



**ADDIS ABABA UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
DEPARTMENT OF PUBLIC ADMINISTRATION  
AND MANAGEMENT**

**COMPARATIVE STUDY OF PERFORMANCE MANAGEMENT  
AND REWARD PRACTICES BETWEEN PRIVATIZED AND  
PUBLIC ENTERPRISES: CASES OF ADDIS ABABA TANNERY  
S.C. AND ANBESSA SHOE S.C.**

**By  
Mathias Nigatu**

*A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS  
FOR DEGREE OF MASTERS IN PUBLIC MANAGEMENT AND POLICY*

**July 2011**

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## **Statement of Declaration**

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

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## **Abstract**

This comparative case study compares the performance management and reward practiced being followed by Addis Ababa Tannery Share Company (privatized enterprise) and Anbessa Shoe Share Company (state owned). Its main objective was to investigate the differences in applying the different performance management and rewarding mechanisms. It also addressed the similarities and deviations in what the policy documents in those enterprises show.

The data collection was made through questionnaire filled by employees, review of policy documents and interview with general managers of both enterprises. The sample respondents for administration of questionnaire were selected on random basis from each work units as groups in each enterprise. These were 32 in the privatized and 68 in the public enterprise which constitute 10% of employees in each.

This case study contributes empirical information about performance management and rewards in privatized and public enterprise. Findings show that, in many instances, performance management practices are not significantly different between these enterprises. In some parameters of performance management, the privatized enterprise is found better than the public enterprise. However, this study has limitation in that a case study is not conclusive for all other similar organizations.

The study concludes within a set of recommendations for improved practice in all sub sets of performance management and rewards. . Among others, both enterprises are recommended to make their PMS one that contributes for employees' performance. Moreover, improved mentoring, giving autonomy for employees, to use 360 degree feedback appraisal and to consider individual performance while rewarding are the most important points recommended.

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## **Acronyms**

AATSC- Addis Ababa Tannery Share Company

ACR-Annual Confidential Report

AG-Agree

ASSC- Anbessa Shoe Share Company

BARS-Behaviorally Anchored Rating Scale

CEO- Chief Executive Officer

CSR- Civil Service Reform Program

EPM-Employee Performance Management

GPRA-Government Performance and Results Act

HR-Human Resource

HRM- Human Resource Management

MBO-Management by Objectives

PBMSIG-Performance Based Management Special Interest Groups

PM- Performance Management

PMS- Performance Management System

SOE- State Owned Enterprise

## ***CHAPTER ONE***

### ***1. INTRODUCTION***

#### **1.1. Background to the Study**

Increasing the effective use of human capital in organizations is an important challenge for HR function. Now a day where survival and economic growth largely relies on competition, employee performance management and reward system play a pivotal role in every organization.

Employee performance management (EPM), referring to a range of activities engaged in by organization to enhance the performance of a target person or group (Denisi, 2000), is an important organizational process. It has become a core aspect of strategic HRM (Boselie, Paauwe & Den Hartog, 2004) in Koen Dewettinck (2007). While the importance of performance management is uncontested, investigators indicate changing it to practice is a challenging endeavor (e.g. Armstrong & Baron, 2004).

Reward systems are other integral aspects of HRM functions of organizations. According to Armstrong (2007) reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibilities. When it comes to how different organizations should reward their employees, there are two different thoughts advocating two different rewarding systems (Anthony R. N. & Govindarajan V., 1998 pp. 6-7). The first thought claims that “organizations should recruit good people, pay them well and expect them to perform well”. In this case, reward comes before observing performance of employee assuming good reward will bring good performance. The second thought states that they should recruit good people and expect them to perform well and if they manage to do this, they should be rewarded based on performance. Here, good reward comes after observing to what extent an employee is performing well.

According to Wolf (1999), reward systems have different aims. The main aim is however to motivate employees to perform better and over expectations. Some organizations find it as a good way to retain employees who build high level of competence. Such rewards can be designed to compensate on group level or individually.

## **1.2. Statement of the Problem**

In every organization, Employees are the most valuable assets. One of the core competencies an organization can have is on the human resource aspect. Having skilled and motivated work force is very critical for organizations to successfully compete in the dynamic business environment. Performance management and reward systems are integral parts of every enterprise's management function irrespective of its kind and ownership. For example, Bassey & Benjamin (2009) concluded that the absence of PMS has contributed to the high rate of business failures in the public sector. They added that the adoption of PMS will make public business effective, efficient and sustainable.

Performance management practices and rewards determine the effectiveness of employees in particular and enterprises in general. Performance management as a cyclical process helps to manage individual, teams and departmental performance. It also helps to set reward systems and enhance performance. However, the commitment and orientation of organizations to enforce effective performance management differ from organization to organization. Some organizations practice effective performance management system and others do not. One variable determining orientation towards PMS is the issue of enterprise ownership.

The point here is how performance management system is practiced in privatized and public enterprises. The private sector enterprises have been seen as effective in their performance. Earlier writers show that State Owned Enterprises (SOEs) have generally performed poorly Habir, (1990) in Wahyu Sutiyo, (2007). As a result, privatization has been carried out in the previous decades. The advocates of privatization, such as Jackson and Price (1990) argued that great performance improvements would result from the change of enterprise ownership which redefines the enterprises objectives and manager's incentives.

Various studies also support the financial and economic performance improvements observed after privatization of enterprises in comparison to the state ownership. United Research (1990) in Rita C. Cunha & Cary L. Cooper (2001) indicate that cultural changes has also been reported associated with change of attitudes towards appreciation for efficiency, quality and innovation, the introduction of new leadership and implementation of human resource practices emphasizing performance. But, no sufficient studies indicate that the privatization of enterprises can result in performance management and reward changes associated with employees.

In Ethiopia, there have been lots of state owned enterprises playing great role in the economy. With the notion of privatization for economic and political interest, hundreds of these public enterprises have been privatized and still others are under the control of government. However, there is no finding showing how employees' performance management and reward systems look like in those privatized enterprises and public enterprises in Ethiopia. Therefore, the problem is that there is no sufficient empirical evidence on performance management in privatized and public enterprises.

### **1.3. Objectives of the Study**

#### **1.3.1. General Objective**

The general objective of this study was to assess the implementation of employee performance management practices and reward systems in the selected privatized and state owned enterprises. It was expected to investigate if there is difference between the two kinds of enterprises with respect to implementation of performance management and rewards.

#### **1.3.2. Specific Objectives**

The following points are the specific objectives of this study

- Assessing coaching and empowerment practices in privatized and public enterprises.
- Identifying the performance appraisal practices employed in the case enterprises.
- Investigating employee's perception and understanding of performance management.
- Finding out good performance management practices so that one can learn from the other.
- Recommending for future researches

Keeping the aforementioned objectives in account, this study encompasses the following basic research questions:

1. How performance management is practiced in privatized and public enterprises?
2. What reward practices are employed in the concerned enterprises?
3. What good performance management practices do these enterprises have so that one can learn from the other?

#### **1.4. Significance of the Study**

This study was primarily expected to help understand the performance management differences in the Ethiopian privatized and public enterprises. Weak fronts from both enterprises are identified and solutions suggested. This also will help the managers of enterprises to understand their practices and make adjustments required. Employees get the chance to forward their views on the performance management of their employer. This indirectly enables the enterprises to provide them with improved performance management.

Anyone who wants to know the performance management practices in local commercial enterprises can get some insight. So, this study adds additional knowledge about performance management and rewards in those particular enterprises. Finally, further researchers also can base this paper to carry out future study in the public and private sector human resource management in Ethiopia.

#### **1.5. Scope of the Study**

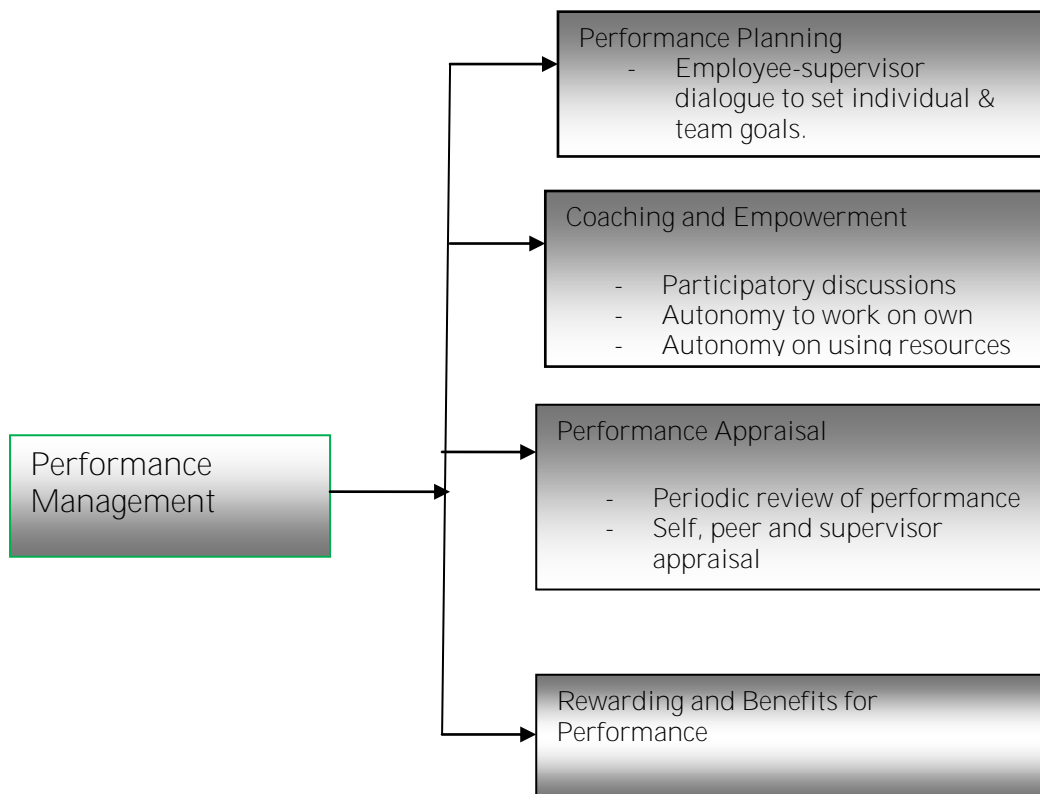
It was impossible to cover all privatized and state owned enterprises in the country due to the very limited capacity with respect to time, finance and skill to conduct it. As a result, this study was confined to the selected privatized and state owned enterprises (Anbessa Shoe and Addis Ababa Tannery). Moreover, the study was delimited to performance management and reward practices of these enterprises.



## 1.6 Research Methods

### 1.6.1 The Operational Variables of the study

The concept of performance management can be understood, from the literature, as ongoing process of enhancing employees' performance, appraising and feedback. Here, we can perceive that ongoing coaching, empowering employees, applying different appraisal techniques and finally rewarding are constituents of performance management. These key constituents are taken as the operational variables for this study as depicted in the below figure.



**Fig. 1 Operational Variables of the Study (Compiled on own)**

### 1.6.2 Samples and Sampling Technique

This study is a comparative case study. The case study Enterprises are selected purposefully, one from privatized and the other from public owned enterprises. These enterprises are *Anbessa Shoe Share Company (ASSC)* which is public and *Addis Ababa Tannery Share Company (AATSC)* which is privatized five years ago. The purposeful selection was aimed at making the study in enterprises of same industry and business line. Both enterprises are in the Leather Industry. At the same time, they are engaged in production and exporting leather products. Therefore, the purposeful selection helps to take in to account the contingency factors associated with business environment.

Samples were drawn on random basis from employees in each department of these enterprises. Anbessa Shoe S.C. has a total of 680 employees. These employees are categorized in nine work units. In Addis Ababa Tannery S.C., there are about 318 employees in seven work units. Firstly, the list of employees in each department was taken. This helps to distribute sample proportionally across groups (departments). Then, 10 percent of employees from each enterprise work units were selected. Hence, 32 and 68 employees constitute the sample size from AATSC and ASSC respectively.

S.N	Variables	Descriptions	Enterprises and No of respondents in %	
			AATSC (N=32)	ASSC (N=68)
1	Sex	M	62.5	42.6
		F	37.5	57.4
2	Education Level	High School	56.2	61.7
		Diploma	34.4	25
		Degree	9.4	10.3
		Above Degree	-	3

Source: Own Survey

Table 1: Profile of Respondents

The table exhibits the characteristics of respondents with the stated variables i.e. sex and education. Respondents from AATSC were largely males (62.5 percent) compared to ASSC where 57.4 percent of respondents were females. The education level in both enterprises shows much of respondents are at high school level with 56.2 percent at AATSC and 61.7 percent at ASSC. Only 34.4 percent and 25 percent constitute diploma holders, 9.4 percent and 10.3 percent degree holders at AATSC and ASSC respectively.

### ***1.6.3 Method of Data Collection and Sources of Data***

***Questionnaire:*** The questionnaire was designed on a three point likert scale basis i.e. Disagree (DA), Undecided (UD) and Agree (AG). It provides respondents with the performance management practices and they select their response from the scale. The questionnaire includes all the operational variables with 29 questions.

***Interviews:*** Interviews carried out to get data from managers about the process of performance management at organizational level. Particularly, data concerning performance goal setting at enterprise level and undertakings to increase performance at employee, department and organization level were generated via interview with general managers.

***Documents:*** The human resource policy documents were reviewed to generate data concerning enterprises' background and policies concerning benefits administration. The principal document reviewed was the comprehensive agreement manual between workers association and the management in each enterprise.

#### 1.6.4 Data Analysis Techniques

Both qualitative descriptions and statistical tool utilized for analysis. Data collected through interview and document review is analyzed with qualitative description. On the other hand, to analyze the data collected through questionnaire, two proportion z-tests applied. To test the significance of difference between proportions, hypothesis was stated as follows:

$$H_0: p_1 - p_2 = p_0 \text{ versus } H_1: p_1 - p_2 \neq p_0$$

**H<sub>0</sub>:** Responses of both groups of employees on different issues of performance management and rewards are the same.

**H<sub>1</sub>:** Responses of both groups of employees on different issues of performance management and rewards are different.

Tests for the hypothesis were two tailed. The researcher chooses 95% confidence level and the accompanying critical value for two tailed test ( $Z_{cv}$ ) in the z table is  $\pm 1.96$ . In the analysis, the researcher has excluded those undecided respondents to get the difference between the two organizations. This is because undecided response is not necessary to decide on the comparison.

## **1.7 Organization of the Thesis**

This thesis is organized in the following manner: Chapter one encompasses the introductory parts and methodological subsets. This includes background of the study, statement of the problem, objectives and methods. In chapter two, the literature reviewed to support the analysis is documented. Chapter three is all about data presentation, analysis and interpretation. In encompasses data generated from questionnaire, interview and document. Lastly in chapter four, conclusions and recommendations are discussed.

## ***CHAPTER TWO***

### ***2. LITERATURE REVIEW***

#### **2.1 Introduction to HRM and Performance Management**

The term 'human resource management' has been subject to considerable debate and has no single definition. As Storey (1989, 1995) notes, the concept is shrouded in managerial hype and its underlying philosophy and character is highly controversial because it lacks precise formulation and agreement as to its significance. Nonetheless, we obviously need a definition of the subject matter if we are to analyze and understand HRM practices. For example, John Bratton, Jeffrey Gold (1999) defines the subject as:

“HRM is that part of the management process that specializes in the management of people in organizations. HRM emphasizes that employees are critical to achieving sustainable competitive advantage, that human resources practices need to be integrated with the corporate strategy, and that human resource specialists help organizational controllers to meet both efficiency and equity objectives”.

According to Stone (2005), it refers to the policies, practices and systems by which a firm recruits and deploys its workforce, and influences employees’ behavior, attitudes and performance in pursuit of its goals.

Good human resource management is essential if organizations want to attract and retain good staff. If people see that an organization values its staff, they are more likely to apply for a job with the organization and more likely to stay once they are recruited. Good human resource management means that an organization reduces risk to its staff and reputation. Hence, human resource management is defined as a strategic and coherent approach to the management of an organization’s most valued assets – the

people working there who individually and collectively contribute to the achievement of its objectives.

### **2.1.1 Performance Management**

Performance management has been defined by different writers and researchers. The concept of performance management was first used by Beer and Ruh (1978) and popularized in the mid 1980s (Akata, 2003). Armstrong and Baron (1998) and Armstrong (2004) describe performance management as a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capability of teams and individual contributors.

Oladimeji (1999) defines performance management as “a means of getting better results from the organization, teams and individuals by understanding and managing performance within agreed framework of planned goals, objectives and standards”.

Performance management is the effective control of the best process of accomplishing whatever has to be accomplished (White, 1995). According to White, the concern of performance management is the management of people i.e. to obtain maximum possible result from the team and the team members.

Typically performance is seen as the result between individual ability and motivation. Yet increasingly, there is recognition within all organizations that planning and enabling performance surely have a critical effect on individual performance. Such as, clarity of performance goals and standards, appropriate resource, guidance and support from the individual’s manager all become central resource (Derek & Stephen, 2002). Therefore, performance of employees and organizations has to be managed in every organization as key function. It can also make a major contribution to the motivation of people by

providing the foundation upon which many non-financial motivation approaches can be built.

As defined by John Purcell (2004), „Discretionary behavior expected from effective PM refers to the choices that people make about how they carry out their work and the amount of effort, care, innovation and productive behavior they display. In line with this, Glendinning (2002) suggest that performance management is the system which is supposed to be the need of the hour for organizations and a replacement of old performance appraisal system. Linda Gravette, (2006) also concluded that employees must be familiar with the performance management system, working in the organization and there should be a discussion with the employees about the scale and the measures used for the performance evaluation.

According to Nicholas & Richard (2008) (in Faisal & Muhammad, 2009), Performance management and getting the required behavior is one of the core issues which most of the organization fails to analyze in order to achieve the required goals, Organization behavior should be developed among the individual in such a way which is performance oriented and behavior should be analyze and then modified to develop the required behavior (Hal J. et.al, 2008). The success of the system is correlated with employees“ expectations. If the employees expectations fulfill with the appraisal system, then there exists positive relationship and vice versa. Individual should be accountable in promoting of a performance management system which actually promote the quality culture.

### **2.1.2 Essence of Performance Management**

Every organization, be it public or private, need managers for the purpose of better results. Better results achieved by managing the performance of the department, team or individual members (Armstrong, 2004). According to Sheile J. Costello (1994)



“performance management supports a company or organizations business goals by linking the work of each employee or manager to the overall mission of the work unit”. The individual employee goals and objectives are linked to the overall organizational goals and objectives.

The performance management process starts with identification of goals. These goals are the base for evaluating and coaching. Performance management makes clear what is expected and it also links the individual and organizational objectives and focuses on improvement.

### **2.1.3 Benefits of Performance Management**

According to performance based management special interest groups (PBMSIG, 2001 and Michael, 2007) (in Chernet, 2007), performance management has the following benefits:

- It provides a structural approach to focus on strategic performance objectives. It focuses on the achievement of results.
- It provides a mechanism for accurately reporting performance to upper management and stakeholders.
- Bring all interested parties in to the planning and evaluating of performance.
- Represents fair way of doing business.
- Provide an excellent framework for accountability.
- Share responsibility for employees and bring performance improvement.

### **2.1.4 Principles in Performance Management**

Performance management has its own guiding principles. According to Fletcher and Williams (1992) in Armstrong (1996), there are four underlying principles of effective performance management.

1. Performance management is owned and driven by line management and not by human resource department.
2. There is an emphasis on shared corporate goals and values.
3. The performance management is not a package solution; it is something that has been developed specifically and individually for the particular organization.
4. It should apply to all staff, not just part of the managerial group.

### **2.1.5 Measures in Performance Management**

Strategically goal setting, developing performance appraisal system, individual accountability, rewards and recognition are some of the key elements for a quality performance management system (Faisal & Muhammad, 2009). Beside this, total quality process also focuses of the participation of all the stake holders of the organization including the Management, Employees, suppliers and customers, (Hsin Hsin Chang, 2006). Employees' performance depends on the effective performance management system. Employee must have knowledge about their job what they must have to perform in order to fulfill its job target. In organization, the developed performance elements tell what the employees really have to perform and the performance standards tells the employees that how effectively they must have to perform.

The performance elements are the indicators which can vary from organization to organization; it can be productivity, effectiveness and objectivity. While the standards include certain objectives that employees must achieve, Performance standards and elements should be calculated, attainable, fair and challenging. Federal Regulations, (2001) in Faisal & Muhammad, (2009) describes the basic three different types of elements which can be used for the effective performance management system that are critical elements, non critical elements and performance elements. Critical elements or activities are those for which an individual is assigned for, non critical are those which

have no direct impact on the employees performance measurement but it pay an important role while performers perform in some group or team activity.

Additional performance measurement can be based only on the group performance rather than the individual accountability. Accordingly, at all the levels of the organization, there must be a system of measurement for measuring all the critical activities. Performance management is a continuous process in which the follow up is being given after each and every activity is to perform and measure, (Dona Price, 2006). Performance management as a process has to involve desired actions. As to Cascico (2003) in Chernet (2007), the broad process of performance management requires three important actions to do.

**Define Performance:** A manager who defines performance need to communicate what he/she expects from employees. He/she also assists them to stay focus in effective performance. The manager should give due attention for goals measure of accomplishment and provide regular assessment of progress.

**Facilitate Performance:** It is the managers" role to facilitate for maximum performance. It is expected from managers to eliminate bottlenecks for employee better performance.

**Encourage Performance:** Providing sufficient amount of rewards that encourage employee performance in timely and fair manner.

## **2.2 Performance Management and Performance Appraisal**

Different writers define performance appraisal in various ways. Some of the definitions include the following:

Performance appraisal is the judgment of employees' performance in his job, based in considerations other than productivity alone. It is sometimes called merit rating more frequently when its sole object is to discriminate between employees in granting increase in wages and salaries (Stephen, 2003).

Graham (1983) defined it as an exercise in observation and judgment. It is a feedback process and is an organizational intervention. Cascico (2003) revealed performance appraisal as the process by which managers evaluate job performance. When done correctly, employees, supervisors, HR department and the organization all benefit (Wrether, 1993). Hence, performance appraisal is a subset in performance management. It is an assessment of how a staff member is performing his job. It is a mechanism that can be used to encourage, motivate, and identify training and development needs to reward or punish employees (Goel and Rajneesh, 2003).

Todd (2007) stated that Performance appraisal and performance management are different. Performance *management* is the creation of an entire system (a setting, a work environment, a culture) bringing together all of the essential factors so *all* of the people are enabled to work in an aligned and coordinated manner to the best of their abilities. Performance *appraisal* is much more limited. It is a process to assess how individual employees are performing and how they can improve their job performance and contribute to overall organizational performance. Additionally, Todd (2007) included that performance appraisal presumes a behavioralist view of extrinsic motivation, i.e., that people will improve to attain rewards. Further, it is based on the assumption that if you merely tell employees what they are doing wrong, they can and will want to correct their performance in order to receive more money, recognition or a promotion.

Performance appraisal is a pivotal management technique. It is used in Judgmental work force decisions, such as promotion, demotion, retention, transfer and pay and for employee development via feedback and training (Dennis M., 1992). Dennis added that

performance appraisal clearly draws on a generic notion of management. The techniques and processes employed in assessing individual and group performance are essentially the same regardless of organizational setting. So, here we can understand that performance management is wider concept than performance appraisal which is a component to the former.

### **2.2.1 Performance Appraisal Methods**

Decenzo and Robbins (1998) denominate that there are three approaches for measuring performance appraisal. These are (1) absolute standards (2) relative standards and (3) objectives.

#### **2.2.1.1 Absolute Standards**

One group of appraisal methods use absolute standard. This means that employees compare to a standard, and their evaluation is independent of any other employee in a work group (Dessler, 2000). Included in this group are the following methods: the essay appraisal, the critical incident appraisal, the checklist, the graphic rating scale, forced choice and behaviorally anchored rating scales.

*The essay appraisal:* It is the simplest evaluating method in which evaluator writes explanation about employee's strength and weakness points, previous performance, positional and suggestion for his (her) improvement at the end of evaluation term. This method often combines with other methods. In essay appraisal, we attempt to focus on behaviors such as commitment, timeliness & interaction etc. (Mondy, 2008).

*The critical incident appraisal:* It focuses on key factors which make difference in performing a job efficiently. This method is more credible because it is more related to job and based on individual's performance than characteristic. The necessity of this

system is to try to measure individuals' performance in terms of incidents and special episodes which take place in job performance. These incidents are known as critical incidents. In this method, the manager writes down the strengths and weaknesses of individuals' performance behavior in evaluation form (Mondy, 2008).

*The checklist:* In this method, the evaluator has a list of situations and statements and compares it with employees. The checklist is a presentation of employee's characteristics and performance. The results can be quantitative and give weight to characteristics. Answers of checklist are often "Yes" or "No" (Decenzo, 2002).

*The graphic rating scale:* This is the most commonly used method of performance appraisal because they are less time-consuming to develop and administer and allow for quantitative analysis and comparison. It is a scale that lists some characteristics and range of performance of each individual. Therefore, employees are ranked by determining a score which shows their performance level. The utility of this technique can be enhanced by using it in conjunction with the essay appraisal technique (Mondy, 2008).

*Forced choice:* This method evolved after a great deal of research conducted for the military services during World War II. It is a method in which the evaluator should rank individual work behavior between two or more states. Each state may be favorable or unfavorable. The activity of evaluator is to determine which state explains the employee most (Mondy, 2008).

*Behaviorally anchored rating scales (BARS):* This method replaces traditional numerical anchors tools with behavioral prototypes of real work behaviors. BARS lets evaluator to rank employee based on observable behavioral dimension. The elements of this method are result of combination of major elements of critical incident and adjective rating scale appraisal methods (Wiese, 1998). BARS have five stages (Decenzo, 2002): 1) Generate Critical Incidents, 2) Develop performance dimensions,

3) Relocate incidents, 4) Rating of level of performance for each incident and 5) Development of the final instrument.

### **2.2.1.2 Relative Standards**

In the second general category of appraisal methods, individuals are compared against other individuals. These methods are relative standards rather than absolute measuring device. The most popular of the relative method are group order ranking, individual ranking and paired comparison.

*Group order ranking:* In this method, employees are placed into a particular classification, such as “top one-fifth”. For example, if a rater has 20 employees, only 4 can be in the top fifth and 4 must be relegated to the bottom fifth (Decenzo, 2002).

*Individual ranking:* In this type of appraisal, individuals are ranked from highest to lowest. It is assumed that the difference between the first and second employee is equal to difference between 21<sup>st</sup> and 22<sup>nd</sup> employee. In this method, the manager compares each person with others than work standards (Dessler, 2000).

*Paired comparison:* In this method, employees are compared with all others in pairs. After doing all comparisons, the best person is determined for each characteristic (Mondy, 2008).

### **2.2.1.3. Objectives**

The third approach to appraisal makes use of objectives. Employees are evaluated on how well they accomplished a specific set of objectives that have been determined to be critical in the successful completion of their job. This approach is frequently referred to as Management by Objectives (MBO). Management by objectives is a process that converts organizational objectives in to individual objectives. It consists of four steps (Ingham, 1995): goal setting, action planning, self-control and periodic reviews.

#### **2.2.1.4 360 Degree Feedback Appraisal**

360 degree evaluations are the latest approach to evaluating performance. It is a popular performance appraisal method that involves evaluation input from multiple levels within the firm as well as external sources (Yukl and Lepsinger, 1995; Tornow (1993).

### **2.2 Reward Systems and Performance Management**

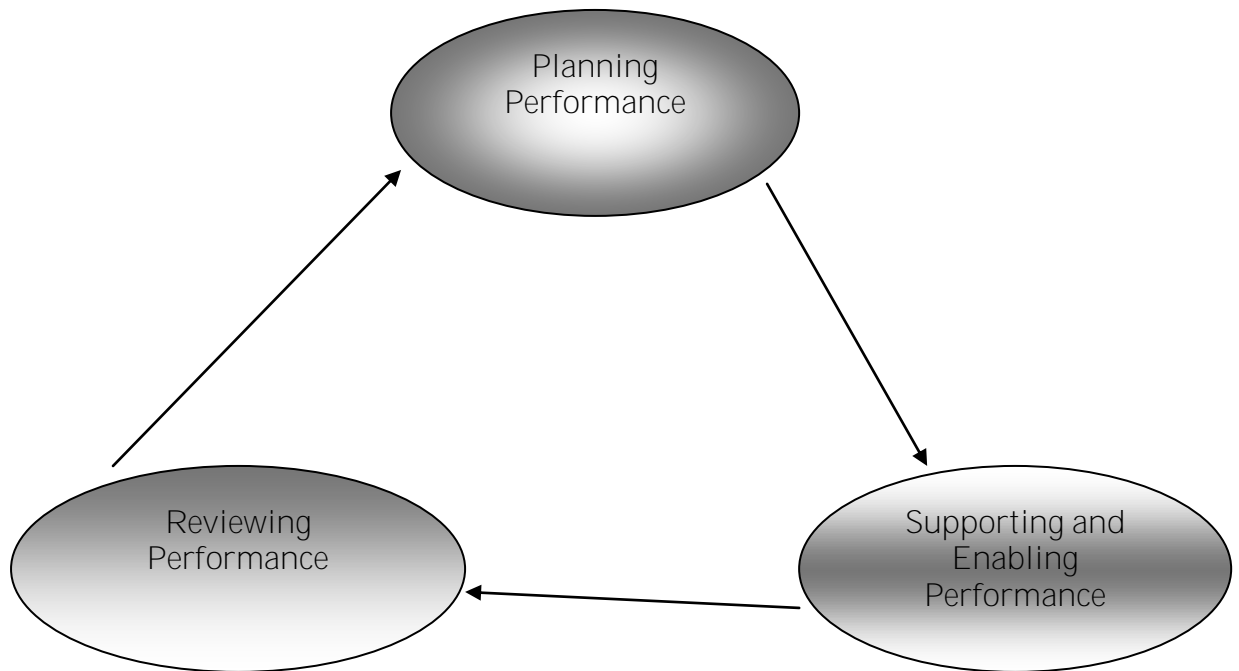
Reward systems are linked to the process of performance management. According to Michael A. (2007), Reward management deals with the strategies, policies and processes required to ensure that the contribution of people to the organization is recognized by both financial and non-financial means. It is about the design, implementation and maintenance of reward systems (reward processes, practices and procedures), which aim to meet the needs of both the organization and its stakeholders. Reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility (Faisal & Mohammed, 2009).

Reward has constantly been a key issue to conceptual and analytical HR frameworks (Storey, 2001). Zhou J. et al (2009) revealed it as the compensation which an employee receives from an organization (mainly refer to enterprises) for his or her service. It not simply contains direct currencies and other forms which can convert to currencies, but also a comfortable office, favorable interpersonal relationship inside the organization, having access to decision-making involvement, the challenge and sense of achievement, preferable growth opportunities and so forth, these kinds of forms which are difficult to measure in various currencies.



### 2.3 Performance Management Cycle

Performance management is cyclical process and addresses issues associated with planning performance, supporting and enabling performance of employees and reviewing performance. Such a process, by which this study relies, is summarized and depicted in the following performance management model cycle (Pan Wenhui, 2006).



*Fig. 2 Performance Management cycle*

#### 2.4.1 Planning Performance

In an effective organization, work is planned out in advance by setting performance expectations and goals for groups and individuals to channel their efforts toward

achieving organizational objectives. Getting employees involved in the planning process will help them understand the goals of organization, what needs to be done; why it needs to be done and how well it should be done. Every job in an organization should have set standards that clarify what is the expectation from the job. These performance standards should be clear and objective enough to be understood and measured; they should not be articulated in ambiguous phrases. Unfortunately, too many jobs have vague performance standards. Ideally, standards should be tangible, measurable, and verifiable (Robbins 1982). This can be thought as a shared view of expected performance between managers and employees, according to Derek and Stephen (2002). The shared view is understood and interpreted in various ways, for instance, a traditional job description, key accountabilities, performance standards, specific objectives or targets.

In general, there exists a legible trend to utilize particular objectives with a timescale for finalization in addition to normal tasks, and these objectives provide employees a clear idea of the expected performance and enable them to concentrate on the priorities while they must choose what they need do. Apparently it helps to enhance employee performance (Derek & Stephen 2002). It is critical to understand the shared view both by the managers and the employees. Usually it is not enough for the managers to just provide the job specifications and objectives to the employees; performance is expected to be understood completely and requires the contributions from every individual that is involved.

Performance planning is attached with strategic planning. Strategic planning and performance management are inextricably linked if we want both to work effectively. They get accomplished by being cascaded down from the organization as a whole, to the sub-units and then to their sub-units, until eventually they are assigned, often as pieces of the whole, to individual employees. That's done through the process of individual employee goal setting or objective setting during the performance planning

phase (<http://work911.com/planningmaster/faq/planningperfmgt.htm> accessed on 26-Dec-2010).

#### **2.4.2 Supporting and enabling performance**

Once the employees on their position to perform and achieve their goals, that doesn't mean the managers sit aside. On day today basis, the managers retain a key-enabling role. Organizing, offering the resource and training is essential to assist their employees to fight for the better performance (Derek & Stephen, 2002). For many organizations, there is a tremendous gap between reality and the vision of the high performance and high commitment organization. People in an organization are not often being utilized with their full talents due to many factors. The purpose of an organization is a task of management to organize, motivate, equip, and direct people to perform at their highest possible levels (Walker.1992)

##### **2.4.2.1 Improving utilization**

For all organizations, a critical question for the managers to answer is how to use the limited resources and employees at the most effective and efficient level. One of the most important ways to do it is to eliminate the least productive tasks from their job. By redesigning the work to continually strengthen and refocus activities on the most valuable tasks, managers help employees make the highest possible performance contribution (Karmen, 1992).

##### **2.4.2.2 Empowerment**

Due to the increasing competition both domestically and internationally, organizations are forced to be more productive. The effective human resource management is seen as a way to improve productivity. Organizations seek to improve product and service by getting their employees involved i.e. give them the freedom and responsibility to make

job related decision. Organizations recognize employees' empowerment as one way to improve quality (Schuler, 1995). In practice, managers could help their employees get empowered in many ways, such as providing the needed resources, giving them the authorities and responsibilities to manage themselves, helping them to build trustworthy relationships thus assisting them in problem solving and so on.

#### **2.4.2.3 Coaching**

In an organization, a manager is viewed as a mentor, consultant, facilitator, teacher, friend, partner, boss, navigator, ambassador, initiator, and even the father of the company. In the flexible organization, the manager is first and foremost a coach. Coaching narrowly implies training, instructing, or guiding, but it is more than that. It is caring, listening, encouraging, advising and nurturing others as they strive to achieve results.

Good coaching is an essential feature of effective management in a high performing, flexible organization. Spending more time in coaching is not contradictory to the reduction of numbers and levels of management, or to empowerment mentioned above. As a matter of fact, with fewer managers and wider spans of management, it is essential that these managers spend more of their time in contacting with their employees (Walker.1992).

#### **2.4.3 Reviewing performance**

Appraisal systems formalize the review part of the performance cycle. In today's flexible organizations, performance appraisal is a formal, structured way of measuring, evaluating, and influencing an employee (Schuler, 1995). Performance evaluation provides an important way for managers to clarify performance goals and standards and thus to enhance future performance. It also provides a basis for decisions affecting pay, promotions, terminations, training, transfers and other relevant actions. To sum up, the

aforementioned performance model cycle will be the path to undertake this study keeping its objectives.

## **2.5 Studies on Performance Management in Private and Public Sector Organizations**

Traditional public administration models did not pay significant attention to the measurement of performance. Individual employees were appraised confidentially, without targets, and the approach was historical, with no opportunity to improve. Performance appraisal, as appraisal in the traditional public administration model is called, laid much emphasis on behavioral or personality characteristics (Lewis, 2008).

A number of studies in various countries have been carried out concerning the practice of performance management taking in to account public and private sector organizations. The results are varied though some have tried to make generalization comparing organizations in the two sectors.

In recent decades, HRM in the public sector has been characterized by the creation of structures that are more flexible and processes. It includes elimination of highly centralized agencies and service-wide consistency of rules. Greater responsibility to line managers and supervisors in the management of employees through flatter management structures and programs of decentralization and devolution is getting emphasis. There was also a greater concentration on performance and output measures (Brown, 2004).

Providing and demonstrating better value and improving performance is at the centre of any organization today. In order to do this, organizations need to agree on strategic priorities and then measure and manage those to achieve better results (Tegegne, 2008). However, McCourt and Eldridge (2003) declare that in most African countries, the Public sector still practiced the annual confidential report (ACR) to decide on internal and seniority base promotion than the private sector. For instance in Ethiopia,

performance management as part of Civil Service Reform Program (CSRP) is in its original design (Solomon, 2005). This implies that in some instance the annual confidential report system is still in place which is limited to involve employees in the appraisal and feedback process.

US office of Personnel Management (2010) wrote that, in the public sector, results are mission-focused. It is often more challenging for public agencies to define and measure results than private sector organizations, whose results are almost exclusively tied to financial goals. In addition, public agencies are required to comply with complex rules and regulations that govern their performance management and other human resources programs.

Barry (1997), reports that Mecklenburg County Performance Management System individualized each component of the work task to suit the particular needs of the department. It involves three steps: performance planning, performance coaching and performance summary.

Hall (2002) also indicated that most western counties have institutionalized approaches for improving organizational performance. Performance management is one tool that provides idea for implementing Government Performance and Results Act (GPRA). GPRA is a law that focuses on interpreting strategies and resources to get the outcomes needed for unique missions.

Reports from an Australian organization revealed that Performance Management System (PMS) had a more positive impact on performance. The work groups that were already performing well benefited from PMS whereas those that were not, had a more negative attitude to PMS and was less positive about its impact on performance (Harper and Vilkinas, 2005).

According to Pawan & George, 2004), there are significant differences in the pattern of HR practices of private- and public-sector organizations. Bordia and Blau (1998) report differences in pay levels and employee satisfaction in private and public-sector organizations. Reddy et al. (2000) wrote that workers in Indian private-sector organizations perceive their work climate as being more authoritarian than the public. A study in Australia by Management Advisory Committee (2001) indicate that the private sector has been seen as the pace setter in performance management. The private sector certainly has some advantages in terms of the definition of „bottom lines“, at least in most cases. It has also had the opportunity to reward performance more directly for a longer time than public sector organizations. Certainly, performance related remuneration is now widespread at executive level throughout the private sector. The study added that Executives in private companies also tailor their performance management frameworks to fit organizational culture. In Nigeria, the performance of staff of executing agencies or public enterprises is limited to budget monitoring and annual performance evaluation (Basseyy and Benjamin, 2009).

A study carried out in Jordan by Jemal and David (2007) found that provision of performance feedback and recognition of individual performance were rated highest by both sectors of the study. However, it was found that private organizations“ performance appraisal information had significantly greater impact than public organizations on promotion, retention/termination and lay-offs, identifying individual training needs, transfers and assignments.

In Russia, there exists a crucial difference between performance appraisal systems in public and private sector (Tatiana Zaytseva, 2009). Private companies tend to measure both tangible and intangible fields of activity. The main indicators usually are: level of customer satisfaction, level of efficiency, quality and quantity (such as completion) characteristics, timelessness and costs. In public sector organizations main indicators

are experiences of employees (which is usually substituted by seniority) and accumulated skills and knowledge.

In contrast, Armstrong (2004) in Bassey and Benjamin (2009) wrote that Performance improvement management systems in the public and private sector organizations have no differences between them. This is because they both seek to achieve goals – micro or macro. Performance management focuses on future performance planning and improvement rather than on retrospective performance appraisal.

### ***2.5 Conclusion***

Performance management is an important aspect in the operations of any organization. From the aforementioned literature we can perceive that the practice of performance management in different countries and sectors. Some writers have made a difference in the practice of PM in public and private sector organizations. However, those studies have been carried out on sector wise where there are different kinds of organizations in both the private and public sectors. For example, in the public sector, local government, federal government and state owned enterprises exist each with distinct characteristics. Therefore, the performance management practices such as performance planning, appraisal and rewards need to be studied in each organization to have deep understanding.

In this paper, organizations under study are a public enterprise and privatized enterprise. Public enterprises are distinct organizations from other civil service organizations because they are established for economic (commercial) purposes and civil service organizations are established for development reasons. Their principal operations are producing goods and services for commercial purpose. However, through privatization process, many public enterprises have been transferred to private ownership since the current government of Ethiopia took power in 1991. The argument that privatization



will be more efficient is based in part on an assumption that private-sector managers and employees are different. This means either inherently or situationally private managers and workers are more motivated by efficiency-related factors than public-sector employees and interested in different job rewards (Monteze et al. 1996). This indicates that the sense of ownership and the focus on efficiency is different between private and public managers. Hence, this study is targeted to make a comparison on performance planning, empowerment, appraisal and reward practices in the selected public and privatized enterprises. It intends to provide a deep understanding of practices of PM with particular interest in privatized and public enterprises.

## ***CHAPTER THREE***

### ***3. DATA PRESENTATION, ANALYSIS AND INTERPRETATION***

#### **3.1 Background of the Enterprises**

**A) Anbessa Shoe Share Company:** is one of the oldest shoes manufacturing business in Ethiopia and is recognized to be a pioneer in terms of introducing modern shoe making technology to the country. Its formation dates back to the late 1930s and it started production of shoes at the time when such conveniences were not widely known among the general populace of the country. Its establishment was apparently in response to the increased demand for shoes, which must have been triggered by the presence of a sizable Italian occupation army that invaded the country.

The present form of Anbessa Shoe Share is a result of many changes and reorganizations, which took place over the past 60 or more years. Documentary evidences indicate that the factory has passed through the following institutional rearrangements or reorganization processes:

In 1939, privately established and the factory entrepreneur operated it for only about 3 years. In 1942, the factory was taken over by an Armenian Entrepreneur, Mr. Mardios Drakjan, who runs the business for 33 years under the name of Darmar Shoe Factory. The initial capital of Darmar was Birr 217,000 and its total workforce ranged from 50 up to 200. During this phase of its life, the company was engaged in the activity of both Shoe Making and Tannery. In 1975, Darmar was nationalized and organized as two public enterprises namely Anbessa Shoe Factory and Awash Tannery which were put under the direct supervision of the National Leather and Shoe Corporation. The shoe-making unit of Darmar, later called Anbessa Shoe Share Company, started its operation as a public enterprise on February 10, 1975 with a fixed capital of Birr 445,000 and a total workforce of 334. This phase lasted for about 18 years until the Factory was

reorganized to get more autonomy and operate with the recent free market policy framework of the country.

In 1993, following the issuance of proclamation No. 24/85, the National Leather and Shoe Corporation was dissolved and Anbessa Shoe Factory was reorganized to operate as an autonomous public enterprise and was put under an appointed managing board. At this stage, the capital of the company (in cash and kind) reached Birr 6,335.000 and the total No. Of employee are 682.

Over its long life, particularly since its nationalization, (Operating under the corporation mentioned above and as autonomous public enterprise) the factory has been trying to meet the demand for durable but reasonably priced shoes by the population. With such large segment of the population still not using factory made shoes, the focus of the factory on price and durability meets two of the most important requirements of the potential customer.

The main factory premises and the administration office of Anbessa Shoe Factory are conveniently located in the center of Addis Ababa, Lidetta Kifle ketema Kebele 05, House No. 926. The Factory has one branch production unit known as manpo Branch at cherkose Kifle Ketema kebele in the Eastern part of Addis Ababa and 16 sales outlets in 10 major towns across the country.(Source: Sales manual)

**B) Addis Ababa Tannery Share Company:** established in 1925 as the oldest of its kind and is the pioneer in the tanning industry in Ethiopia. The factory was established under the share of two Armenians called Muse Savajian and Avadis Savajian. But after three years, one of the share holders had been substituted by another five foreigners. After 1935, it was owned by the Armenian founder Avadis Savajian.

Still now, there is no accurate evidence that could tell about the initial capital of the factory, but documents reveal that initially the factory was operating with the help of knives so it is not difficult to judge how small the initial capital was. Starting with

negligible initial capital, it generated bigger profit and established the previous Asco Share Company which has got its present name Tikure Abbay Shoe Share Company. This company was nationalized during the command economy. The AATSC was autonomously established on November 1992 subject to Proclamation No. 2/195 article 4/2 and Proclamation of public enterprises 25/1984 and organized under National Shoe and Leather Corporation.

Later on October 1999, renamed and reinstated by regulation of Ministry of Trade and Industry pursuant to business license proclamation No. 67/1997 and Federal Regulation No. 13/1997. According to the privatization process, AATSC was transferred to private ownership in 2006 on 100% sale basis.

The Share Company currently produces Hides and Skins at semi-processed and finished level for both local and foreign markets. Accordingly, for local market the company produces Shoe upper, Lining, Hide Garment, Cow Napa, Sole Lather, Bag Leather and Upholstery lather from hide, sheep and Goat Lining etc. For export market the company produces Semi-processed product such as Wet Blue Hides, Hide Crust, Cow Lining and Finished Lather. The company has paid up capital of birr 15, 135,000. Currently the company has 310 permanent employees and the annual turnover in 2004 – 2005 birr 32,659,037. (Source: Company Profile Manual, 2009)

### **3.2. Management of Performance in AATSC and ASSC**

#### ***3.2.1 Understanding of Performance Management***

Here in the table 2, the survey on how well performance management is designed to be a regular practice and its contribution for employees is compared. The test of significance also reflects the difference in AATSC and ASSC.

Statements	Responses	AATSC		ASSC		n1+n2	p1-p2	Com SD	z score
		n1	p1	n2	p2				
My employer has a regular PMS	DA	27	0.4815	61	0.5738	88	-0.09229	0.1151	-0.80184
	AG		0.5185		0.4262				
The PMS has contributed to my overall performance	DA	26	0.6154	67	0.6418	93	-0.02641	0.11128	-0.23731
	AG		0.3846		0.3582				
The PMS has yielded measurable benefits to the company i.e. improved morale, quality etc.	DA	29	0.5517	59	0.4915	88	0.0602	0.11336	0.53102
	AG		0.4483		0.5085				
I have sufficient opportunity to take part in setting goals	DA	27	0.6296	56	0.8393	83	-0.20966	0.09844	-2.12988
	AG		0.3704		0.1607				
I am satisfied with the current PM system	DA	25	0.64	59	0.8475	84	-0.20746	0.11863	-2.11864
	AG		0.36		0.1525				

Table 2: Survey on the understanding of performance management system

The table above shows the comparison on performance management and employees' understanding between AATSC and ASSC. Accordingly, on the degree to which performance management is regularly practiced, proportions indicate that 48.15 percent and 57.38 percent disagreed while 51.85 percent and 42.62 percent agreed in AATSC and ASSC respectively. Given the null hypothesis at  $\alpha = 0.05$ , the Z score lies below the critical value of 1.96. The null hypothesis cannot be rejected. Hence, there is no statistically significant difference between AATSC and SSC on regularly practicing performance management.

The contribution of performance management for the overall performance of employees is compared in the second point. It shows that 61.54 percent in AATSC and 64.18 percent in ASSC disagreed. About 38.4625 percent in AATSC and 35.82 percent in ASSC agreed that performance management has contributed for their overall performance. More than half of respondents in both enterprises replied that PM has not contributed to their performance. The Z value ( $0.23731 < 1.96$ ) also shows that there is no significant difference between the two proportions. The null hypothesis cannot be rejected. Therefore, contribution of performance management for performance of employees in these public and privatized enterprises is found of no difference.

Third in this survey, comparison was made on the contribution of performance management to enterprises such as improved morale, quality, productivity and work methods etc. Accordingly, 55.17 percent in AATSC and 49.15 percent in ASSC disagreed that PM practices do not contribute to the performance of these enterprises. In contrast, 44.83 percent and 50.85 percent of respondents agreed that existing PM practices have contributed to performance in AATSC and ASSC respectively. Given the null hypothesis, the associated z-score ( $0.53102 < 1.96$ ) shows that there is no statistically significant different between these enterprises. The contribution of performance management to performance is found not different. Hence, the null hypothesis cannot be rejected.

In performance management, employees are expected to take part in setting organizational performance goals. Fourth point in this table surveyed comparison on the involvement of employees in setting performance goals. About 62.96 percent and 83.93 percent of respondents in AATSC and ASSC respectively replied that they do not involve in setting performance goals. In contrast, 37.04 percent and 16.07 percent in AATSC and ASSC replied that they take part in setting goals. The z value greater than critical value of 1.96 indicate that employees' involvement in setting performance goals differ in public and privatized enterprises. Proportions show participation is much lower in the public enterprise. Hence, the alternative hypothesis is accepted.

Lastly in this table, survey was made whether employees are satisfied with the current performance management practice in these enterprises. In AATSC 64 percent disagreed and 36 percent agreed where as 84.75 percent disagreed and 15.25 percent agreed in ASSC on whether they are satisfied of PM practices. In proposition, more respondents in the public enterprise found not satisfied. The comparison also shows that there is statistically significant difference between the two proportions. Hence the null hypothesis cannot be rejected.

### **3.2.2 Performance Planning Practice**

The survey on performance planning, as here below, investigates the regularity of performance plan preparations. It also compares how well performance expectations are clearly stated in the plan between AATSC and ASSC.

		AATSC		ASSC		Com			
Statements	Responses	n1	p1	n2	p2	n1+n2	p1-p2	SD	z score
Performance planning is undertaken regularly in This organization	DA	27	0.4444	46	0.6957	73	-0.25121	0.11863	-2.11753
	AG		0.5556		0.3043		0.251208	0.11863	2.11753
The performance plan Clearly shows the performance expected from employees	DA	27	0.5556	58	0.6379	85	-0.08238	0.11354	-0.72551
	AG		0.4444		0.3621		0.08238	0.11354	0.72551

Table 3: Survey on performance planning practice



Performance planning is another important aspect in performance management practice. On the regularity of planning performance, 44.44 percent of respondents in the privatized and 69.57 percent in the public enterprises replied that it is not regularly practiced. In contrast, 55.56 percent and 30.43 percent of respondents in AATSC and ASSC respectively replied the performance planning is a regular practice. In proportion, more respondents in the privatized enterprise agreed that performance plan is regularly done. The associated z-score also exceeds the critical value ( $2.11753 > 1.96$ ). Given the null hypothesis, this indicates that there is significant difference in planning performance regularly. AATSC plans performance more regularly than ASSC. Hence, the alternative hypothesis cannot be rejected.

The other survey here was made on whether the performance plan clearly shows expected performance level from employees. Accordingly, 55.56 percent of respondents in the privatized and 63.79 percent in the public enterprise replied that the performance plan doesn't show clearly the expected performance level from employees. About 44.44 percent and 36.21 percent of respondents in AATSC and ASSC replied that the performance plan clearly show performance expectations. More than half of respondents in each enterprise disagreed. However, the z score shows that there is no significance difference with respect to clarity of expectations in the performance plan of the public and privatized enterprises. Hence, the null hypothesis cannot be rejected.

### **3.2.3 Coaching/Mentoring Practices**

Coaching involves here an ongoing support for employees to boost performance. Table four depicts comparison of coaching practices in the privatized and public enterprises.

		AATSC		ASSC					
Statements	Responses	n1	p1	n2	p2	n1+n2	p1-p2	Com SD	z score
I have appointed coach who help me focus on my work	DA	31	0.5806	60	0.5667	91	0.013978	0.10946	0.1277
	AG		0.4194		0.4333		-0.01398	0.10946	-0.1277
The coaching helped me to improve my performance	DA	26	0.4615	60	0.7	86	-0.23846	0.11349	-2.10115
	AG		0.5385		0.3		0.238462	0.11349	2.10115
I have opportunities to discuss with my performance manager	DA	24	0.4583	66	0.3333	90	0.125	0.11487	1.08821
	AG		0.5417		0.6667		-0.125	0.11487	-1.08821
My performance manager Encourages me to express My views and feelings	DA	28	0.3214	62	0.6129	90	-0.29147	0.11373	-2.56279
	AG		0.6786		0.3871		0.291475	0.11373	2.56279
My performance manager fill gaps in my performance	DA	28	0.6429	55	0.7091	83	-0.06623	0.10768	-0.61511
	AG		0.3571		0.2909		0.066234	0.10768	0.61511

Table 4: Survey on employee coaching practices

It starts with the existence of an appointed coach or mentor who helps employees focus on their work. In this survey, more than half of the respondents in each enterprise replied that they do not have appointed mentor. Only 41.94 percent in the privatized and 43.33 percent in the public enterprise replied that they do have appointed mentor. Those who do not have appointed mentor exceed those who have in both enterprises. And also since z value is below the critical value of 1.96, there is no statistically significant difference between these enterprises with respect to existence of appointed mentor. Hence, the null hypothesis cannot be rejected.

Secondly in this table, survey was made whether the existing mentoring has helped them to improve their performance. About 53.85 percent in the privatized and 30 percent in the public enterprise replied that the coaching practice helped them improve their performance. Accordingly, those whom coaching have helped are more in the privatized enterprise. The accompanying z value also indicates that there is statistically significant difference between the two enterprises. The null hypothesis cannot be accepted here.

The third survey was made on the existence of opportunities for discussion between employees and performance managers. More than half of the respondents in both enterprises (54.17 percent in AATSC and 66.67 percent in ASSC) replied that they do have sufficient opportunities to discuss with their performance managers. The test of comparison also indicate that z value lower than the stated critical value ( $1.08821 < 1.96$ ). Hence, given the null hypothesis, there is no statistically significant difference between the privatized and public enterprises with respect to opportunities for employees to discuss with performance managers.

The next survey was on performance managers' encouragement for employees to express their views and feelings. About 67.86 percent of respondents in the privatized and 38.71 percent in the public enterprises replied that their performance managers encourage them to express their feelings and views. In proportion, large number of

respondents in the privatized enterprise agreed here. The test of comparison at  $\alpha$  0.05 also depicts z value greater than critical value. Hence, given the null hypothesis, there is significant difference between the two proportions. It reveals that the state of encouragement to express feelings and views differ in the public and privatized enterprises. Performance managers in the privatized enterprise encourage employees more than those in the public enterprise. Hence, the null hypothesis cannot be accepted.

Lastly in this table, the survey deals with performance gaps and role of performance managers. Large number of respondents in both enterprises replied that their performance managers do not fill gaps in their performance. Only 35.71 percent in the privatized and 29.09 percent in the public enterprises agreed that their performance gaps filled by their performance managers. Proportions show that the role of performance managers in filling employees' performance gaps is lower in both enterprises. Given the null hypothesis, we cannot reject it since z value is lower than critical value. This indicates that there is no significant difference between the role of performance managers to fill performance gaps in these public and privatized enterprises.

### **3.2.4 Employee Empowerment Practice**

Employee empowerment is a critical aspect in performance management system. The survey in table five depicts attributes of employee empowerment practiced in AATSC and ASSC. The test of proportion here below clearly shows survey results.

Statements	Responses	AATSC		ASSC		Com			
		n1	p1	n2	p2	n1+n2	p1-p2	SD	z score
I have significant autonomy in determining how to do my job	DA	30	0.6333	62	0.5806	92	0.05269	0.10905	0.48315
	AG		0.3667		0.4194		-0.05269	0.10905	-0.48315
I feel valued by my company and my job is understood by others in it	DA	30	0.3667	59	0.3898	89	-0.02316	0.10895	-0.2126
	AG		0.6333		0.6102		0.02316	0.10895	0.2126
I am provided with adequate resource to work effectively	DA	26	0.5	58	0.5345	84	-0.03448	0.11787	-0.2925
	AG		0.5		0.4655		0.03448	0.11787	0.2925
I have autonomy to utilize resources in my own way	DA	25	0.32	61	0.6885	86	-0.36852	0.11715	-3.14568
	AG		0.68		0.3115		0.36852	0.11715	3.14568
I receive necessary information to perform job duties sufficiently	DA	30	0.4667	56	0.7143	86	-0.24762	0.10936	-2.26421
	AG		0.5333		0.2857		0.24762	0.10936	2.26421
My opinion is asked before changes are made in the way I do my job	DA	27	0.8519	56	0.8214	83	0.03042	0.08774	0.34676
	AG		0.1481		0.1786		-0.03042	0.08774	-0.34676

Table 5: Survey on employee empowerment practices

It starts with the autonomy employees have in determining how to do their jobs. Proportions show more than half of respondents in these privatized and public enterprises replied that they don't have significant autonomy in determining the way they do their jobs. Only 36.67 percent of respondents in the privatized and 41.94 percent in the public enterprises replied that they have autonomy on jobs. The accompanying z value is lower than critical value of 1.96. Hence, given the null hypothesis, there is no significant difference in AATSC and ASSC with respect to employees' autonomy in determining their way of doing jobs. Here, the null hypothesis cannot be rejected.

Another important aspect of empowerment is whether employees are valued by their employers and their jobs are well understood. More than 60 percent of respondents in the study enterprises agreed that they are valued by their employers. Given the null hypothesis, z value lower than critical value ( $0.2126 < 1.96$ ) indicates the existence of no difference between the two proportions. Hence, the null hypothesis cannot be rejected. Valuing employees and understanding their jobs is similar in AATSC and ASSC.

Third point in the table deals with provision of adequate resources to work effectively. The survey depicts 50 percent in AATSC and 46.55 percent in ASSC replied that they are provided with adequate resources. The comparison shows critical value greater than z value ( $1.96 > 0.2925$ ). Given the null hypothesis, it indicates that there is no statistically significant difference between p1 and p2. The state of resource provision for employees in the case enterprises is not different. The null hypothesis cannot be rejected.

In line with resource provision, survey was made on the autonomy to utilize resources in employees own way. About 68 percent of respondents in AATSC and 31.15 percent in ASSC agreed that they do have autonomy to utilize resources in their own way. These proportions show more respondents in the privatized enterprise do have

autonomy in utilizing resources. Test of comparison also depicts the existence of difference on the autonomy employees have in utilizing resources. Employees in the privatized enterprise have more autonomy in utilizing resources. Hence, the alternative hypothesis is accepted.

Access to information is also an important aspect in empowering employees. The survey on the fifth point depicts whether employees receive necessary information to perform job duties sufficiently. Accordingly, 53.33 percent and 28.57 percent of respondents in AATSC and ASSC respectively replied that they receive necessary information. Here, more respondents in the privatized enterprise receive necessary information than the public one. The test of comparison also reflects z value greater than critical value. Hence, the null hypothesis cannot be accepted to denote there is significant difference with respect to provision of necessary information between the case enterprises.

Lastly, in table survey was made if employees opinion is asked before changes are administered in the way they do their jobs. More than 80 percent of respondents in both enterprises replied that their opinion is not taken in to account while changes are made in their jobs. Only 14.81 percent in AATSC and 17.86 percent in ASSC replied that their opinion is asked. Z value here lowers the critical value denoting no difference exists in taking opinions between these public and privatized enterprises.

### **3.2.5 Performance Appraisal Practice**

The periodic review of performance is compared in the survey here below. It compares attributes of performance appraisal practiced in AATSC and AAS. It encompasses: regularity, reinforcement of positive behaviors, capacity of appraisers, uniformity of appraisal across enterprise and feedback.

		AATSC		ASSC					
Statements	Responses	n1	p1	n2	p2	n1+n2	p1-p2	Com SD	z score
There is regular performance appraisal in the organization	DA	30	0.1333	65	0.1385	95	-0.00513	0.07586	-0.0676
	AG		0.8667		0.8615		0.00513	0.07586	0.0676
The system reinforces positive key behaviors of job performance	DA	29	0.6552	52	0.7692	81	-0.11406	0.10308	-1.10645
	AG		0.3448		0.2308		0.11406	0.10308	1.10645
My performance appraiser has the capacity to appraise	DA	25	0.52	52	0.5192	77	0.00077	0.12159	0.00633
	AG		0.48		0.4808		-0.00077	0.12159	-0.00633
The organization has separate appraisal system for evaluating team work	DA	25	0.6	54	0.7963	79	-0.19629	0.10687	-1.83683
	AG		0.4		0.2037		0.19629	0.10687	1.83683
The performance appraisal practice is uniform for all work units and employees	DA	10	0.8	26	0.8462	36	-0.04615	0.13868	-0.33282
	AG		0.2		0.1538		0.04615	0.13868	0.33282
I receive performance appraisal feedback on time and fair manner	DA	27	0.2963	62	0.2742	89	0.0221	0.10363	0.21328
	AG		0.7037		0.7258		-0.0221	0.10363	-0.21328
I am satisfied with the current performance appraisal system	DA	28	0.7143	52	0.9231	80	-0.20879	0.0837	-2.49455
	AG		0.2857		0.0769		0.20879	0.0837	2.49455

Table 6: Survey on employee performance appraisal practices



Performance appraisal is among integral aspects of managing performance. The survey starts with comparing whether performance appraisal is a regular practice in these enterprises. More than 85 percent of respondents in both enterprises replied that appraisal is a regular practice. Policies indicate that appraisal is done twice a year i.e. on December and June and the tool is checklist. Other appraisal tools are not in practice. The test of comparison also depicts z value lower than z critical value ( $0.0676 < 1.96$ ). Given the null hypothesis, there is no significant difference between the two proportions. This reveals that appraisal is regularly practiced in both enterprises. The null hypothesis cannot be rejected.

Following its regularity, survey was made if it reinforces positive behaviors of job performance. About 65.52 percent of respondents in the privatized and 76.92 percent in the public enterprises replied that it doesn't reinforce positive job behaviors. The accompanying z value lower than critical value ( $1.10645 < 1.96$ ) reveals there is no significant difference between the two proportions. The null hypothesis cannot be rejected. Hence, the appraisal practice in both enterprises appears no different in reinforcing positive behaviors of job performance.

Another aspect in appraisal is capacity to appraise. The fourth point in the table reflects survey if there is separate appraisal technique for evaluating teams. More than half of respondents replied that there is no separate appraisal technique for team works. The test of significance shows that there is no difference between the two proportions. Therefore, given the null hypothesis, the appraisal practice for team work is not different between these privatized and public enterprises. In line with the above, survey was made if appraisal practice is uniform across work units and employees. Above 80 percent of respondents from each enterprise replied that performance appraisal is not uniform across work units and employees. The test of significance shows the two proportions are not different. The null hypothesis cannot be rejected. It reveals that

uniformity of performance appraisal across work units and employees is same between AATSC and ASSC.

Giving feedback is also integral part of performance appraisal. Here in this table, the six point surveys if employees receive appraisal feedback on time and fairly manner. About 70.37 percent of respondents in AATSC and 72.58 percent in ASSC replied that they receive appraisal feedback on time and fairly. The comparison depicts both enterprises give feedback on time and fairly. The test z value lowers critical value. The null hypothesis cannot be rejected here.

Lastly, the survey compares if employees are satisfied of existing performance appraisal practice. Proportions show 71.43 percent and 92.31 percent in AATSC and ASSC respectively are not satisfied of current appraisal practice. In proportions, large numbers of respondents in both enterprises are dissatisfied. However, Test of significance show that there is significant difference between the two proportions. Z value exceeds z critical value ( $2.49455 > 1.96$ ). Hence, employees' satisfaction of performance appraisal practice differs significantly between AATSC and ASSC. Those in the public enterprise are more dissatisfied than the privatized.

### **3.2.6 Reward-Performance linkage**

Rewards are tied to performance of employees in some organizations and in others they are standardized. Here below in table 7, this study compares AATSC and ASSC with respect to the link between employees' performance and rewards.

		AATSC		ASSC					
	Responses	n1	p1	n2	p2	n1+n2	p1-p2	Com SD	z score
Rewards are tied to performance in this organization	DA	25	0.6	58	0.7069	83	-0.1069	0.11209	-0.9537
	AG		0.4		0.2931		0.1069	0.11209	0.9537
Recognitions exist for better performance of employees	DA	23	0.7826	61	0.9016	84	0.11903	0.08254	-1.44201
	AG		0.2174		0.0984		0.11903	0.08254	1.44201
I can receive better salary if I leave this enterprise	DA	29	0.0345	58	0.2586	87	0.22414	0.08811	-2.54389
	AG		0.9655		0.7414		0.22414	0.08811	2.54389
I receive payments compatible to other similar enterprises	DA	27	0.7407	60	0.8333	87	0.09259	0.09189	-1.00767
	AG		0.2593		0.1667		0.09259	0.09189	1.00767

Table 7: Survey on the rewards and employee performance link

The survey starts comparing the link between rewards and performance in AATSC and ASSC. Survey result shows 60 percent of respondents in AATSC and 70.69 percent in ASSC replied that rewards are not tied to performance. This indicates that best performers and others are rewarded in similar manner. About 40 percent and 29.31 percent of respondents in AATSC and ASSC replied that rewards are tied to performance. The test of significance reflects z value lower than critical value to show no difference exists between the two proportions. Hence, the null hypothesis cannot be rejected to mean that there is no difference in reward and performance bond in the public and privatized enterprises.

Secondly, a survey was made on the existence of recognitions for better performance of employees. Proportions show that 78.26 percent of respondents in the privatized and 90.16 percent in the public enterprises replied that better performance is not provided with recognitions. And the test of significance testifies no difference exists between these enterprises with respect to recognizing higher performers. The null hypothesis cannot be rejected.

Thirdly, the survey in this table addressed the feeling of employees towards their salary against the market. Proportions show 95.55 percent in the privatized and 74.14 percent in the public enterprises replied that they can get better salary if they leave. It also indicates those who believe better salary they can receive if they leave are larger in the privatized enterprise. Given the null hypothesis, z value exceeds the critical value and the test of significance reflects that the two proportions are different. The last point of survey was on perception of employees to salary paid in other similar enterprises. It reveals that 74.07 percent and 83.33 percent of respondents in AATSC and ASSC replied that their salaries are not comparable to other similar enterprises. Here it depicts both enterprises pay salary not compatible to other similar organizations. Hence, the null hypothesis cannot be rejected here.

### 3.3 Benefits for Employees

In this section, the paper addressed the reward systems and benefits developed in the case study enterprises. The comparative analysis discussion is made for both companies as follows:

Rewards	AATSC	ASSC	Remarks
Medical Service	Inside clinic service exist for first aid and minimal treatments.	Inside clinic service exist for first aid and minimal treatments.	No difference
	Medical service provision with agreed hospitals. It covers job caused sicknesses only	Medical service provision with agreed hospitals. It covers job caused sicknesses including 2 hrs before and after work	ASSC covers few hours outside working time and environment
	Medical examination twice a year for all employees	Medical examination twice a year for all employees	No difference
Payments	Overtime Payments (Obligatory if ordered to do so) The amount depends on the work time.	Overtime payments (work is by the will of the worker) Amount varies depending on time.	Overtime work in AATSC is obligatory
	Bonus payments depending on level of profit( when profit is above 500,000 birr) but policy explains it is paid even at loss time	75 percent Bonus paid when annual profit level 600,000-750,000 birr and 100 percent if 750,000-1 million profit is achieved	No difference
	On average 55 birr/day per diem for filed works	68 birr average per diem for filed works	AATSC pays lower per diem than ASSC
	Average salary level is 934 Birr per month	Average salary level is 812 Birr per month	A difference of 122 birr which is not significant
	Salary Increment based on	If net profit is greater than 1	No difference

	annual profit level (when profit is > 1 million birr)	million birr, salary is increased	
	25percent of salary is paid for representative position	Representative (delegated position) is not payable	ASSC pays no for delegated position
Paid Leaves	Annual break of 14 days plus 1 day for each other year of experiences.	Annual break of 14 days plus 1 day for each other year of experiences.	No difference
	Experience from other organizations is not taken in to account.	Experience from other public organizations is taken in to account.	Previous experience is not accounted in AATSC.
	30 days maximum for sickness and 90 days for women at birth	Not more than three months accepted for sickness and three months for birth.	Limited time during sickness at AATSC
Other Benefits	Trainings are covered in the policy whenever the company needs	Education and Training provided. 75 percent tuition covered for education	Education opportunity is not covered in AATSC policy
	Milk for chemical workers Along with protection tools, Gowns and foot wears	Protection materials are provided	No difference
	Bus Transportation service is provided	Transport service provided with buses	No difference
	Telephone service which is repayable	Telephone service is provided only for those in positions	No difference
	Tour service and support for sport teams	Tour service and support for sport teams	No difference

*Source:* Comprehensive agreement manual between workers association and Employers

**Table 8: Comparison of benefits package**

In the first place is the medical reimbursement package. Both enterprises have an inside clinic service for light medical treatments. Enterprises also made contractual agreement with hospitals for further medication. Employees who took medical treatment in those hospitals are required to bring receipts. And also medical examination twice a year is provided for employees in both enterprises. There is no difference in this respect. The difference lies on that ASSC medical service package covers sicknesses occurred two hours before and after working time of the enterprise.

A second category of rewards is associated with payments. The comparison above is made for overtime, bonus, salary and per diem payments in the two enterprises. Overtime is payable in both enterprises with similar rate. The rates are 1¼, 1½, 2x and 2½ of salary depending on the time the work has been done. However, overtime work is obligatory in the privatized enterprise once ordered from the top management. Such overtime work is on the will of the worker in ASSC. Obligatory situation may not bring high performance of work since the interest of the worker is not considered. With respect to bonus payment, it is a function of annual profit and there is no significant difference in AATSC and ASSC. The average salary an employee earns in the two enterprises shows a difference of 122 birr. A slight difference exists on the per diem amount. The average per diem is 55 and 68 birr at AATSC and ASSC. ASSC pays better per diem compared to its counter. No difference is observed on the situation where salary increment is done. Salary increment is done only when a profit volume greater than one million is ensured. Another payment is for a delegated position one one's own regular job. The privatized enterprise pays 25% of salary where as ASSC pays no for such a position.

Paid leave days are also compared between the two enterprises. These are annual breaks, sick leave, pregnancy leaves and the like. Annual breaks are similar in the two enterprises. Fourteen days are paid leave for one year experience and additional one day for each other year of experiences. However, in calculating annual breaks, previous

work experiences in public organizations are taken in to account in ASSC. During sickness, 30 days are the maximum limit in AATSC while it goes up to three months in ASSC. Women have three months leave in both enterprises during pregnancy.

Lastly, the researcher has compared education and training, protective tools provision transportation and telephone service and recognitions. Trainings are included in both enterprises’ policies where as education is not in the privatized enterprise. Trainings are to be given whenever the enterprises’ are in need of. Full cost is covered in this case. ASSC covers 75 percent tuition for a worker granted further study. Both AATSC and ASSC provide materials for the safety of employees particularly for those who work in chemical rooms. There exist transportation and telephone service in both enterprises. Therefore, most of the rewards covered in the policies are not different.

### 3.3 Performance Management at Enterprise Level

The data here below in table 9 was sourced from interview with top level management concerning endeavors being made to enhance performance at organizational level.

<b>1. How organizational goals are linked across work units, individuals and the management?</b>	
AATSC	We first review previous year performance and market situation. Such annual review of performance is undertaken together with the basic workers association of the enterprise. Then, we develop our industry goals in accordance with the market situation and our development objective. The goals developed at the top disseminated to work units and work units notify individual workers.
ASSC	At the beginning, each department is required to make plans and report to the top management. For example, sales department estimates the sales volume it plans, production department plans to produce certain level then



	such plans from each other departments comprise the goals of our company. The plans compiled from work units are assessed by the top level management and approved. The approved goals are communicated through the planning and programming office.
<b>2. What are the actions you are undertaking to improve performance at employee, department and organizational level?</b>	
AATSC	At organizational level, we are adopting new machineries and technological operations to raise our productivity. We are also striving to diversify our market both in domestic and foreign markets as the leather industry is growing. At work unit or department level, we hope performance improvements will come as we import new technologies and raise our management quality. Moreover, we review employee's performance through their departments to identify performance gaps and to fill it.
ASSC	Among other things we look for new technologies, new markets and managerial changes. New technologies are being imported to develop new shoe designs which can fit the changing needs of customers both inside and outside of the country. Departments work well to improve performance at individual employee level. We are currently diversifying our shops across the cities and towns where large number of customers is located.

Table 9: Summary of Interview Results

AATSC and ASSC differ in goal setting process at organization level. AATSC makes goals at top level and cascade down to departments. In contrast, the goals setting at ASSC starts with plans made at work units. ASSC compiles plans made at different departments and set up the broader organizational goals. AATSC follows much a top-

down approach where as ASSC follows the reverse. In ASSC, departments involve better than the privatized enterprise. Regarding the efforts being made to improve performance at enterprise level, both enterprises have strategies of diversifying markets. They target importing new technologies to improve productivity and quality.

### **3.5 Findings of the Study**

This comparative case study has compared the performance management and rewarding mechanisms practiced in privatized and public enterprises i.e. Addis Ababa Tannery Share Company and Anbessa Shoe Share and Company respectively. The subsets of performance management encompassed in this comparative case study were: understanding of PM, performance planning, coaching/mentoring, employee empowerment, performance appraisal and rewarding performance. The differences and similarities between AATSC and ASSC on the aforementioned attributes of PM are summarized here below.

#### **3.5.1 Similarities**

1. **Performance Management:** Performance management is practiced regularly in both the privatized and public enterprises under study. However, its contribution to the overall performance of employees is low in both enterprises with no difference in between. Level of performance expected from employees is not clearly stated. Appointed mentors also do not exist for employees. Though opportunities to discuss with performance managers exist, gap filling role of mentors is of minimal in both enterprises.
2. **Coaching and Empowerment:** With respect to empowering employees, the survey depicts varying results. Autonomy in the way employees do jobs is low in both enterprises. Survey on employees' feeling of being valued by their employer

has no significant difference. More than 60 percent of respondents from each enterprise replied that they feel valued and their job is well understood. Provision of resources has also no significant difference. While making changes on jobs, opinions of workers are also not considered.

3. **Performance Appraisal:** Regular performance appraisal is carried out on December and June which is done with the help of checklist. Enterprises give feedback on time and fairly. However, the appraisal lacks to reinforce key positive behaviors of performance. Moreover, the appraisal practice is not uniform across work units and employees in each enterprise.
  
4. **Rewards and Benefits:** Findings on rewards and performance link also indicate that, to a great extent, rewards in both enterprises are not tied to performance. Though written in the policy, high performing employees are also not recognized well. Employees in both enterprises believe that payments they earn are lower than other competing organizations. This indicates that payments are below the labor market in these enterprises. The benefits package stated in the policies and its administration are also similar in both enterprises. The rewards and benefits covered in the policy of these enterprises encompass medical reimbursement, different kinds of payments, paid leave days, trainings, recreation and transport service.

### 3.5.2 Differences

1. **Performance Management:** The first difference lies in involving employees while setting organizational performance goals. Though larger segment of respondents in both enterprises replied that there is no employees' involvement, test of significance show they differ. Employees in the privatized enterprise involve in setting goals better than the public. Moreover, satisfaction of employees with

current PMS is different in these enterprises. Employees in the public enterprise (ASSC) are more dissatisfied than in the privatized (AATSC). AATSC also performs more regular performance planning than its counter.

2. **Coaching and Empowerment:** With respect to coaching, the difference is in that mentoring in the privatized enterprise has improved employees' performance. Performance managers in AATSC also encourage employees to express their views and feelings more than those in ASSC. This indicates that AATSC performance managers are more attentive to employees' feelings. On the autonomy employees have to utilize resources in their own way, AATSC and ASSC significantly differ. Those in the privatized enterprise, AATSC, have more autonomy in resource utilizing than those in ASSC. AATSC also provides necessary information for its employees more adequately than ASSC. Employees in the public enterprise lack necessary information. However, over time work is obligatory in AATSC whereas it's based on will of worker in ASSC.
3. **Performance Appraisal:** On the performance appraisal practice, employees at ASSC are more dissatisfied than AATSC in the current performance appraisal system.
4. **Rewards and Benefits:** In the performance-reward relationship also AATSC and ASSC significantly differ. Employees in the privatized enterprise feel that higher level of salary they could generate if they leave their current employer.

## **CHAPTER FOUR**

### **4. CONCLUSIONS AND RECOMMENDATIONS**

#### **4.1 Conclusions**

This comparative study was done to compare the performance management and rewarding systems followed by the case enterprises i.e. Anbessa Shoe Share Company and Addis Ababa Tannery Share Company. The study emanates from conclusions made from studies on privatization and performance of enterprises. Studies on privatization have found that privatized firms' performance (particularly financial performance) is higher than public enterprises. However, behind any level of performance is the degree to which performance management is done well.

Findings of this study, as discussed above, show similarities and differences in the subsets of performance management practiced in AATSC and ASSC. Performance management, as a means to boost performance, is done regularly in both enterprises. However, its contribution for employees' job performance is low. This is mainly associated with absence of identified mentors/coaches, low gap filling roles of performance managers and absence of autonomy in doing jobs in both enterprises. In contrast, performance planning is much weaker in the public enterprise in comparison to the privatized. The extent to which performance is planned regularly also determines the effectiveness of performance management.

Another survey in this study exhibits that employees feel valued by their employers. However, employers are not taking opinions while managing changes on job. Autonomy employees have is also low in both the public and privatized enterprises. This indicates management decisions are less participatory in both the public and privatized enterprises. Taking employees' opinions is critical to make changes since they are more aware about the characteristics of a job. Mentoring is also much weaker

in the public enterprise. The privatized enterprises' mentoring effort is found the one that improves employees' performance. The state of ownership has made a difference in this respect. Managers in this privatized enterprise are found more attentive for performance of employees. They also receive views and feelings of employees better than the public enterprise.

Performance appraisal is done twice a year. However, the tool in practice to appraise performance is checklist and this is very traditional. Other appraisal tools are not applied in both enterprises. Perhaps enterprises either do not know other tools or they neglect them. In this respect, the privatized enterprise adopts the checklist appraisal as it was in the state ownership. And checklist is not widely acknowledged appraisal tool nowadays since it lacks the quality to measure performance from the views of different stakeholders.

Lastly, the findings of this study show that benefits and rewards in the case enterprises are similar. The management of the privatized enterprise did not change the benefits and rewarding mechanism. Employees in both enterprises feel that payments they earn are lower than other similar enterprises. Particularly those in the privatized enterprise firmly believe they could earn better if they leave this enterprise. This indicates that these enterprises do not review payments against the labor market in Ethiopia.

In general, keeping weak fronts from each enterprise, the overall comparison reflects that the public enterprise (ASSC) has PMS weaker than the privatized enterprise. And also important lesson that can be derived from this research is that these enterprises do not give much emphasis for performance management as a system to boost performance.

## 4.2 Recommendations for Enterprises

Based on the findings raised in the above summary, the researcher has forwarded the following points to improve performance management and rewarding tools for the better operation and growth of these enterprises:

- 4.2.1 **Performance Management and Planning:** AATSC and ASSC should make their performance management system one that has great contribution for employees. Participation of employees while setting performance goals at organization level has to be improved particularly in ASSC. This helps enterprises to take in to account views and ideas from employees. ASSC has to make its performance planning a more regular practice. Enterprises also should clearly state what is expected from employees. It will help employees understand and shoulder job duties.
- 4.2.2 **Coaching/Mentoring:** Performance managers in ASSC need to encourage employees to express their views and feelings. This will raise sense of belongingness and motivation.
- 4.2.3 **Empowerment:** Workers need to be given autonomy on their job in both enterprises. More autonomy will bring feeling of responsibilities. Particularly, ASSC has to give autonomy on resource usage and provide necessary information on time. Both AATSC and ASSC should also take in to account opinions of employees before making changes on job structures. This will help to make mutual understanding of why changes are required apart from raising employees' feeling of belongingness.
- 4.2.4 **Performance Appraisal:** These enterprises are recommended to use 360 degree feedback tool to appraise performance. This tool enables to take a holistic view of performance since it takes in to account colleagues, customers, friends and others who are expected to know a worker. Unless exceptions are required, appraisal is also

expected to be uniform for all employees across each enterprise. ASSC in particular need to make appraisal the one that satisfied employees. It needs to discuss appraisal issue with employees since they feel dissatisfied as to the findings.

**4.2.5 Rewards and Benefits:** Rewards and benefits are recommended to consider performance of employees. This will inspire low performance employees to perform well looking the rewards provided for high performance employees. Moreover, both AATSC and ASSC should try to see their payment scale against other similar enterprises particularly, AATSC should review its salary scale. If they are paying below the market, they are recommended to make adjustments. Because, retaining experienced employees costs less than employing new in place of those who might leave. AATSC has to review paid leave days in case of sickness. The existing paid leave days are short and employees might frustrate when they sick. And also better if education opportunities are granted for outstanding workers in this enterprise. In addition, employees should not be obliged for overtime work. AATSC has to get employees“ will to work overtime.



### **4.3 For Future Researches**

Primarily, the researcher wanted to look the overall performance management and reward practices in privatized and public enterprises. But, due to resource constraints such as time and finance, there was a failure to address a significant sample of these organizations and hence limited to only Anbessa Shoe Share Company and Addis Ababa Tannery Share Company.

Therefore, in the event of a more collaborative research work, this researcher requires future researchers to examine more sample organizations by adding more metrics or key performance management measures. Among others, comparison on financial performance in relation to performance management is recommended for study.

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## ***APPENDIX A***

### ***Questionnaire***

#### **Dear Respondent**

Performance Management is the back bone of every organization. In order to know the worth of current PM system, I am doing a survey which needs your genuine response and support. From the organizational point of view this questionnaire is a part of development exercise to know the strength and the areas seeking improvements.

Your responses are kept secret and confidential

Yours Sincerely

Mathias

#### **Instruction**

Please put mark on your right response from the given alternatives.

#### **Part One: Profile of Respondents**

- |  |
|--|
| 1. Sex: <input type="checkbox"/> Male <input type="checkbox"/> Female  |
| 2. Educational Level: High School <input type="checkbox"/> Diploma <input type="checkbox"/> Degree <input type="checkbox"/> Above <input type="checkbox"/> |

#### **Part Two: Main Research Questions:**

Please note that answers are the following: Disagree (DA), Undecided (UD) and Agree (AG).

S.N	Statements	Responses		
		DA	UD	AG
1	My employer has regular performance management system			
2	Performance management has contributed to my overall performance			
3	The performance management system has yielded measurable benefits to the company such as improved morale, productivity, quality, work methods, etc.			
4	I have sufficient opportunity to take part in setting of goals			
5	I am satisfied with the current performance management system			
6	Performance planning is undertaken in the organization.			
7	The performance planning clearly shows the expected level of performance from each employee.			
8	I have a coach or mentor who lets me focus on my work			
9	Coaching helps me to improve my performance			
10	I have the opportunity to discuss openly with my performance manager			
11	My performance manager encourages me to express my views & feelings			
12	My performance manager fill gaps in my performance			
13	I have significant autonomy in determining how I do my job			
14	I feel valued by my company and my job is understood by others in it			
15	I am provided with adequate resources to work effectively			
16	I have autonomy to utilize resources on my own way			
17	I receive necessary information to perform job duties sufficiently			
18	My opinion is asked before changes are made in the way I work			



19	There is a regular performance appraisal in the organization			
20	I am satisfied with the current performance appraisal system			
21	The system reinforces the positive key behaviors of job performance.			
22	My performance appraiser has the capacity to appraise performance			
23	The organization has a separate appraisal system for evaluating teams.			
24	The appraisal practice is uniform for all work units and employees			
25	I receive performance appraisal feedbacks on time and fair manner			
26	Rewards are tied to performance in this organization			
27	Recognitions exist for better performance of employees			
28	I can receive better salary if I leave this company			
29	I receive payments compatible to other organizations			

If anything you would like to say -----  
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## *Appendix B*

### *Interview Questions*

These two questions are the very basic questions to investigate how performance management is undertaken at organizational level. The interview carried out with the general managers of AATSC and ASSC.

1. How organizational goals are linked from top to down at individual worker level?
  
2. What are the actions you are undertaking to improve performance at employee, department and organizational level?