

**ST. MARY'S UNIVERSITY COLLEGE  
BUSINESS FACULTY  
DEPARTMENT OF MANAGEMENT**

**AN ASSESSMENT THE EFFECTIVENESS OF  
BALANCED SCORE CARD ON  
PERFORMANCE EVALUATION OF  
EMPLOYEES IN ETHIOPIAN AIRLINES**

**BY  
MARTHA MINASSIE**

**June, 2010  
SMUC  
Addis Ababa**

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EMPLOYEES IN ETHIOPIAN AIRLINES**

**A SENIOR ESSAY SUBMITTED TO THE  
DEPARTMENT OF MANAGEMENT  
BUSINESS FACULTY  
ST. MARY'S UNIVERSITY COLLEGE**

**IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF  
BACHELOR OF ARTS IN MANAGEMENT**

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**APPROVED BY THE COMMITTEE OF EXAMINERS**

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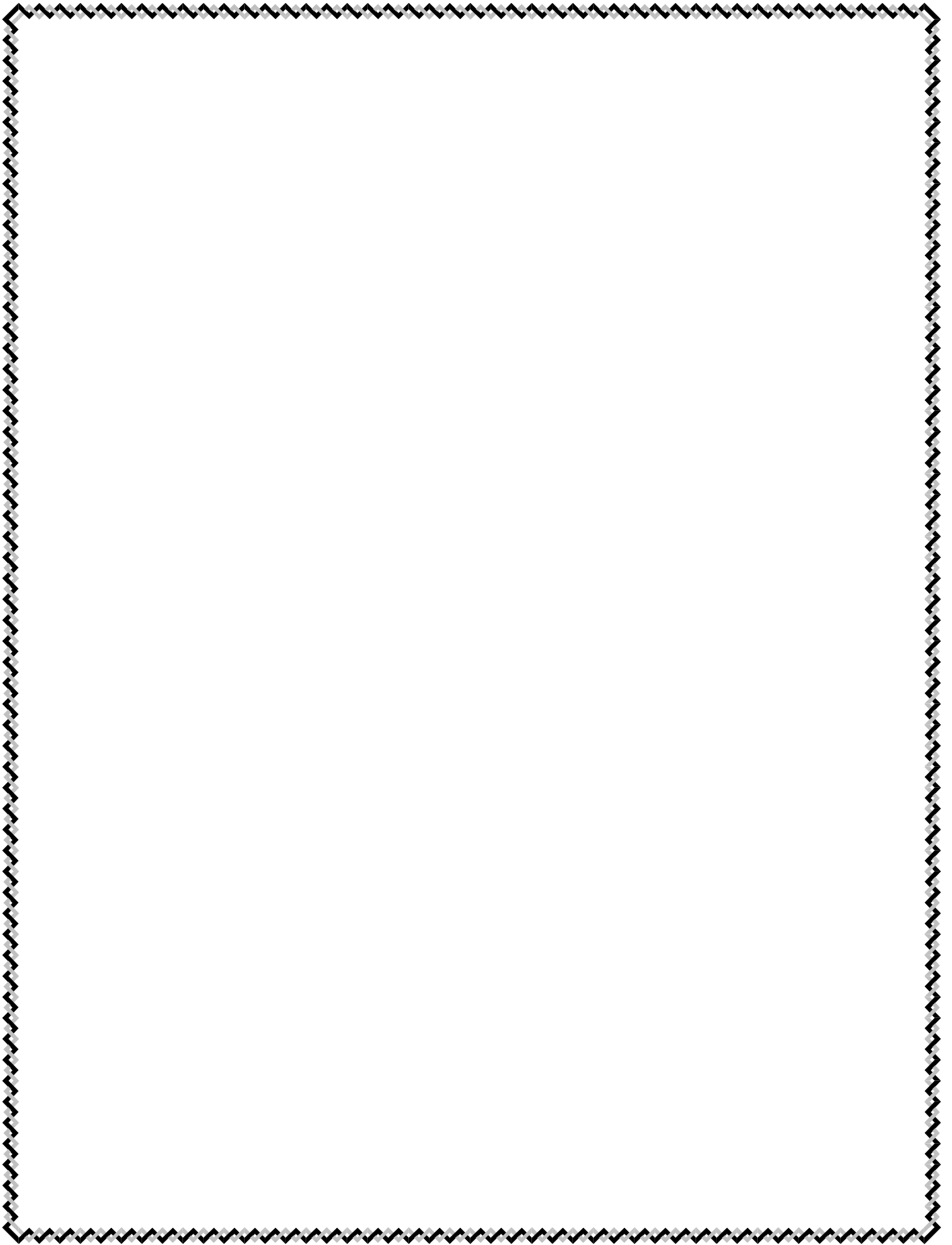
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## **ACRONYM & ABBREVIATION**

BSC:- Balanced scorecard.

Ethiopian: Ethiopian Airlines.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

The balanced scorecard was originally introduced in 1992 by Robert Kaplan and David Norton published the initial document the balanced scorecard Measures that drive performance. "The balanced scorecard is a strategic planning and management system that is widely applicable to organizations regardless of size or type of business. The system, extensively used in business and industry, government, and nonprofit organizations worldwide, provides a method of aligning business activities to the vision and strategy of the organization, improving internal and external communications, and monitoring organization performance against strategic goals.

Based on performance it assesses organization and individual performance using the following four perspectives. Which are:

- Financial Perspective
- Customer Perspective
- Internal Business Process Perspective
- Learning & Growth Perspective."

<http://www.balancedscorecard.org> Oct 24,2009

The balanced scorecard is the most widely applied performance management system today.

The balanced scorecard has evolved from its early use as a simple performance measurement framework to a full strategic planning and management system. The new balanced scorecard transforms an organization's strategic plan from an attractive but passive document into the marching orders for the organization on a daily basis. It provides a framework that not only provides performance measurements, but helps planners identify what should be done and measured. It enables executives to truly execute their strategies.

Kaplan and Norton describe the innovation of the balanced scorecard as follows:

“The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation.”

<http://www.balancedscorecard.org/and> <http://technet.microsoft.com>). Date: Oct 24,2009.

## **Background of the Organization**

The Balanced Scorecard on performance evaluation was implemented in Ethiopian Air lines since July 2007.

Ethiopian Airlines (Ethiopian), Africa’s commercial aviation pioneer, founded on Dec 21, 1945 and made its maiden international flight to Cairo on April 8, 1964. Since then, it has steadily expanded its services across Europe, the USA, Asia, the Middle and far East. Currently, it is flying to 58 international destinations. The airline operates a modern fleet of 35 aircraft. The fleet is flexible, cost effective and maximizes passenger comfort and safety.

Ethiopian is the flag carrier of Ethiopia. During the past sixty plus years, Ethiopian has become one of the continent’s leading carriers, unrivalled in Africa for efficiency and operational success, turning profits for almost all the years of its existence. Operation at the forefront of technology, it has



also become one of Ethiopia's major industries and a veritable institution in Africa.

Ethiopian serves 57 international destinations with 187 weekly international departures from Addis Ababa and a total of 4,968 weekly frequencies in 618 different markets worldwide.

With these exciting developments Ethiopian envisages to remain **The New Spirit of Africa**. /www.ethiopianairlines.com

The policy of Ethiopian to apply a BSC performance Management system to:-

- ✚ Align employee's performance to strategic goals and values of the organization.
- ✚ Measure and evaluate employees performance consistently company wide.
- ✚ Reward staff in line with their performance and productivity of the Airline.
- ✚ Promote a culture of learning and growth to meet the strategic goals of the company.

Ethiopian consideration of BSC important to all of the organization.

For employees- have an opportunity to continually develop and grow.

For organization- all individual performance will related directly to organization's strategy, goals and values, creating significant impact on productivity and profitability.

For customers- will be provided with seamless, consistently high- quality service that addresses customers' issues.

## **1.2 Statement of the Problem**

Ethiopian Airlines has been using performance measurement or appraisal method in order to evaluate employee's performance towards achieving the sated target which collectively used to evaluate the organization of performance.

The traditional financial measurement doesn't show the overall performance, strength and future survival of the organization except showing the financial status.

The Balanced Scorecard is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization. Balanced Scorecard process comprises of goal setting, performance review and rewarding of employees.

In relation to this Ethiopian Airlines has implemented Balanced Scorecard for the last three years to better enhance its performance and stay in the Airline industry being competitive and profitable.

However, the researcher observed the problem of the study; the current performance evaluation system may not be directly reflected in the performance targets the behavioral and competency factors like knowledge, initiative and efforts.

Hence, this paper try to assess the effectiveness of Balanced scorecard in the organization of Ethiopian Airlines.

## **1.3 Basic Research Questions**

1. To what extent employees were satisfied with the new performance method?
2. Do Managers and employees aware of balanced score card?
3. How does the balanced score card method in Ethiopian Airlines considered important?

4. Does the Balanced Scorecard construct good communication between subordinated and managers?

## **1.4 Objectives of the Study**

The objectives of the study incorporate both the general as well as the specific ones.

### **1.4.1 General Objective**

The general objective of the study is to investigate the effectiveness of BSC on performance evaluation of employees.

### **1.4.2. Specific Objectives**

- To assess the employee satisfaction in BSC evaluation method.
- To see the awareness of employees about BSC.
- To assess the importance of BSC for the organization.
- Enhance facilitate communication between the supervisor and subordinates.

## **1.5 Significance of the Study**

The importance of conducting this study has been stipulated here under:

- It gives way for other researchers to investigate on the matter further.
- It would asses the effectiveness of Balanced Scorecard on performance evaluation in the organization.
- It would help the student researcher to develop experiences in doing research for the future.

## **1.6 Scope (Delimitation of the Study)**

After July 2007 this new system was practiced in the organization for the improvement business process of the organization based on employee's performance evaluation of BSC.

Because of the large number of employees, the student researcher took the sample only from the head office.

The focus of the study is only on the effectiveness of BSC on performance evaluation system for the non-management employees.

## **1.7. Research Design and Methodology**

### **1.7.1. Research Design**

The study used descriptive research type which helps the researcher to describe the overall and effectiveness of the Balanced Scorecard in performance evaluation of Ethiopian non-management employees.

### **1.7.2. Population and Sampling Technique**

To conduct this study, from a total population of 300 employees in the head office 100 respondents were determined this sample is divided in two groups there are 20 Management group and the rest 80 non Management are selecting by contact concerned division of the organization.

Because of there are different groups, the study used stratified random sampling technique.

### **1.7.3. Types of Data to be used**

The study used both primary and secondary data to get the necessary information to conduct this research.

#### **1.7.4 Methods of Data Collection**

Primary data were collected by using questionnaires and interview.

Secondary data were also collected by referring company's intranet and websites, publications of the organization's manual.

#### **1.7.5 Methods of Data Analysis**

Data collected through questionnaire were analyzed and summarized using percentage, graph and tables. Moreover, the information gathered through interview were analyzed and summarized qualitatively.

#### **1.8 Limitation of the Study**

The researcher faced financial and time difficulties during conducting the study. In addition to that the limitation of this paper was some Management not willing to fill the questionnaires and some employees do not returned the questionnaires on time.

#### **1.9. Organization of the Study**

This study contains four chapters. The first chapter covers introduction part that is background of the study, back ground of the organization, statement of the problem, basic research questions, objective, significance and, scope of the study, the research design and methodology and organization of the study. The second chapter deals with review of related literature on the issue of the performance evaluation on BSC in the organization. The third chapter focuses on data presentation, analysis and interpretation and the fourth chapter is summary, conclusion and recommendations are discussed.

# CHAPTER TWO

## LITERATURE REVIEW

### 2.1 Definition of Balanced Scorecard

The Balanced scorecard is a management system that enables organizations to clarify their vision and strategy and translate them in to action. It is briefly defined as a management framework that "Balanced scorecard translates an organization's mission and strategy into a comprehensive set of performance measures that provides the framework for strategic measurement and management system" (Kaplan & Norton, 1996: p2).

The Balanced scorecard is also an integrated management system consisting of three components:

- 1) Strategic management system
- 2) communication tool
- 3) Measurement system. (Paul R. Niven, 2002).

This means it is important for managers and supervisors to get better performance from their work area in terms of levels of production and quality of output.

According to Kaplan and Norton "to incorporate the valuation of a company's intangible and intellectual assets, such as high quality products and services, motivated and skilled employees, responsive and predictable internal processes, and satisfied & loyal customers" (Kaplan & Norton 1996:7)

"It is a strategic performance management tool for measuring whether the smaller-scale operational activities of a company are aligned with its larger-scale objectives in terms of vision and strategy."

/http://wiki/Robert\_S.\_Kaplan/.date: Dec 05, 2009.

## **2.2 Using a Balanced Scorecard to measure Employee Performance**

“The Balanced Scorecard philosophy need not apply only at the organizational level. A Balanced approach to employee performance appraisal is an effective way of getting a complete look at an employee’s work performance, not just a partial view. Too often, employee performance plans with their elements and standards measure behaviors, actions, or processes without also measuring the results of employees’ work. By measuring only behaviors, or actions, in employee performance plans, an organization might find that most of its employees are appraised as outstanding when the organization as a whole has failed to meet its objectives.

The Balanced Scorecard focuses on the measures that drive the employee performance. The balanced Scorecard provides a list of measures that balance the organizations internal and process measures with results, achievements and financial measures. The two basic features of the Balanced Scorecard are:

- A balanced set of measures based on the four perspectives of Balanced Scorecard.
- Linking the measures to employee performance.

Balanced Scorecard provides a balanced approach to evaluate the employees’ performance (for the purpose of performance appraisal) in a comprehensive manner rather than a partial view. The Balanced Scorecard gives the complete view of the employees and the organizational performance and helps to align the employee performance/action plans with the organizational goal.”

<http://appraisals.naukrihub.com> & [www.opm.gov/perform/articles/095](http://www.opm.gov/perform/articles/095). Date: April 01, 2010.

## **2.3 The Function of Balanced Scorecard**

“The BSC compliments financial measures of past performance with measures of the drivers of future performance. The objective and measures of the scorecard are derived from an organization’s vision and strategy”. (Kaplan & Norton 1996:p8).

“The scorecard addresses a serious deficiency in traditional management systems their inability to link a company’s long term actions. Many problems related to this gap are sorted out when a firm uses the BSC as strategic management system because its implementation requires a defined building path made up of four new processes.

- 1) Translating the vision: to helps managers to clarify the vision and to build a consensus around the organization’s strategy.

Although this processes starts by the Top Management, it is paramount to creating a consensus on the way in which both the business unit vision and mission are translated in operational goals and measures.

- 2) Communicating and linking: gives managers a way of ensuring that all levels of the organization understand the long term strategy and both departmental and individual objectives.

It has three activities: communicating and educating, setting goals, and linking rewards to performance measures.

- 3) Business planning: enables companies to integrate their business and financial plans.

- 4) Feed back and learning: this process enables companies to monitor progress in the achievement of strategy in the light of recent performances.” (Kaplan & Norton, 1992, 1996).

Beginning with the literature by Kaplan and Norton, two distinct functions can be identified.

“The most obvious function of the BSC is to measure performance from the beginning, the BSC was solely described as a new performance measurement system providing managers with balanced presentations of both financial and operational measures” (Kaplan and Norton, 1992, p. 142). This original version of the BSC was limited to only translate a company’s strategy into specific measurable objectives.



The BSC was positioned as a strategic management system, rather than a performance measurement system. The authors now claimed that the real power of the BSC occurs when it is transformed from a measurement system to a management system.

The BSC as a management system could be use to: clarify and gain consensus about strategy, communicate strategy throughout the organizations, align department and personal goals to the strategy, link strategic objectives to long-term targets and annual budgets, identify and align strategic initiatives, perform periodic and systematic strategic reviews and to obtain feedback to learn about and improve strategy. As a result, another distinct function of the BSC is to manage performance.

The two functions described above represent explicitly emphasized functions of the BSC. However, when the BSC enters an organization, it changes character from being an abstract and rhetorical concept, to a more tangible object.

BSC seems to function as a blueprint which provides a common structure for how to design and use the management control system.

## **2.4 The key benefits of Balanced scorecard**

- 1) **“Better Strategic planning**– the BSC provides a powerful framework for building and communicating strategy. The business model is visualized in a strategy map which forces managers to think about cause-and effect relationships.
- 2) **Improved Strategy Communication & Execution** – the fact that the strategy with all its interrelated objectives is mapped on one piece of paper allows companies to easily communicate strategy internally and externally.
- 3) **Better Management Information** – the BSC approach forces organizations to design key performance indicators for their various strategic objectives.

- 4) **Improved Performance Reporting** – companies using a Balanced Scorecard approach tend to produce better performance reports than organizations without such a structured approach to performance management. Increasing needs and requirements for transparency can be met if companies create meaningful management reports and dashboards to communicate performance both internally and externally.
- 5) **Better Strategic Alignment** – organizations with a BSC are able to better align their organization with the strategic objectives. In order to execute a plan well, organizations need to ensure that all business and support units are working towards the same goals. Cascading the Balanced Scorecard into those units will help to achieve that and link strategy to operations.
- 6) **Better Organizational Alignment** – well implemented BSC also help to align organizational processes such as budgeting, risk management and analytics with the strategic priorities. This will help to create a truly strategy focused organization." /<http://www.ap-institute.com/>.Date: Dec 05, 2009

## **2.5 Overview of Balanced Scorecard**

"The BSC consists of an appropriate, consistent & balanced set of key performance indicators. Taken together, the indicators show whether companies and their sub units have improved their performance across a range of activities and outcomes" (Schaltegger & Burritt 2000:51).

The BSC has four perspectives

**The Financial perspective** includes measures such as operating income, return on capital employees, & economic value added.

**Customer perspective** includes measures such as customer satisfaction, customer retention, and market share in target segments.

**Internal process perspective** aims to measure the organization's output in terms of technical excellence and consumer needs.

**The Learning & growth perspective** includes measures such as employee satisfaction, employee retention, skill sets.

Each perspective is considered by four parameters. Those parameters are:

- Goals: what do we need to achieve to become successful.
- Measures: what parameters will we use to know if we are successful.
- Targets: what quantitative value will we use to determine success of the measure.
- Initiatives: what will we do to meet our goal." (Kaplan & Norton 1992: 71-80), (Kaplan & Norton 2001:68,131).

## **2.6 BSC A tool for Success**

"The adoption of broad-spectrum performance management systems as opposed to the traditional financially focused system has been a great success by many countries. About half of major companies in the US, Europe and Asia are using Balanced Scorecard approaches. The official figures vary slightly but the Gartner Group suggests that over 50% of large US firms have adopted the BSC. A study by Bain & Co finds that about 44% of organizations in North America use the BSC and a study in Germany, Switzerland, and Austria finds that 26% of firms use BSCs. The widest use of the BSC approach can be found in the United States, the United Kingdom, Northern Europe and Japan.

As organization is a group of people who works together to achieve common objective, the usage of BSC elevate employees on their performance at work and work their best to achieve both personal and organizations objective.

The BSC is the most widely used organizational system in the world for measurement and management of enterprise business performance. The BSC

is used by more than 70% of the Fortune 500 companies. Additionally, numerous studies and BSC implementations have proven the effectiveness of the BSC. For example,

Mobil Oil (North America) increased cash flow by \$ 1.2 billion and return on investment from 6% to 16% between years 2 and 5 after implementing the BSC.

United Parcel Service increased revenues by 9% and net income by 33% within two years after BSC implementation.

Three years after implementing the BSC, Wells Fargo Bank increased its customer base by 450% and was rated the best online bank.

Chemical Bank increased its group company profit 20-fold over a 4 year period after implementing the BSC. The Chemical Bank Vice-President, Michael Hegarty, stated: "the BSC has become an integral part of our change management process, enabling us to look beyond financial measures and concentrate on factors that create economic value: quality, organizational learning, and focusing on customers. The scorecard has delivered on our major goals in communication, teamwork, learning and commitment."

The world famous advertising firm Saatchi and Saatchi achieved a 5-fold increase in market capitalization to \$ 2.5 billion within 3 years of implementing the BSC. The company which won major awards at the Cannes international advertising festival, William H. Cochrane, Chief Financial officer, stated: "the BSC has not only helped us manage our human capital, it has transformed our agencies into being action- oriented and client-focused."

The BSC has also been used successfully in some transitional economies, particularly the People's Republic of China the most important success factor for these BSC projects in the People's Republic of China has been the top

executive's commitment and support for implementation of the BSC methodology." /<http://www.businessballs.com>/Date: Dec 15, 2009.

## **Balanced scorecard implementation**

"Implementing the Balanced Scorecard system company-wide should be the key to the successful realization of the strategic plan or vision.

Under the balanced scorecard system, measures of customer satisfaction, growth and retention are the current indicator of company and employee performance, and internal operations effectiveness.

A Balanced Scorecard should result in:

- Improved processes
- Motivated or educated employees
- Enhanced information systems
- Monitored progress
- Greater customer satisfaction
- Increased financial usage" /<http://www.businessballs.com>/Dated: Dec 15, 2009. /[http://wiki/Robert\\_S.\\_Kaplan/](http://wiki/Robert_S._Kaplan/).date: Dec 05, 2009.

After using BSC now employees inside the company far better understand the everyday links to the vision and mission statements, and they can take a more balanced, as opposed to largely internal, view of work.

/[http://wiki/Robert\\_S.\\_Kaplan/](http://wiki/Robert_S._Kaplan/).date: Dec 05, 2009.

# CHAPTER THREE

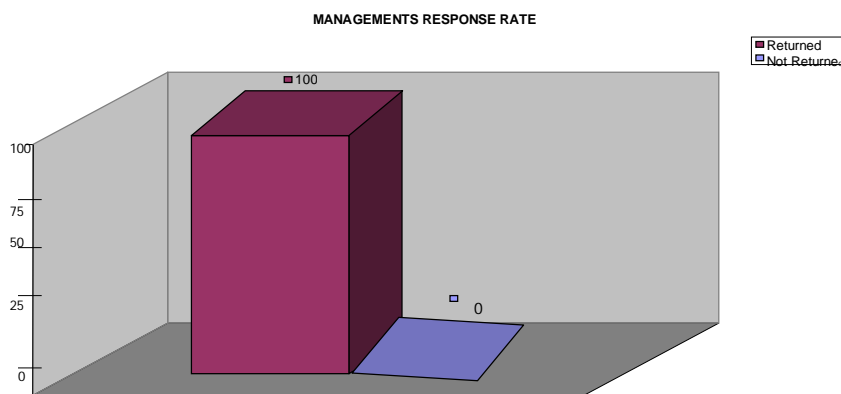
## DATA PRESENTATION, ANALYSIS AND INTERPRETATION

Data collected through questionnaires and interviews are analyzed and interpreted in this chapter. Actual practice of performance evaluation method of BSC in Ethiopian Airlines is examined to analyze through data analysis. The student researcher tried to gather primary and secondary data information using questionnaires and interview. To collect the relevant data of the study the student researcher based on 100 questionnaires distributed to 20 management group and 80 non-management group. (Refer the attached questionnaires **annex I & annex II.**)

The researcher to get complete information about BSC a face to face interview was also conducted with a Sr. project Manager who is working in Change Management Department. (Refer the attached interview questions **annex III.**)

### 3.1 Questionnaires Distributed and Returned

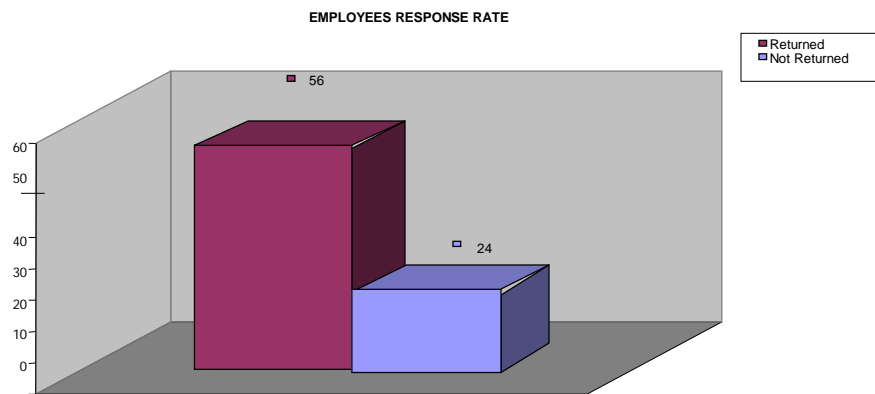
**Graph 1.** Distributed and Returned Questionnaires to and by the Management group.



Source: From Primary data

The above graph 1 shows that from the total distributed questionnaires, the whole 20 (100%) management were returned. It implies that the Management group willing to respond.

**Graph 2.** Returned Questionnaires by the Non-Managements group.



Source: From primary data

Looking at the above graph 2 shows that from the total distributed 56 (70%) respondents have completed and returned the questionnaires and the rest 24 (30%) was not returned back. It implies this data enough for the researcher to infer based on this sample.

### 3.2 Characteristics of the Respondents

The respondent background information consists of both the immediate supervisors and the subordinates.

**Table 1 Management's and Non-Management's Characteristics**

Item No.	Personal Information		Managements		Employees	
			No.	%	No.	%
1.	Gender	Male	11	55	29	51.8
		Female	9	45	27	48.2
	<b>Total</b>		<b>20</b>	<b>100</b>	<b>56</b>	<b>100</b>
2.	Age	18-28 years	-	-	15	26.8
		29-39 years	11	55	30	53.6
		40-49 years	5	25	6	10.7
		50 years & above	4	20	5	8.9
	<b>Total</b>		<b>20</b>	<b>100</b>	<b>56</b>	<b>100</b>
3.	Work experience in the Airline	1-5 years	-	-	5	8.9
		6-10 years	3	15	12	21.43
		11-15 years	5	25	25	44.6
		16-20 years	7	35	6	10.7
		Above 20 years	5	25	8	14.3
	<b>Total</b>		<b>20</b>	<b>100</b>	<b>56</b>	<b>100</b>
4.	Educational Background	12 <sup>th</sup> grade complete	-	-	-	-
		Certificate	-	-	1	1.8
		Diploma	-	-	8	14.3
		BA Degree	11	55	40	71.4
		MA & above	9	45	7	12.5
	<b>Total</b>		<b>20</b>	<b>100</b>	<b>56</b>	<b>100</b>

Source: From primary data



The above table 1 the Managements group shows 11 (55%) of the respondent are male and 9 (45%) includes female. This shows that the questionnaire was fairly distributed for the two sexes.

Item 2 of the above table 1 shows the age group majority, that is 11 (55%) of the respondent fill age group 29 - 39 years the rest respondent 5 (25%) and 4 (20%) between 40-49 and above 50 years respectively. This indicates that all of them are matured.

Item number 3 of table 1 depicts the work experience, most of the respondents who serve the Airline are 16-20 years that is 7 (35%), the other 11-15 years 5 (25%), above 20 years 5 (25%) and the rest 6-10 years 3 (15%), there is no responses 1-5 years. It implies that their experience at a supervisory level in the organization.

Regarding the educational level of the above table 1 as it is indicated that the respondents BA Degree holder were 11 (55%) and the rest Masters Degree holder and above were 9 (45%). This implies that the majority of Managers are Degree holders.

The above table shows the characteristics of the non-Management group. Pursuant to the collected data, the sex distributions of the respondents are male which are 29 (51.8%) and the rest 27 (48.2%) are females. This indicates that the questionnaire was equally distributed.

Item number 2 of table 1 shows the age group of the respondent fill age group 29 – 39 years 30 (53.6%), 18-28 years 15 (26.8%), 40-49 years 6 (10.7%) and above 50 years 5 (8.9%). The data indicates that the employees are matured.

Item number 3 of the above tables shows, when the researcher look their work experience 25 (44.6%) of the respondent did work in Ethiopian between 11-15 years, 12 (21.43%) fill between 6-10 years, 8 (14.3%) fill 20 years & above,

6 (10.7%) fill 16-20 years and the rest 5 (8.9%) fill between 1-5 years. This shows more than half of the respondents have experienced.

Table 1 item number 4 shows, 40 (71.4%) are BA Degree holder, 8 (14.3%) have Diploma, 7 (12.5%) MA Degree holder and the rest 1 (1.8%) has certificate. It shows that most of the respondents are professional.

### 3.3 Analysis and Findings of the Study Regarding to BSC

BSC is a very useful tool in achieving organizational goals and objectives.

**Table 2 Usefulness of BSC.**

Item No.	Question	Managements	
		No.	%
5.	Do you think the performance evaluation of BSC is useful to the employees & the organization?		
	a) Very important	17	85
	b) Important	3	15
	c) Average	-	-
	d) Less important	-	-
	e) Not important	-	-
	<b>TOTAL</b>	<b>20</b>	<b>100</b>

Source: From primary data

Table 2 indicates 17 (85%) of the Managements response "very important" and the rest 3 (15%) replies "important" the BSC is usefulness to the organization. This shows that all Managements have clearly understood the importance and usefulness of BSC to the organization as well as to the improvement of employees work performance.

According to the Sr. Project Manager, he said that during the interview the primary objective or advantage of the BSC system is to serve as an effective tool or framework for strategic management. As such, it serves as a very useful tool to properly define structure, manage, implement and monitor the company's strategy throughout the entire organization.

- As the BSC system uses specific measurements and targets, every employee knows what he/she is expected to deliver in advance and can work to meet the expectations.
- The performance appraisal is focused on delivered products and services.

And also according to setting the framework of BSC, the Manager said that the higher committee including board members, EAL management team, labor union, profession association, project management office, team leaders, working teams (selecting employees from every section) were involved the BSC framework based on the company's mission, vision & values.

**Table 3 The Employee's Satisfaction**

Item No.	Question	Employees	
		No.	%
12.	Are you satisfied with the current performance evaluation on BSC method?		
	a) Very satisfied	9	16
	b) Satisfied	25	44.6
	c) Average	15	26.8
	d) Unsatisfied	7	12.5
	e) Very unsatisfied	-	-
	<b>TOTAL</b>	<b>56</b>	<b>100</b>

Source: From primary data

Table 3 item number 12 shows, from the total distributed questionnaire 25 (44.6%) the employees replies "satisfied", 15 (26.8%) "average", 9 (16%) "very satisfied" the rest 7 (12.5%) give "unsatisfied" by the BSC. It implies that the majority are satisfied with the current performance evaluation System.

About the effectiveness of BSC the Manager said during the interview implementation of the BSC system has helped to clearly communicate the company's objectives and define the deliverables expected from the employee to meet those objectives. The framework has also helped to define and relate the particular projects or initiatives that are required to meet the deliverables.

The fact that Ethiopian Airlines is achieving its growth strategy year after year, with a very minimal increase in staff number, could be an indication that BSC has helped to improve employees' productivity.

**Table 4 The Awareness of BSC**

Item No.	Question	Managements		Employees	
		No.	%	No.	%
5/6.	Are you aware of the newly established performance evaluation system in Ethiopian Airlines?				
	a) Yes	20	100	48	85.7
	b) No	-	-	8	14.3
<b>TOTAL</b>		<b>20</b>	<b>100</b>	<b>56</b>	<b>100</b>

Source: From primary data

The above table 4 shows all Managements 20 (100%) aware of the BSC. It implies that the managements have full knowledge about the BSC.

The Non-Management group 48 (85.7%) response "yes" and 8 (14.3) replies "no" the awareness of BSC. This indicates majority of the employees are full know how about BSC.

**Table 5 Enough Training of BSC**

Item No.	Question	Managements		Employees	
		No.	%	No.	%
7/8.	The training provided by the Change Management Division is adequate enough to introduce the BSC evaluation system.				
	a) Strongly agree	10	50	-	-
	b) Moderately agree	6	30	27	48.2
	c) Agree	4	20	16	28.53
	d) Disagree	-	-	13	23.2
	e) Strongly disagree	-	-	-	-
<b>TOTAL</b>		<b>20</b>	<b>100</b>	<b>56</b>	<b>100</b>

Source: From primary data

As it is depicted in table 5, half of the Managements 10 (50%) responses "strongly agree" 30% and 20% replies "moderately agree" and "agree" respectively. This shows that the Management group has taken enough training is being provided by Change Management Department.

And the non-management group 27 (48.2%) responses "moderately agree", 16 (28.53%) "agree" and the rest 13 (23.2%) "disagree" that the training provided by Change Management Department. This implies that the employees need further training of BSC.

According to the employees awareness of BSC during the interview, the Sr. Project Manager said that during the introduction of the BSC system within the company, all Management staff up to the level of Supervisors were given a one-day training on the concepts and techniques of the BSC system. Additional trainings were also given to the Management staff thereafter. Employees have been given briefings on the system as well. Further briefings and trainings are also being conducted from time to time to further develop and refine the BSC system within the airline. Because of this employees are have awareness regarding to BSC.

Based on the employees reply and the Manager answer, the researcher was looked contrast idea about enough training of BSC. The Manager believes given briefings about the system to the employees. But the researcher observed that the employee's idea implies this briefing is not enough the Change Management department provided to all employees to create mutual understanding.

**Table 6 Communication of BSC**

The BSC is an integrated Management system which consists of a communication tool.

Item No.	Question	Managements		Employees	
		No.	%	No.	%
10.	The BSC construct effective communicating between subordinates and the supervisors.				
	a) Strongly agree	13	65	15	26.8
	b) Moderately agree	5	25	17	30.4
	c) Agree	2	10	19	33.9
	d) Disagree	-	-	5	8.9
	e) Strongly disagree	-	-	-	-
	<b>TOTAL</b>	<b>20</b>	<b>100</b>	<b>56</b>	<b>100</b>

Source: From primary data

According to the information provided in table 6, 13 (65%) of the Managements responses “strongly agree” 5 (25%) and 2 (10%) replies “moderately agree” and “agree” respectively the BSC construct effective communication. It shows that BSC has effective communication between the supervisor and employees.

Based on the above table 6 the employees 19 (33.9%) responses “agree”, 17 (30.4) “moderately agree”, 15 (26.8%) “strongly agree” and the rest 5 (8.9) “disagree” the communication of BSC. It implies that majority of the respondent responses BSC is well communicated to all employees and Managements.

**Table 7 The Criteria of BSC**

BSC is an objective way of measurement performance

Item No.	Question	Managements	
		No.	%
12.	How do you see the criteria of BSC? It is more of		
	a) Objective	18	90
	b) Subjective	-	-
	c) Neutral	2	10
<b>TOTAL</b>		<b>20</b>	<b>100</b>

Source: From primary data

The above table 7 shows 18 (90%) Managements replied BSC addresses “objective” and 2 (10%) give replied “neutral”. This shows that the BSC criteria focus on more of objective it is based on facts and observable.

**Table 8 BSC Related to Output**

BSC important to get better performance from the work area in terms of levels of production and quality of out put.

Item No.	Question	Managements		Employees	
		No.	%	No.	%
11/14	Does the BSC relate to out put?				
	a) Very related	19	95	11	19.6
	b) Related	1	5	26	46.4
	c) Average	-	-	12	21.4
	d) Less related	-	-	-	-
	e) Not related at all	-	-	7	12.5
<b>TOTAL</b>		<b>20</b>	<b>100</b>	<b>56</b>	<b>100</b>

Source: From primary data

As the above table 8 indicates from the total distributed questionnaire, 19 (95%) the Managements replies the BSC is “very related” to out put and 1 (5%) reply “related” to out put. This implies that majority of the respondents believe that the BSC related to out put.

According to the organization policy the employees can be appraised or evaluated by their job description, based on the above table 8 shows, 26 (46.4%) the employees replies "related", 12 (21.4%) "average", 11 (19.6) "very related", the rest 7 (12.5%) give "not related at all" the BSC relate to work. This implies that the majority respondent give positive replies based on BSC relate with their work.

During the interview conducted the student researcher raised to the problems of BSC after implemented, according to the Manager, he said that the process of BSC implementation in an organization is generally expected to take 2 – 3 years. Proper definition of measurements, targets and strategic initiatives; Vertical and horizontal alignment of the company's BSC among all divisions, departments, sections and units all across the organization; and management of the BSC system with While the BSC has been very effective as a strategic management tool, it would still require some improvements in its use as an individual performance appraisal system. In addition to general issues related to system development and refinement, the following are some of the additional challenges that require appropriate consideration and direction:

- Provision to give some scores for behavioral and competency factors like knowledge, initiative, effort, etc., that may not be directly reflected in the performance targets of the BSC.
- Availability of adequate performance data requires appropriate IT system. A new IT system is currently being introduced as the current system does not meet the requirements.

To solve those problems, according to the Manager said that continue working on refining the BSC system, based on the experience so far encountered. Learn from other business organizations, and preferably airlines, on their experience in implementing BSC as an employee performance appraisal system.



### 3.4. Respondents Responses Regarding to the Pervious Performance Evaluation System

**Table 9 Communication of the Previous Performance System**

Item No.	Question	Managements		Employees	
		No.	%	No.	%
9.	To what extent the previous evaluation encourage communication between subordinates and supervisors.				
	a) Excellent	-	-	1	1.8
	b) Very good	-	-	5	8.9
	c) Good	7	35	15	26.8
	d) Poor	13	65	30	53.6
	e) Very poor	-	-	5	8.9
	<b>TOTAL</b>	<b>20</b>	<b>100</b>	<b>56</b>	<b>100</b>

Source: From primary data

The above table 9 shows, from the total distributed questionnaire 13 (65%) of the Managements answered "poor" the rest 7 (35%) give "good" the communication of the previous performance. This shows that the previous performance evaluation system was not good communication between subordinates and supervisor.

The non-Management responses 30 (53.6%) "Poor", 15 (26.8%) "Good", 5 (8.9%) "Very good" and "very poor" and the rest 1 (1.8%) "Excellent" that the pervious performance evaluation communication between the supervisor and employees. It implies that the pervious performance evaluation system was not means of communication.

**Table 10 The Criteria of the Previous System**

Item No.	Question	Managements	
		No.	%
11.	the criteria in the preceding performance evaluation system		
	a) Objective	-	-
	b) Subjective	14	70
	c) Neutral	6	30
<b>TOTAL</b>		<b>20</b>	<b>100</b>

Source: From primary data

Table 10 describes, 14 (70%) of the Managements said "subjective" the rest 6 (30%) responded "neutral" the criteria of the preceding performance evaluation system. It implies that the criteria preceding performance evaluation system focus on more of subjective.

**Table 11 The Previous System Related to Output**

Item No.	Question	Managements	
		No.	%
13.	Does the pervious system relate to out put?		
	a) Very related	-	-
	b) Related	-	-
	c) Average	9	45
	d) Less related	11	55
	e) Not related at all	-	-
<b>TOTAL</b>		<b>20</b>	<b>100</b>

Source: From primary data

As the above table 11 shows, from the total distributed questionnaires 11 (55%) Managements replied "less relate" the rest 9 (45%) responded "average" the previous performance evaluation system related to out put. It implies that the previous performance evaluation system was not related to out put.

**Table 12 The Correctness of the Pervious Performance System**

Item No.	Question	Employees	
		No.	%
8.	the preceding performance evaluation system measures correctly		
	a) Strongly agree	2	3.6
	b) Agree	7	12.5
	c) Agree to some extent	15	26.8
	d) Disagree	28	50
	e) Strongly disagree	4	7.1
<b>TOTAL</b>		<b>56</b>	<b>100</b>

Source: From primary data

From the above table 12 the employees responses 28 (50%) " disagree", 15 (26.8%) "agree to some extent", 7 (12.5%) "agree", 4 (7.1%) "strongly disagree" and the rest 2 (3.6%) "strongly agree" that correctly the previous system. This shows that the previous performance evaluation system was not correctly.

About the contrast of the previous and the current system, the Sr. Project Manager said during the interview the previous individual appraisal system requires the supervisor to evaluate an employee based on behavioral, competency and performance factors. The supervisor thus evaluates the knowledge of work, quantity of work, dependability, initiation, motivation, team participation, attendance, personal appearance, etc., of his employee. The appraisal document does not as such define what type and amount of work the employee is supposed to do within the appraisal period. Hence, the appraisal is based on any records that either the employee or the supervisor keeps on the performance and on the subjective assessment made by the supervisor.

In the BSC system, however, what the employee is expected to do is defined at the beginning of the appraisal period based on the company's objectives and is finally agreed upon both by the employee and the supervisor.

Based on the above findings, the researcher tried to present some recommendations in the fourth coming parts.

# CHAPTER FOUR

## SUMMARY, CONCLUSION AND RECOMMENDATION

The study was designed to assess the effectiveness of BSC on employees performance evaluation system in Ethiopian Airlines. This chapter presents the summary of findings of the study, the conclusions drawn from the findings and the recommendations of the student researcher about the measure that should be taken by the organization to improve its employee's performance evaluation system.

### 4.1 SUMMARY

100 questionnaires were distributed to collect the relevant data from Management and non-Management. From these distributed questionnaires 76 have been completed and returned on time. Therefore, the data analysis is given based on these 76 returned questionnaires and one of the Management staff. The major findings of the study are summarized as indicated here under.

- 7 (35%) and 25 (44.6%) of Management and employees have 16-20 and 11-15 years of work experience in the organization respectively.
- Educational qualification the majority of employees 40 (71.4%) and 11 (55%) Managements are BA Degree holder.
- All Managements 20 (100%) believe in usefulness of BSC to the organization.
- Most of the employees 25 (44.6%) are satisfied with the current appraisal evaluation system of BSC.
- All Managements 20 (100%) and the majority of employees 48 (85.7%) are aware of BSC.

- Majority 10 (50%) of Managements strongly agree about enough training of the BSC. But most 13 (23.2%) of the employees are not agree by the training.
- More than half of the Managements 13 (65%) strongly agree that BSC construct effective communication between subordinates and the supervisors. The majority of employees 19 (33.9%) agree on this point too. But the majority of Managements 13 (65%) and the employees 30 (53.6%) said that the previous performance evaluation system was poor communication between the supervisor and subordinates.
- The Majority of Managements 18 (90%) says the BSC criteria is more of objective.
- Most of the employees 26 (46.4%) and Managements 19 (95%) believe that BSC related with their job as well as out put. But 11 (55%) of the Managements said that the pervious performance evaluation system was less related to out put.
- Half of the employees 28 (50%) said that the pervious performance evaluation system was not correctly.

## **4.2 Conclusion**

The aim of the BSC on performance evaluation is to have the best acceptable means of measuring performance method for the organization. So that the organization uses different mechanism and learn from other business organizations experience to smoothly operation and day to day employees activities and to achieve the organization goal.

Moreover, the employee's response indicated that in this study they have some idea about the BSC. However, their believe in this idea is not enough they need further training about the BSC system. And also the current performance measurement system BSC is a very good means of appraising method.

However, it is not directly reflected in the performance targets behavioral and competency factors like knowledge, initiative and effort. These factors are very important measure to employees.

In addition to this availability of adequate performance data requires appropriate IT system. A new IT system is currently being introduced as the current system does not meet the requirements.

### **4.3 Recommendations**

Based on the findings and conclusions of the study, the student researcher has forward the following recommendations:

- The organization should improving communication gap between the rater and ratee to develop an open discussion to avoid fear of employees.
- The Change Management department should provide the training about BSC for employees to increase their awareness.
- The employees should know the concept of BSC.
- High performing group should be separated from low performing group and high performers should be rewarded to develop positive spirit of competition among employees.
- The organization should avoid the challenges for instance the performance targets of the BSC has to directly reflect competency factors such as knowledge, initiative and effort.
- The problem of IT system should avoid for effectiveness performance work.
- Organization should follow other business organization experience as it is the system uses.

Generally the BSC on performance evaluation system to be more effective to the organization, the student researcher recommended that Ethiopian Airlines should avoid its problems for smoothly activities and to achieve the organization goal.





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# Appendices

## DECLARATION

I the undersigned, declare that this senior project is my original work prepared under the guidance of Mr. Wondafrash Mulatu.

All source of materials used for the manuscript have been duly acknowledged.

Name: Martha Minassie

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Place of submission: SMUC

Date of submission: June 2010

## **SUBMISSION APPROVAL SHEET**

This senior research paper has been submitted to the department of Management in partial fulfillment for the requirements of BA Degree in Management with my approval as an advisor.

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Date of submission: June 2010