingly.					
4	I always get support from my supervisor while I face challenges in performing my day-to-day activities.					
5	There is a midterm review between my supervisor and me regarding my performance in the past months.					
6	My organization tries to improve/address problems that affect my performance.					
7	My supervisor encourages open discussion with respect to performance related issue					
8	I am the person who is primarily responsible for performance execution.					
9	Communication with my supervisor was factual, open, and honest.					
10	Participation in performance management practices helped me to improve my performance.					

	IV- Performance Assessment	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
1	I am given chance to perform self -review and is reconciled with supervisor review.					
2	I feel the evaluation is performed based on the standards and is free from prejudice, error, and bias.					
3	I believe the procedure used to determine rating is fair and transparent					
4	I receive continuous and timely performance feedback prior my semi-annual performance review					
5	My supervisor/manager assess my performance based on my actual performance.					
6	Where the performance has not met minimum standards, my supervisor and I discuss the reason for this and way for improving performance					
7	The manager/Supervisor takes into consideration my performance throughout the evaluation period rather than focusing on pitfalls, failures and under achievements					
8	The performance evaluation criteria used at Ethiopian is fair and capable of true measurement.					

	V- Performance Review	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
1	The discussion I had with my supervisor is focused on the contribution I made, the capability I have, and my continuous development.					
2	My supervisor keeps regular records on my performance and gets additional feedback from colleagues					
3	I feel that my evaluation is fair and is based on my actual achievement					

4	My supervisor accurately rates my performance					
5	The rating distribution at Ethiopian makes distinction between high and low performers					
6	The feedback I receive helped me to identify my strength and weakness and work on my gaps					
7	I am allowed to express my idea on performance appraisal meeting and is a two-way communication.					
8	My supervisor is willing to amend my rating if any error is identified.					
9	I perceive fairness and accuracy of the performance evaluation influence employee performance					
10	Performance management system at Ethiopian has provision for appeal in case there is disagreement with supervisor					
11	My performance rating will be checked for quality audit by responsible HR department.					
12	I believe administrative decisions taken based on performance ratings are appropriate and valid.					
13	I believe the procedure used to link rating with reward is fair and transparent.					
14	Ethiopian develops intervention training programs that are tied to the gaps identified in the performance.					
15	Are you satisfied with the existing performance management system of the Airline?					

Thank You!!