ST. MARY’S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

ASSESSMENT OF REWARD MANAGEMENT PRACTICE
THE CASE OF NYALA INSURANCE S.C.

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ADDIS ABABA, ETHIOPIA
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LIST OF ACRONYMS

NISCO…………………………..Nyala Insurance Share Company

S.C………………………………………….Share Company

SPSS……………………………………..Statistical Package for Social Science
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ABSTRACT

The aim of the study was to assess the practice and management of financial and non-financial rewards in Nyala Insurance S.C. Structured questionnaire was used to gauge the responses on a five level scale. Questionnaire was distributed to 120 sample respondents who work at nine different branches of Nyala Insurance S.C (Head office, Main, Corporate East, Corporate West, Life and Health, Kasanchise, Kera, Legehar and Biklo Bet) in Addis Ababa. Both probability and non-probability sampling was employed to select area insurances and to select sample respondents, the researcher has used simple random sampling. Data was analyzed by using statistical techniques like descriptive statistics using SPSS. The study revealed that policy for financial rewards have been developed without employees’ participation and there is no system to collect feedback. The company has no written policy for its non-financial rewards. There is no clearly defined evaluation criteria for employees’ performance management and neither supported by policy. It is also learned that there is high employees’ turnover in the lower and middle level positions. The overall result of the study confirmed that employees of the case company have shown equal interest for both financial and non-financial rewards. To implement this, the company needs to have written policy for all its reward type and needs to create awareness regularly. This research can be helpful for the insurance sector specifically to Nyala Insurance S.C. They can design total reward system which consists both financial and non-financial rewards to motivate, retain and attract competent employees.
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Every organization and business wants to be successful and have desire to get constant progress. The current era is highly competitive and organizations regardless of their size, technology and market focus are facing employee retention challenges. Human resource or employees of any organization are the most central part so they need to be influenced and persuaded towards tasks fulfilment.

The world is going in an enormous change. Globalization of business is increasing and information technologies are advancing. These major changes are reshaping our world significantly for the better or worse. They lead to changes in the way business is done, the way employees behave and the way managers manage their employees. For organizations to remain successful they are required to adapt to these changes altered the way organizations operate.

Companies are spending huge amounts of money on their reward programs which aim to motivate, retain, commit and attract new employees. Different studies shows that motivated employees are more productive, more efficient and more willing to work towards organizational goals than the employees who are experiencing low levels of motivation. Motivation is the act of giving somebody a reason or incentive to do something. It also means giving somebody hope or support to perform particular tasks. Motivation factor plays a vital role in business Management.

The real success of companies originate from employees’ willingness to use their creativity, abilities and know-how in favour of the company and it is organization’s task to encourage and nourish these positive employee inputs by putting effective reward practices in place (Markova and Ford, 2011). It has been identified that close attention should be given to how individuals can best be motivated through such means as incentives, rewards, leadership and, importantly, the work they do and the organizational context within which they carry out that work (Armstrong, 2009).

Reward and motivation is one of the most critical contributors to the success of an organization and its workforce. Reward system is one of the most essential parts in a company’s
development and success. In order to maximize the overall performance of the company, it is vital for an employer to understand how employees perceived the fairness of the reward system, and motivated by the rewards given by the company.

According to Manus and Graham (2003) total reward “includes all types of rewards – indirect as well as direct, and intrinsic as well as extrinsic”. Each aspect of reward, namely base pay, contingent pay, employee benefits and non-financial rewards, which include intrinsic rewards from the work itself, are linked together and treated as an integrated and coherent whole.

According to Nursebo (2012), to maximize the overall performance of the company it is vital for an employer to understand what motivates the employees and how to increase their job satisfaction. It might however be challenging for a company to find out what motivates its employees, especially because different people are motivated by different things.

Identifying and emphasizing on factors affecting financial or non-financial rewards is a very important matter for an organization. This is important because motivating factor for all employees is not similar. Some employees might be motivated by financial reward and the same reward may not motivate other employees with in the same organization. It is also crucial for a firm to design best combination of financial and non-financial reward for its employees. In some cases, financial reward become the source of demotivation if it is not carefully planned and applied. Therefore, the researcher is highly interested to study which reward type is more significant for the case company to motivate, retain and attract competent employees.

1.2 History of Nyala Insurance Share Company

Nyala Insurance Share Company (NISCO) was founded in July 1995 following the liberalization of the insurance business to the private sector in 1994 with the Licensing and Supervision of Insurance Business Proclamation No. 85/1994 with initial paid up capital of 25 million birr. In 2005/06, Nyala Insurance Share Company invested additional capital for Life and Health insurance, Micro insurance solution and increased the total paid up capital to 35 million birr.

In year 2014/15, the office has made major changes in its capital. In this year, Nyala Insurance Share Company (NISCO) increased its paid up capital and subscribed capital to 220 million and 300 million birr respectively in order to expand its coverage.
Nyala Insurance Share Company (NISCO), in accordance with its revised mission, guarantees protection with care to its customers through three pronged insurance services – General, Life and Micro-insurance solutions. Currently Nyala Insurance Share Company has 301 employees and operates from 28 Service Centers (branch offices) and 15 satellite offices distributed in all over the country.

- **Its Vision** is to be the preferred provider of insurance solutions in all markets it serve.
- **Its Mission** is to help its customers manage their risks, recover from the unexpected, and achieve peace of mind.
- **Its Core Values** are Protection with care, professionalism, accountability, integrity, excellence, team work and innovation.

In addition to its basic insurance services, Nyala Insurance Share Company provide free risk management consultations, free training and free risk improvement recommendations to its customer all over the country.

Figure: 1.1 - Nyala Insurance Share Company organization structure

*Source: Nyala Insurance Share Company annual report 2017*
1.3 Statement of the Problem

Employees expect financial and non-financial rewards for their services and efforts. In the absence of equitable pay, training and development opportunities and recognition, employees get dissatisfied and do not perform to the standards. The dissatisfaction resulting from the unavailability of financial and non-financial reward usually leads to high employee turnover poor performance (Saira, Madiha, Sumaira and Anam, 2014).

In our more heavily skilled & knowledge based economy, employees have become the most important determinant factors of the organizational success. Employees Motivation and rewarding is a very important and challenging activities that managers perform. Employees desire certain financial or non-financial incentives through their respective jobs. It is widely observed that organizations design and adopt financial and non-financial rewards as a means to motivate and retain employee. However, motivating employees with financial rewards alone is usually inconsistent. A study undertaken by Selamawit (2015) in one of local bank shows that employees complain that there is no thoroughly planned & consistent reward system. The same study also shows that financial rewards in this financial institution is not equally or fairly distributed. As a result, it created a feeling of unfairness between employees and a negative working environment. Moreover, most of financial institutions in Ethiopia particularly banks and insurances are competing each other to attract new workforces and to retain existing employees by offering high salary.

On contrary, non-financial rewards can be just as, or even more motivating for employees than those involving traditional financial rewards. It is no secret that most companies are influenced by the company culture. Employees that are given positive recognition for their work have been shown to increase work-time productivity, proactively engage with their co-workers, and convey enhanced loyalty to the company where they are employed. The employee wants to feel that their work is valued, and that doesn’t always mean they want more money. In fact, motivated and happy employees also provide better customer service.

However, some employees being recognized by their leaders as more rewarding than financial incentives. Herzberg believes that such factors are the main driving force of satisfaction and that they help boost the employee to work harder and better. According to Herzberg (1957), motivators are able to increase internal happiness (intrinsic rewards). On the other hand, hygiene factors are only able to boost external happiness (extrinsic rewards). It is possible that the employees would still not be motivated even if all the hygiene factors are present to them.
Thus, in order for managers to successfully motivate their employees, there is a need for them to determine the appropriate and the sufficient motivation factors to use. The reward practices and related polices have their own impact in employees motivation. Usually companies links their reward system with employees’ performance and it affects the employees’ productivity if the system is not sound. Due to these reasons, the researcher is interested to undertake the study to assess the practice of financial and non-financial reward management of the case company and to provide recommendations to improve its reward system in use.

1.4 Research Questions

This study will be undertaken to answer to the following basic research questions:

1. What is the current reward practice of Nyala Insurance S.C?
2. Is it financial or non-financial reward more significant to employees’ at Nyala Insurance S.C.?
3. What change should be made in the company’s current reward system?

1.5 Objective of the Study

General Objective

The general objective of the study is to assess the practice of financial and non-financial reward management of Nyala Insurance Share Company and to provide recommendations

Specific Objective

1. To investigate the company’s current reward practice
2. To assess which reward scheme (financial or non-financial) is more significant to employees
3. To find out what change should be made in the current reward system of the company

1.6 Definition of Terms

1. Motivation: Internal and external factors that stimulate desire and energy in people to be committed to a job or make an effort in attaining a goal (Craig Pinder, 1998).
2. Reward: is something given or received for a deed or service rendered it is the combination of financial and non-financial or extrinsic and intrinsic rewards available to employees (Armstrong, 2004).
3. **Financial reward**: rewards that enhance employee’s financial well-being (Armstrong, 2004).

4. **Non-financial reward**: are internal feelings not involving money such as from praise and job autonomy (Armstrong, 2004).

### 1.7 Significance of the Study

This study will assess the practice and management of reward system in Nyala Insurance Share Company and problems that hinder the smooth functioning of the reward system. Hence, such studies are beyond doubt important for the success of Nyala Insurance Share Company decision makers and planners as they can draw lessons on the issue under consideration for better success in the field.

Besides adding knowledge on the subject, the output of the study could also be informative for development practitioners and interested parties who want to work with Nyala Insurance Share Company. Furthermore, the findings of this study may also serve as a spill over for further research in the area to strength Nyala Insurance Share Company.

### 1.8 Scope of the Study

For the reason of manageability, the scope of this study is limited to the areas that are essential to the problem and objectives of the research. Particularly, the study focuses on financial and non-financial reward practices and management in head office and eight selected branches of Nyala Insurance Share Company which are based in Addis Ababa. The research is limited to five elements of financial rewards: salary, bonus, health & insurance, transportation allowance & retirement benefit package. The research is also limited to five elements of non-financial rewards: responsibility, recognition, training, job security and career advancement opportunity.

### 1.9 Organization of the Research Report

The study will have five chapters. Chapter I contains introduction, problem statement, research objective, significance of the study, scope of the study, limitation of the study and organization of the study. Chapter II contains literature review, Chapter III consists of research design and methodology, Chapter IV contains results and discussion, chapter V contains Summary, conclusion and Recommendation.
CHAPTER TWO

REVIEW OF RELATED LITERATURES

In this chapter the researcher will review different theories and concepts related to motivation and rewards (financial and non-financial). The researcher will also review different researches made by different scholars.

2.1 Reward

Armstrong (2006) defines reward as ‘how people are rewarded in accordance with their value to the organization. It is concerned with both financial and non-financial rewards and embraces the philosophies, strategies, policies, plans and processes used by organizations to develop and maintain reward systems.

Reward is the benefit received for performing a task. It is a positive stimulus or incentive that can be presented in the process of reinforcing behaviour. Today’s workers expect more than just an hourly wage or salary from their employer; they want additional considerations that will enrich their lives. These considerations in an employment setting are called employee benefits. Benefits are the program an employer uses to supplement cash compensation that employee receives (Decenzo and Robbins, 2002).

Rewards can be extrinsic or intrinsic. Extrinsic rewards are the tangible rewards which one gets from the employer. External rewards can be in terms of salary/pay, incentives, bonuses, stock options, promotions, job security, flex-time, etc. Intrinsic rewards are intangible rewards or psychological rewards which one receives from the job itself. These are the self-initiated rewards. Such as- pride in one’s work, a feeling of accomplishment, appreciation, meeting the new challenges, positive and caring attitude from employer, and participation in decision making, or being part of a team.

D. White and David A.,B., (1986), stresses on the role and purpose of the reward system by stated as “in most situations, it is better to use rewards not as a bribe for doing what the leader wants, but rather to reinforce desirable behaviour after it has already occurred” (Donald D.White and David A.,B.,1986). This idea of reward system has emphasized that the reward system in a given organization would have a positive motivational impact when the system its fair and tied to employee performance.
2.2 Concept of Reward Program

Reward has been defined in various ways by different scholars. According to Jeffery Gold (2010) reward refers to all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship. In the similar way Wilson (2010) also defined reward as an external agent administered when a desired act or is performed, that has controlling and informational properties. He went further to explain that rewards are usually administered to increase the probability of an event occurring, depending on the saliency and direction of the controlling and informational aspects of the reward.

(Hand book of employee reward management and practice, 2nd edition, 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.

The overall objective is to reward people fairly, equitably and consistently in accordance with their value to the organization in order to further the achievement of the organization’s strategic goals. 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.

2.3. Purpose and Role of Reward System

In most organizations, the purpose of reward system is to attract, retain and motivate qualified employees. In this respect, the reward system Philosophy centers on the three issues: the concept of fairness and equality of rewards, the importance of each employee’s contribution to the organization, and the status of the external market (Micheal A., 2005, and Donald D. White, 1986). According to Moorhead, G., (1992), the organizations reward system must be equitable and consistent to ensure equality of treatment and compliance with the law. In addition, there should be a fair reward for the individuals’ contribution to the organization, although in most cases these contributions are difficult if not impossible to measure objectively. Given this limitation, measure should be as fair and equitable as possible (Moorhead,G., 1992).
D. White and David A.,B., (1986), stresses on the role and purpose of the reward system by stated as “in most situations, it is better to use rewards not as a bribe for doing what the leader wants, but rather to reinforce desirable behavior after it has already occurred” (Donald D.White and David A.,B.,1986). This idea of reward system has emphasized that the reward system in a given organization would have a positive motivational impact when the system is fair and tied to employee performance.

Moreover, it has the objective to elicit good work performance and maintain commitment to the organization. As researches show, reward system could be affected by social and psychological factors including the employee ideas of “fairness” and “trust”. Hence, a system perceived to be fair is one of the key components of the psychological contract (www.management help.org). G.Mujtaba,B. (2010) have showed, the existence of an increasingly demand on corporations to develop reward programs that are motivating employees to work harder and faster. These programs usually educate and encourage associates to become more productive, efficient and valuable individuals in the company. However, due to the pressures related to performance and incentives or in effective implementation procedures, in some cases, these programs can encourage unethical behaviors.

Thus, firms need to have appropriate pay systems that encourage and reward employees to always stay focused on their efforts in an efficient manner and to always do the right thing. At the meantime, managers and entrepreneurs should be moving toward greater alignment between performance management and company strategies, values, and quality measures. Thus, reward should be linked with goal setting, employee development, competency measures, and team performance. The researchers also noted that, an effective reward system could have the power that affects the morale and productivity of each individual (G.Mujtaba,B. 2010).

2.4. Reward policies

According to Armstrong and Helen (2007) reward policies provide guidelines for the implementation of reward strategies and design and management of reward process. They will be influenced strongly by the guiding principles and reward philosophy of the organization. The reward policies will be concerned with the level of rewards, the relative importance attached to market rates and equity, attraction and retention of employees, the match between rewards and business performance, total reward policy, the need to communicate reward policies to employees and transparency.
2.5 Reward Composition

According to the expectancy theory, which is discussed under section below, individual needs and wants vary. Therefore, reward management requires proper composition between financial and non-financial rewards. As stated in Chapman & Kelliher (2011) the owners of organization usually want to ascertain that employees direct their work effort in line with the owners’ best interests. Jensen and Meckling, (1976, quoted in Chapman and Kelliher, 2011) further stated that, owners’ interest can be achieved through adjusting the reward mix, in particular the balance between fixed and variable rewards, to ensure that appropriate incentives are in place for the employee to act in the owners’ interest.

Torrington, Hall, & Taylor (2008) suggest the following four points as important part of conventional wisdom in designing reward system. The first one is younger employees are more interested in high direct earnings at the expense of indirect benefits, such as pensions, which will be of more interest to older employees. Second, incentive, or performance-related payment arrangements are likely to interest employees who either see a reliable prospect of enhancing earnings through the ability to control their own activities, or see the incentive scheme as an opportunity to wrest control of their personal activities away from management by regulating their earnings. Third, women with children are less interested in payment arrangements that depend on overtime than men often are. And the fourth is overtime is used by many employees to produce an acceptable level of purchasing power particularly among the lower-paid.

In fact there is no conventional wisdom. Preferences differ according to the value, norms, background, economic status etc of individuals. Despite this fact, Bowen (2000) argues that rewards for entry level employees, usually youngsters, need be more cash based whereas employees with longer service or higher in the compensation scheme may be influenced by cash equivalent or non-cash rewards such as education, extra-time off and the like. All of the above points suggest that there should be both financial and non-financial rewards so as to reward employees according to their needs and values

2.6 Total Reward Programs

Armstrong and Murlin, 5th edition (2004) the total reward concept emphasizes the importance of considering all aspects of reward as an integrated and coherent whole. Each of the elements of total reward, namely base pay, pay contingent on performance, competence or contribution,
employee benefits and non-financial rewards, which include intrinsic rewards from the employment environment and the work itself, are linked together.

The conceptual basis of total rewards is that of grouping or ‘bundling’, so that different reward processes are interrelated, complementary and mutually reinforcing. This is the basis of the Hay Group Model of Engaged Performance. Total reward strategies are vertically integrated with business strategies, but they are also horizontally integrated with other HR strategies to achieve internal consistency (Armstrong and Murlin, 5th edition, 2004).

The concept of total reward encompasses both financial and non-financial rewards. Hence, its significance to both the organizations and employees emanate from its comprehensiveness. According to Armstrong & Stephens (2005) total reward can be used as a means of influencing behavior, enhancing employment relationship, flexibility to meet individual needs and winning the war for talent. Companies that want to foster high performance work system will reward employees based on their performance. Hence, the reward is utilized as a means of influencing behaviour

2.6.1 Financial Rewards

The theory of financial reward has viewed based on instrumental theory. According to this theory, people are primarily motivated by economic rewards. It assumes that they will be motivated to work if rewards and penalties are tied directly to the results they achieve (Armstrong and Murlin, 2004). In addition, this theory states that money provides the means to achieve ends.

It is an instrument for gaining desired out comes and its force will depend on two factors: first the strength of the need and, second the degree to which people are confident that their behavior will earn the money they want to satisfy the need. As the writer further explains that, money is therefore a powerful force because it is linked directly or indirectly to the satisfaction of all the basic needs.

However, the effectiveness of money as a motivator depends on a number of circumstances, including the values and needs of individuals and their preferences for different types of financial and non-financial rewards (Armstrong and Murlin 2004).

Financial rewards are given in the form of monetary pay that may be given directly or indirectly to employees. The direct form of payment incorporate base pay/ salary, merit pay/cost of living
adjustments, incentives, bonuses, etc that are directly given to employees (Milkovich et al., 2009). On the other hand indirect form of payments are provided in the form of employee benefits such as pensions, holidays, and varied fringe benefits such as medical cost coverage, cafeteria benefit, etc. They are also known as transactional rewards.

**Financial Rewards and Benefits**

These are types of rewards given in the form of monetary pay that may be given directly or indirectly to employees. The direct form of payment incorporate base pay/salary, merit pay/cost of living adjustments, incentives, bonuses, etc that are directly given to employees (Milkovich et al., 2009). On the other hand indirect form of payments are provided in the form of employee benefits such as pensions, holidays, and varied fringe benefits such as medical cost coverage, cafeteria benefit, etc. They are also known as transactional rewards.

**Base pay**

Base pay is the core payment made by the employer for work performed and usually tends to reflect the organizational value of either the work that the employee undertakes or the value of skill and competency who is undertaking the work. It is directly related to time and the rate is calculated in terms of number of hours, week or month that the employee performed the task given (Thorpe and Homan, 2000).

There are a number of assumptions that underpin the relationship of time to pay. One of these is that time beyond stated hours of work has more exchange value and therefore is paid at premium rates. The variation in premium rates reflects the differing value paced on different periods of time. For example, employees work at their day offs are paid double of their daily salary, those who work at night shift get additional of half of their hourly salary for each hours they worked, etc. The basis of base pay is the period of time an employee worked and normally not associated with productivity of an employee at a particular time.

**Contingent pay/Cost of Living Adjustment**

Contingent/merit pay are given as increments to the base pay in recognition to the past work behavior of an employee. The pay adjustment may also be done based on changes in what other employers are paying for the same work, change in the overall cost of living, or change in experience or skill. Merit pay programs evaluate past performance of individual and then decide on the size of the increase (Milkovich et al, 2009).
Variable pay

It is a flexible pay given to employees based on their individual, team or organizational performance. It is commonly known by the name ‘pay at risk’ hence getting the pay guaranteed only when there is a good performance.

Incentives

Incentives are pay increases directly related to performance. Unlike that of merit pay, incentives do not increase the base wage. In addition, the potential size of the incentive payment will generally be known beforehand. The incentive provided depend on performance of individual employee, a team of employees, a total business unit or some combination of individuals, teams and units. Incentives can be short or long term incentives. Long term incentives are intended to focus on employee efforts to multiyear results. Typically they are in the form of stock ownership or options to buy stock at specified advantageous price (Kruse and Blasi, 2000). The belief underlined stock ownership is that employees with a financial stake in the organization will focus on long-term financial objectives: return on investment, market share, returns on net assets, and the like.

Benefits

These are benefits given to employees in addition to their salary/wage. Such benefits are those monetary and non-monetary benefits given to the employees during and post-employment period which are connected with employment but not to the employee’s contribution to the organization. They are also known by the name fringe benefits. Authors like Cascio (2003) claim that fringe benefits covers bonus, social security measures, retirement benefits like provident fund, gratuity, pension workmen’s compensation, housing medical, canteen, Co-operative credit, consumer stores educational facilities, recreational facilities financial advice and so on

2.6.2 Non-Financial Rewards

According to Armstrong and Murlis (2004), Rewards that do not involve any direct payments and often arise from the work itself, for example achievement, autonomy, recognition, scope to use and develop skills, training, career development opportunities and high-quality leadership. Non-financial rewards can be focused on the needs most people have, although to different degrees, for achievement, recognition, responsibility, influence and personal growth.
Non-financial rewards do not involve any direct payments and often arise from the work itself. They can be focused on the needs most people have. Recognition, responsibility, work autonomy, influence and personal growth are some of the rewards incorporated under the non-financial types of rewards.

**Recognition**

Recognition of work is the essence of securing good work. It is one of the most powerful motivators. Efficient people would naturally like to get recognition for their skill and excellence in their work. Such recognition can do many things that what a cash reward can do. Armstrong and Murlis (2005), underlined on the point that, recognition is supposed to be given judiciously. That is, it must be related to real achievements of employees. The recognition given will have a great impact if it is followed by provision of achievement bonuses awards.

**Achievement**

The other type of non-financial reward is recognition. It is defined as the need for competitive success measured against a personal standard of excellence. This is one of the three major needs of employees at managerial position: achievement, power, and affiliation. Employees’ achievement motivation can be raised by organizations through processes such as job design, performance management, and skill or competency-related pay schemes.

**Promotion**

It involves a competitive selection process, and results in the employee’s movement in to a different role in a higher pay band. If it is done fairly it enhance employee motivation and competitiveness.

**Personal growth**

Individual employees irrespective of their current level want to upgrade themselves. This is the philosophy of continuous development. The availability of learning opportunities, the selection of individuals for high-prestige training courses and programs and the emphasis placed by the organization on the acquisition of new skills as well as the enhancement of existing ones, can all act as powerful motivators of employees to higher performance.

**Working Condition**
The conditions in which an individual or staff works, including but not limited to such things as amenities, physical environment, stress and noise levels, degree of safety or danger, and the like.

2.6.3 Elements of Total Reward

Armstrong and Murlis, 5th edition (2004) Essentially, the notion of total reward says that there is more to rewarding people than throwing money at them, or, as Helen Murlis and Steve Watson put it: ‘The monetary values in the reward package still Total reward and engaged performance matter but they are not the only factors.’ They went on to say: ‘Cash is a weak tactic in the overall reward strategy; it is too easily replicated. Intrinsic reward is far more difficult to emulate.’ But they also stress that total reward policies are based on ‘building a much deeper understanding of the employee agenda across all elements of reward’.

2.7 Impacts of Reward

Torrington et al., (2009) stated reward has multi-dimensional impact on the general effectiveness of a company through such as attraction and retention of employees, motivation of performance, motivation of skill development and driving changes.

Attracting staff: the reward package on offer must be sufficiently attractive vis-a-vis that of an organization’s labor market competitors to ensure that it is able to secure the services of the staff it needs. The more attractive the package, the more applications will be received from potential employees and the more choice the organization will have when filling its vacancies. Similarly, Wills (2000) confirmed the idea as reward is the most critical issue when it comes to attracting and keeping talent. Attractive packages allow the appointment of high-caliber people and often mean that organizations are bale to fill vacancies more quickly than is the case with reward offering which is either unattractive or poorly communicated. However, what is ‘attractive’ in total reward terms in one labor market will be less attractive in others because people vary in hat they are looking for. There is thus a need to establish what the target market values most and to tailor the offering accordingly (Torrington et al., 2009).

Retaining staff: the costs associated with recruiting and developing people, as well as the growing significance of specialist organizational knowledge in creating value and maintaining competitive advantage, mean that retaining effective performers is a central aim of reward strategy in many organizations, particularly those competing in knowledge intensive industries where highly qualified people are in short supply. This requires strategic aspects of reward
package that is attractive enough to prevent people from becoming dissatisfied and looking elsewhere for career development opportunities. Flynn (1998) also added reward and recognition program keep high sprit up and improve the retaining capacity of companies (Terrington et. Al., 2009).

Motivating staff: reward play a vital role in determining the significant performance in job and most commonly, it is positively associated with the process of motivation (Danish & Usman, 2010). Aside from helping to ensure that effective performers are recruited and retained, in more general terms it is necessary that reward package should serves to motivate positively and does not demotivate. Occupational psychologists many of whom accept that the power of monetary reward to motivate is very limited, at least over the longer term, have long debated the question of the extent to which money ever can positively motivate. What is not in doubt, however, is the very considerable power of poorly designed or implemented reward practices demotivate, particularly when they are perceived by staff to be inequitable in some shape or form.

Driving change: pay can be used specifically as one of a range of tools underpinning change management processes. The approach used is to ties base pay, bonuses or promotion to the development of new behaviors, attitudes or skills gained by employees. Pay works far more effectively than simple exhortation because it provides a material incentive to those whose natural inclination is to resist change. It also sends out a powerful message to employee indicating the seriousness of the employer’s intentions as regards proposed or ongoing changes (Torrington et al., 2009)

2.8 Empirical Review

Empirical Reviews requires a whole organization approach that taps into its specific strategic need to be successful. What’s equally clear is that many employers instinctively understand that reward management and recognition are a crucial factor in building the engagement of their employee and many have yet to fully integrate it into an engagement strategy. Further, the study of ” Corporate Leadership Council” Studies (2004) and CIPD (2007) underlined that the key driver for engagement are importance of the nature of the work and the resources available to do the job, career and development opportunities, the work environment and the rewards and benefits on offer. Particularly Rewards & benefits (Pay, benefits, recognition & incentive etc.), career opportunities, learning and development, Quality of life (work/life balance, physical work environment) which are the constituent of total reward have greater
impacts on employee engagement. The worldat work, (2010), study shows that the causal relationship between total reward and organizational performance linked by employee engagement which comprises compensation, benefits, work life balance, performance feedback and career and development that increase employee engagement which in turn improves organizational performance. According to the research by Reilly and Brown (2008) contend that appropriate reward practices and processes, both financial and non-financial and managed in combination, can help to build and improve employee engagement, and that badly designed or executed rewards can hinder it. Their model based on research into how reward policies influence performance through engagement; providing regular open feedback, building team work, career development, and work life balance through applying variable pay strategy, team rewards, recognition to end up with the employee engagement through satisfaction, feeling involved, developed and committed performance. Derara (2014), study supports the inclusion of job characteristics, rewards and recognition, and organization justice in models of employee engagement. The results have important implications for assisting managers and companies to better understand and control factors that may lead to improved levels of employee engagement. And the result also shows that when employees receive rewards and recognition from their organization, they will feel obliged to respond with higher levels of engagement.

2.9 Conceptual Framework

The Study Based on the overall review of related literatures the following conceptual framework is develop by the researcher. The conceptual framework used in this study shows that, there is relationship between reward management practice and employee engagement as well as motivation.

Figure 2.1 Conceptual Framework

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Payment/compensation</td>
<td>▪ Employee motivation and engagement</td>
</tr>
<tr>
<td>▪ Benefit</td>
<td></td>
</tr>
<tr>
<td>▪ Work life balance</td>
<td></td>
</tr>
<tr>
<td>▪ Performance feedback and recognition</td>
<td></td>
</tr>
<tr>
<td>▪ Development and career opportunity</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Modified from Robinson and worldatwork`s 2004 and 2006)
CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

There are three approaches to conduct any research: Qualitative, Quantitative and Mixed approaches. According to Saunders et. al. (2009). Mixed method approach is the general term for when both qualitative and quantitative data collection techniques and analysis procedures are used in research design. In this study mixed-method approach is used to ensure effectiveness of the research process as the findings of the qualitative data enhance the findings of quantitative one and the vice versa.

This research was conducted using descriptive research based on survey method. It is a case study of specific insurance company and survey method enables the researcher to have a designed data. Descriptive research is basically used to ascertain and describe the characteristics of variables of interest in some situation and subject of the study. The study has also explanatory features to explain the existing practice and the reasons behind it.

3.2 Study Area

The study has undertaken on Nyala Insurance Share Company to assess the employees’ motivation and reward practice (financial and non-financial). The focus was on practices in head office and eight selected branches based in Addis Ababa.

3.3 Participants of the Study

More than 50% head office employees and eight branches of Nyala Insurance Share Company based in Addis Ababa has participated in the study. From out of 170 employees, the study has engaged 120 employees directly and it consists managers to lower level employees using Taro Yamane (1967) sampling model.

3.4 Data Sources

To attain the aim of the study, both primary and secondary data has be used.
• Primary Data has been gathered from sample respondents (whom are primary Sources) which were chosen through sampling from the total study population. The instruments engaged in order to collect primary data through structured questionnaires and personal interviews. 120 employees have been included in structured questionnaires. Semi-structured interview has been conducted to triangulate and verify the data.

• Secondary data including documented company profiles, human resource manual, policies and notes on reward techniques, year-end reward decision documents and various records found in the company’s registration has been used

3.5 Data Collection Procedure

Questionnaires and interviews are used as an instrument to collect primary data from the respondents. The written questionnaire was hand-delivered to the participants in order to gain the highest possible response rate. In order to minimize the frustration of the respondents and hence the amount of uncompleted questionnaires, the number of questions was limited to a minimum. The questions were written as short as possible and the respondents did not need to write down any answers, only mark with an X whether they strongly agree, agree, disagree or strongly disagree. The factors have been analysed using Likert scale with five response categories (1= strongly agree, 2 = agree, 3 = neutral, 4 = disagree and 5 = strongly disagree). According to Robson Colin (2002), the Likert scale method is preferred to make questions interesting to respondents and thereby enhance their cooperation, ultimately to ensure maximum response rate.

In addition to the questionnaire, some qualitative information was gathered throughout three personal interviews with one customer service officer, human resource manager and finance manager. The author chose to interview these individuals due to the fact that they were able to give some insight information on the specific opportunities and threats that Nyala Insurance S.C has been experiencing concerning the company’s reward systems and the employees work motivation. The interviews were carried out as semi-structured. The questions were sent out to the interviewees in beforehand, hence giving them the opportunity to prepare. The interviews lasted approximately one hour with each and contained 5 questions. The questionnaire and the interview questions can be found in the appendix.

3.6 Sampling Techniques

In the process of conducting this study, both probability and non-probability sampling has been used to select the study respondents. The study respondents for interview was selected using
non-probability sampling (purposive base) because officials or experts who are directly working on the research problems are expected to have rich knowledge and data than others. To carry out the study, data has be gathered from all employees who are working in the head office and eight selected branches through survey questionnaire.

The following sample size determination formula was used to determine the sample size which is developed by Taro Yamane (1967). The total population is 170

\[ n = \frac{N}{1+N(e)^2} \]

Where \( n \) is the sample size, 
\( N \) is the total population size, and 
\( e \) is the level of precision or sampling error = ( 0.05)

Therefore sample size is

\[ n = \frac{170}{1+170(0.05)^2} = 120 \]

Taro Yamane model is selected to determine sample size because of its advantage to increase accuracy, generalize-ability and convenience.

The number of total population and sample of respondents taken from each branch is indicated in the following table 3.1

<table>
<thead>
<tr>
<th>S/No</th>
<th>Branches</th>
<th>Number of population</th>
<th>Number of Samples taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Head Office</td>
<td>119</td>
<td>67</td>
</tr>
<tr>
<td>2</td>
<td>Main Branch</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>3</td>
<td>Corporate East Branch</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>4</td>
<td>Life &amp; Health Branch</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>5</td>
<td>Corporate West Branch</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>6</td>
<td>Kazanchise Service Center</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>Kera Service Center</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>8</td>
<td>Legehar Service Center</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>9</td>
<td>Bekilo bet Service center</td>
<td>4</td>
<td>3</td>
</tr>
</tbody>
</table>

**Total** | **120**
3.7 Method of Data Analysis

Quantitative data is used to analyze the data using Statistical Package for Social Sciences (SPSS). Variables such as income, sex, age, work experience, education status, are also analyzed using descriptive statistic mainly percentage and means. The data are summarized descriptively using graphs, pie and tables. Qualitative data has been gathered through key informant interview, and documents are reviewed and described verbally.
CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter presents the process through which the final results are obtained and a discussion on the results. It starts with the background information (demographic profiles of the respondents) and goes through statistical methods of data analysis that includes descriptive analysis and supported by interview results.

4.1 Descriptive Statistics for General Information

Table 4.1 Respondents’ Demographic profile

<table>
<thead>
<tr>
<th>Variables</th>
<th>Classification of Variables</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>59</td>
<td>49.2%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>61</td>
<td>50.8%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>120</td>
<td>100%</td>
</tr>
<tr>
<td>Age</td>
<td>Under 25</td>
<td>26</td>
<td>21.7%</td>
</tr>
<tr>
<td></td>
<td>26 -35</td>
<td>71</td>
<td>59.2%</td>
</tr>
<tr>
<td></td>
<td>36-45</td>
<td>17</td>
<td>14.2%</td>
</tr>
<tr>
<td></td>
<td>Above 46</td>
<td>6</td>
<td>5.0%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>120</td>
<td>100%</td>
</tr>
<tr>
<td>Education</td>
<td>Certificate</td>
<td>2</td>
<td>1.7%</td>
</tr>
<tr>
<td></td>
<td>Diploma</td>
<td>12</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>First degree</td>
<td>84</td>
<td>70%</td>
</tr>
<tr>
<td></td>
<td>Above first degree</td>
<td>22</td>
<td>18.3%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>120</td>
<td>100%</td>
</tr>
<tr>
<td>Tenure (in years)</td>
<td>Below five</td>
<td>56</td>
<td>4670%</td>
</tr>
<tr>
<td></td>
<td>5 to 10</td>
<td>50</td>
<td>4170%</td>
</tr>
<tr>
<td></td>
<td>11 to 15</td>
<td>9</td>
<td>750%</td>
</tr>
<tr>
<td></td>
<td>Above 15</td>
<td>5</td>
<td>420%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>120</td>
<td>100%</td>
</tr>
<tr>
<td>Salary</td>
<td>2,000 - 4,000</td>
<td>9</td>
<td>7.5%</td>
</tr>
<tr>
<td></td>
<td>4,001 - 6,000</td>
<td>22</td>
<td>18.3%</td>
</tr>
<tr>
<td></td>
<td>6,001 - 10,000</td>
<td>39</td>
<td>32.5%</td>
</tr>
<tr>
<td></td>
<td>10,001 - 15,000</td>
<td>29</td>
<td>24.2%</td>
</tr>
<tr>
<td></td>
<td>15,001 - 25,000</td>
<td>17</td>
<td>14.2%</td>
</tr>
<tr>
<td></td>
<td>above 25,000</td>
<td>4</td>
<td>3.3%</td>
</tr>
</tbody>
</table>
As shown in table 4.1, out of the total respondents 49.2 % (59) were male and the remaining 50.8% (61) were female. This indicates that the number of proportions between male and female employees in the organization is approximately proportional.

Regarding respondents’ age category, the highest group of respondents’ are 71 (59.2%) which falls under age category of 26 – 35 and the next higher group 26 (21.7%) which falls under age category of under 25. In general, 80.9% of the company employees are aged below 35 which shows that the office has energetic and young work force. Torrington, Hall, & Taylor (2008) suggested that younger employees are more interested in high direct earnings at the expense of indirect benefits such as pensions which will be more interested to older employees. Therefore, the company is highly expected to analysis the importance of direct payment to this age group and tries to meet accordingly for its own benefit as it has an impact in its profitability and reputation. Failure of meeting the need will bear a risk of instability or employees turnover. The remaining groups of respondents are between 36-45 and above 45 years which are accounted to 17% and 6% of the total respondents respectively. These age group generally interested in the long term benefits such as

<table>
<thead>
<tr>
<th>Positions</th>
<th>Total</th>
<th>120</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branch Manager</td>
<td>10</td>
<td></td>
<td>8.3</td>
</tr>
<tr>
<td>Office Manager</td>
<td>7</td>
<td></td>
<td>5.8</td>
</tr>
<tr>
<td>Senior Accountant</td>
<td>8</td>
<td></td>
<td>6.7</td>
</tr>
<tr>
<td>Senior Customer Service Officer</td>
<td>13</td>
<td></td>
<td>10.8</td>
</tr>
<tr>
<td>Senior Auditor</td>
<td>4</td>
<td></td>
<td>3.3</td>
</tr>
<tr>
<td>Accountant</td>
<td>8</td>
<td></td>
<td>6.7</td>
</tr>
<tr>
<td>Engineer</td>
<td>3</td>
<td></td>
<td>2.5</td>
</tr>
<tr>
<td>Cashier</td>
<td>7</td>
<td></td>
<td>5.8</td>
</tr>
<tr>
<td>Inspector</td>
<td>3</td>
<td></td>
<td>2.5</td>
</tr>
<tr>
<td>Customer Service Officer</td>
<td>33</td>
<td></td>
<td>27.5</td>
</tr>
<tr>
<td>General Service Officer</td>
<td>2</td>
<td></td>
<td>1.7</td>
</tr>
<tr>
<td>Underwriting Officer</td>
<td>15</td>
<td></td>
<td>12.5</td>
</tr>
<tr>
<td>Junior Branch Analysis</td>
<td>1</td>
<td></td>
<td>0.8</td>
</tr>
<tr>
<td>Project Assistant</td>
<td>2</td>
<td></td>
<td>1.7</td>
</tr>
<tr>
<td>RIO</td>
<td>2</td>
<td></td>
<td>1.7</td>
</tr>
<tr>
<td>Store Keeper</td>
<td>2</td>
<td></td>
<td>1.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Own survey result, 2018

As shown in table 4.1, out of the total respondents 49.2 % (59) were male and the remaining 50.8% (61) were female. This indicates that the number of proportions between male and female employees in the organization is approximately proportional.

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pension scheme. Therefore, the company reward system (financial and non-financial) needs to consider the need of all age category.

With respect to level of educational qualification, the above chart clearly indicates that majority of the work forces (70%) acquired their first degree. Respondents above first degree holders consists of 18.3%, Diploma holders of 10% and the rest 1.70% holds certificate. This implies that employees of Nyala Insurance S.C are fairly educated.

The table indicates that employees’ work experience of below 5 year is accounted to 46.7% whereas employees with 5 - 10 years of work experience is accounted to 41.7%. Employees with work experience of 11 - 15 and above 15 constitute 7.5% and 4.1% respectively. This implies that the company has employees’ turnover issue as its 46.7% of its employees have no work experience for more than 5 years. The interview result revealed that the employees’ turnover has been a series challenge to the company which leads to additional cost. The common reason given by employees while leaving the office is related with reward package. It is learned that currently employees are becoming more sensitive for direct payments due to increase in cost of living and high competition in the industry.

The table illustrates that 27.5% of the participants are Customer Service Officers. The rest are accounted as 12.5% Underwriting Officers, 10.8% are Senior Customer Service Officers, 8.3% are Branch Managers, 6.7% are equally Senior Accountant and Accountant, 5.8% are equally for Office Manager & Cashier, 3.3% are Senior Auditors, 2.5% are equally Engineer & Inspector and 1.7% are equally General service officers, Project Assistant, RIO and Store Keepers. The table shows that highest category or number of employees are Customer Service Officers who directly involves with customers in a daily basis. The company provides representation allowance for officers who works in the front since they represent the company values and concern. Beside financial rewards, employees with this position needs continues training and skill development for more productivity. One way of measuring the success of a company is by its number of customers. Retaining the existing customers and attracting new customers is highly influenced by Customer Service Officers performance in the front. They are the first hand and face of the company to meet customers and their impression affects the customer satisfaction. During the interview, the staff members indicated that the office is not providing trainings and skill development opportunities in a regular basis to this particular position. It is learned that some important trainings have been provided to employees in request.
basis. However, to maintain its value and to increase its profitability, the company is expected
to provide continues training and development opportunities in a systematic and strategic way.

Regarding salary classification, the participants were classified in to six categories based on
the salaries held at the time of study. As shown in the table, the majority (32.5%) of
participants, were categorized under 6,001 – 10,000. The second higher categories were 10,001
– 15,000, 24.2%. The third categories were classified as 4,001 – 6,000, 18.3%. The other
categories were 15,001 – 25,000 which constitutes 14.2%, 2,000 – 4,000 constitute 7.5% and
finally salary categorized above 25,000 constitutes 3.3%.

### 4.2 Current Reward in Use

Table 4.2 employees’ response to the current practice reward in use

<table>
<thead>
<tr>
<th>Scale the significance of the below list reward for you; which are currently offered by your company</th>
<th>Very significant</th>
<th>Slightly significant</th>
<th>Neutral</th>
<th>Slightly insignificant</th>
<th>Very insignificant</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>%</td>
<td>Count</td>
<td>%</td>
<td>Count</td>
</tr>
<tr>
<td>Salaries.</td>
<td>32</td>
<td>26.7</td>
<td>37</td>
<td>30.8</td>
<td>29</td>
</tr>
<tr>
<td>Bonus.</td>
<td>41</td>
<td>34.2</td>
<td>32</td>
<td>26.7</td>
<td>17</td>
</tr>
<tr>
<td>Insurance plan.</td>
<td>32</td>
<td>26.7</td>
<td>33</td>
<td>27.5</td>
<td>24</td>
</tr>
<tr>
<td>Transport allowance.</td>
<td>18</td>
<td>15</td>
<td>33</td>
<td>27.5</td>
<td>24</td>
</tr>
<tr>
<td>Pension/ retirement benefit.</td>
<td>26</td>
<td>21.7</td>
<td>39</td>
<td>32.5</td>
<td>18</td>
</tr>
<tr>
<td>Responsibility and interesting duties.</td>
<td>37</td>
<td>30.8</td>
<td>38</td>
<td>31.7</td>
<td>16</td>
</tr>
<tr>
<td>Recognition and feedback from supervisors</td>
<td>25</td>
<td>20.8</td>
<td>37</td>
<td>30.8</td>
<td>21</td>
</tr>
<tr>
<td>Job related training.</td>
<td>25</td>
<td>20.8</td>
<td>33</td>
<td>27.5</td>
<td>17</td>
</tr>
<tr>
<td>Job security</td>
<td>39</td>
<td>32.5</td>
<td>31</td>
<td>25.8</td>
<td>21</td>
</tr>
<tr>
<td>Career advancement opportunity</td>
<td>23</td>
<td>19.2</td>
<td>38</td>
<td>31.7</td>
<td>24</td>
</tr>
</tbody>
</table>

**Source: Own survey result, 2018**

Questionnaires under table 4.3 were to analysis how significant the listed rewards for Nyala Insurance S.C employees. As it is shown on the above table, bonus is considered as very significant by 34.2% and salary is significant by 30.8%. Bonus is normally provided by the company once in a year and more attractive than salary. As it was explained during the interview, the amount of bonus to be offered to employees is depend on the level of profitability
of the company at that particular year. The more the company is profitable, the more the bonus amount to be paid. Staff usually prefers bonus because bonus is less taxable than salary and it is given as lump sum payment.

As shown in figure 4.1, 80% of employees are aged below 35 and generally young employees are more attracted to financial payments than non-financial. It is also learned that every year staff members expects yearly increase of salary regardless of the level of bonus rewarded. Overall, unattractiveness of bonus and salary payment results high employees turnover which affects the profitability of the company in a negative way. Moreover, it affects the reputation of the company and reduces its acceptance in the wide market. One of the challenges to the existing reward scheme is the dynamic nature of reward practices in the industry. High competition and instability of the labour market have been another factor affecting the current reward system in use. Further to the result, job security is the most significant non-financial reward by 32.5% while recognition and career advancement opportunity considered equally important. It is explained that employees prefers secured job status since the market supplies excess manpower especially for junior officers level.

The company made available both financial and non-financial rewards for its employees like fair salary, annual bonus, retirement pension, indirect financial benefits (insurance plan, education fee), transport allowance responsibility and interesting job, recognition and feedback from supervisors, job related training, and career advancement. Most of these rewards are available for every employee, there are few rewards offered only to high ranking employee of the company, which they are not willing to mention those rewards specifically. However, the company must identify which reward from both financial and non-financial reward scheme considered significant by the employee and focus on those to achieve its reward objectives. According to expectancy theory strength and attractiveness of expected reward for given input will determine one’s level of motivation. the rewards has to be the ones which employees appreciate and consider to be of high significance otherwise the rewards do not have positive impact on employee motivation.

4.3 Design of the Current Reward in Use

Reward management is one of the strapping feature that organizations use to attract and retain its most valuable and worthy assets. Reward includes financial as well as non-financial rewards. Today’s employees not only require money to fulfil their basic needs but they also necessitate various non-financial rewards and benefits, often known as the Fringe Benefits.
These fringe benefits include bonus, retirement benefits, gratuity, educational and medical facilities etc.

Table 4.3 Response related to design of Current Reward in Use

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am well communicated about the rewards offered by the company</td>
<td>15(12.5%)</td>
<td>29(24.2%)</td>
<td>40(33.3%)</td>
<td>18(15%)</td>
<td>18(15%)</td>
</tr>
<tr>
<td>The reward system designed by the company shows its investment and care for employees</td>
<td>10(8.3%)</td>
<td>37(30.8%)</td>
<td>36(30%)</td>
<td>26(21.7%)</td>
<td>11(9.2%)</td>
</tr>
<tr>
<td>The reward practice of the company motivate me to work toward achievement of company’s goal.</td>
<td>11(9.2%)</td>
<td>36(30%)</td>
<td>33(27.5%)</td>
<td>20(16.7%)</td>
<td>20(16.6%)</td>
</tr>
<tr>
<td>The reward system designed by the company takes employees’ need in to consideration.</td>
<td>5(4.1%)</td>
<td>32(26.7%)</td>
<td>44(36.7%)</td>
<td>31(25.8%)</td>
<td>8(6.7%)</td>
</tr>
<tr>
<td>Reward system of the company is designed to reward good performance than status or seniority.</td>
<td>11(9.1%)</td>
<td>26(21.7%)</td>
<td>38(31.7%)</td>
<td>32(26.7%)</td>
<td>13(10.8%)</td>
</tr>
</tbody>
</table>

**Source: Own survey result, 2018**

Due to the dynamic nature of the reward practice in the industry, the company is enforced to conduct salary survey twice in a year. The survey mainly focus on financial rewards and conducts by its own HR officers. The comparators pay scale (benefit package) with in the industry and cost of living of working stations is the main area to be focused while doing the survey. As it was explained during the interview, the survey process is too long and does not include non-financial rewards as part of the survey. Moreover, the survey results are usually applied at the end of the year which is sometimes considered as late decision.

Table 4.4 shows the questionnaire result on current reward practice in use and employees perception. The first question was how well employees are communicated about the company’s reward system in place. Respondents accounted to 24.2% are agreed that the reward in use is well communicated. 33.3% of the respondents which is the highest score in its category are neutral and it implies that significant number of the company employees are not aware or not sure about the company’s reward system in use. Further to this question, 12.5% of respondents have strongly agreed to the statement and 15% of respondents equally replied as disagree and
strongly disagree. Staff accounted to 30% are not clear about the company’s reward practice at all.

As it has been understood through interview, staff members have been raising the issue of clarity in the company’s reward system for number of years. The clarity issue on reward process, eligibility criteria and types of rewards has not been supported by strong policy and not communicated to all employees. These issues have been one of the reasons for staff members not to stay in the organization for long period. The company needs strong reward policy since such policy motivates employees for better performance.

According to Frederick Herzberg two-factor theory, organization policy including reward policy can truly encourage employees to work hard and enjoy their jobs. It also involves what people actually do on the job and should be engineered into the jobs employees do in order to develop intrinsic motivation within the workforce. Table 4.4 verifies this theory which shows 56% of the company employees have less than 5 years of experience (stay in the organization).

The table has also summarized a response on “the current reward system designed by the company shows its investment and care for employees”. Regarding to the statement, 30.8% of respondents are agreed and 30% are neutral. This shows that 30% of respondents are not sure about the company’s investment and care for its employees in its current reward system. This percentage is significant as it takes almost equal number of employees who responded as agreed. It also shows that the current reward system of the company lacks clarity and accessibility to all employees. Moreover, there is high chance that employees with neutral stand could be turned in to disagree unless the company takes quick action. Further to the questionnaire result, 30.9% of respondents replied that they don’t believe the company’s investment in its reward system shows care for its employees. During the interview, it is indicated that the company has been making investments to its reward system in the form of yearly bonus, salary increment, different allowances, recognition, training opportunities and others to show its commitment and care for its employees. However, its investment did not positively impacted all its employee because comparators in the financial institutions especially banks provides better investments for their employees. In year 2017, more than 70% of employees who left Nyala Insurance S.C has joined different banks. The dynamic nature of the financial institutions has been affecting the company’s reward system in a negative way.
Further to the analysis, a question was raised if the current reward in use is motivating employees to achieve the company’s goal. The result shows 30% of respondents are agreed that the current reward system of the company motivates them to achieve the company’s goal. On the other side, 27.5% are neutral which nearly equal to “agreed” respondents and are not sure whether the reward system is motivating them towards achieving the company goal or not. This shows that the company has big chance to convert employees with neutral stand to “agree” if it takes appropriate action. Otherwise, employees with neutral stand could easily turned in to “disagree” and affects their motivation negatively. Further to the questionnaire result, 16.6% of respondents have equally replied as “disagree” and as “strongly disagree”. In total, 33.2% of respondents replied that the current reward in use is not motivating them to achieve the company’s goal. This implies that the productivity of substantial number of employees have been affected due to the current reward in use. As it was explained during the interview, the current reward system in use is based on individual performance but with poor evaluation criteria. Additionally, the company does not have a separate compensation or reward policy to motivate employees for better performance.

Another problem with the current reward system is the duration it takes to amend or update the pay scale. Normally, the company pays average salary of the industry and provides non-financial rewards as well. However, the survey process takes long time and affects the motivation of the employees in a negative way. Therefore, before its gets worsen, the office needs to review its current reward in use, develop comprehensive reward policy and correlate it with individual performance with clear evaluation criteria to increase the level of employees’ motivation. In contrary, 9.2% of respondents have replied “strongly agree” to this statement. This shows that the reward in use is motivating for few group or category in the scheme. As it has been learned from the interview, the level of allowance and benefit package offered to higher officials of the company is much far bigger than other employees and this could be unproportioned when it compared to the duties and responsibilities assigned.

The fourth question was if the reward system designed by the company takes employees’ need into consideration. 26.7% of respondents are agreed and 36.7% are neutral. The figures implies that majority employees have a neutral stand which could mean that the company considers their need partially. Further to this question, 25.8% of respondents disagree that the company’s reward system does not takes employees’ need in to consideration.
A good reward scheme considers employees’ need and design it accordingly. The result of the questionnaire implies that most of the employees (36.7%) are neutral which means neither agree nor disagree. The interview result confirms that employees are not asked or requested to provide feedback or direct participation while designing or amending the reward system. Late alone comprehensive survey, there is no a practice of involving employees during mid-year salary survey and consider employees’ need. As a result, the current reward system in place has missed to consider a number of employees’ financial and non-financial needs. The current reward system in use is mainly based on the pay scale of similar firms and comparators and offers average pay scale of the industry.

Another important question was if reward system of the company is designed to reward good performers than status or seniority. As indicated in the table, 31.7% of respondents are neutral and 26.7% disagree to this statement. Further to this question, 21.7% agree, 10.8% strongly disagree and 9.1% strongly agree with the statement. The figures shows that majority of employees do not agree that the company awards good performers than status or seniority.

In general, the driving force for employees’ motivation for better performance comes from financial or non-financial rewards. In contrary if the office grants reward because of status or seniority, employees’ motivation to score high performance will decrease. During the interview, employees reflected that there is no strong performance appraisal system in placed by the company to evaluate individual performance and to reward accordingly. A new system has been in placed to evaluate individual performance of employees twice in a year but is not strong enough to evaluate their performance since the evaluation criteria is not clearly defined and communicated to all employees. Moreover, a separate reward policy which includes evaluation criteria, what to reward and how to reward or the process is not developed and shared to all staff.

4.4 Motivation versus the Current Reward Schemes in use

Motivation is important to the company because it increases the performance level of employees, decreases employees turnover and absenteeism, and helps in accepting of organizational changes.
Table 4.4 employee’s responses to motivation versus reward schemes

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The reward allocation in my company is fair</td>
<td>6(5%)</td>
<td>44(36.7%)</td>
<td>25(20.8%)</td>
<td>30(25%)</td>
<td>15(12.5%)</td>
</tr>
<tr>
<td>My input is equitable with my outcome</td>
<td>4(3.3%)</td>
<td>41(34.2%)</td>
<td>27(22.5%)</td>
<td>37(30.8%)</td>
<td>11(9.2%)</td>
</tr>
<tr>
<td>My company acknowledge excellent performance</td>
<td>11(9.2%)</td>
<td>50(41.7%)</td>
<td>20(16.7%)</td>
<td>28(23.3%)</td>
<td>11(9.1%)</td>
</tr>
<tr>
<td>Our company value good performance than tenure, seniority, status, loyalty</td>
<td>17(14.2%)</td>
<td>40(33.3%)</td>
<td>21(17.5%)</td>
<td>33(27.5%)</td>
<td>9(7.5%)</td>
</tr>
<tr>
<td>The company recognition of good performance impact my level of motivation positively</td>
<td>14(11.7%)</td>
<td>43(35.8%)</td>
<td>25(20.8%)</td>
<td>31(25.8%)</td>
<td>7(5.8%)</td>
</tr>
<tr>
<td>My company treat its employee in equitable manner</td>
<td>12(10%)</td>
<td>35(29.2%)</td>
<td>31(25.8%)</td>
<td>29(24.2%)</td>
<td>13(10.8%)</td>
</tr>
<tr>
<td>The Company has clear and specific goals for each job</td>
<td>17(14.1%)</td>
<td>54(45%)</td>
<td>20(16.7%)</td>
<td>26(21.7%)</td>
<td>3(2.5%)</td>
</tr>
<tr>
<td>I am free to schedule my job</td>
<td>23(19.2%)</td>
<td>45(37.5%)</td>
<td>19(15.8%)</td>
<td>23(19.2%)</td>
<td>10(8.3%)</td>
</tr>
<tr>
<td>My job has visible and recognizable outcome which I am aware of.</td>
<td>29(24.2%)</td>
<td>43(35.8%)</td>
<td>24(20%)</td>
<td>16(13.3%)</td>
<td>8(6.7%)</td>
</tr>
<tr>
<td>My job requires various skills</td>
<td>37(30.8%)</td>
<td>42(35%)</td>
<td>13(10.8%)</td>
<td>20(16.7%)</td>
<td>8(6.7%)</td>
</tr>
</tbody>
</table>

Source: Own survey result, 2018

Table 4.5 shows the reward schemes of the organization and employees’ motivation at different angle. The first question was raised to understand if the reward allocation put in place by the company is accepted by its employees as fair or not. Out of total respondents, 36.7% are agreed that the reward allocation in the company is fair, in contrary, 25% disagree. Out of the rest of respondents, 5% strongly agree, 20.8% are neutral and 12.5% strongly disagree. The result shows that equal number of employees disagreed and agreed at the same time about the fairness of the existing reward system. The interview result revealed that employees from middle level to top management support and accepts the current reward system as fair. In contrary, from junior middle level to lower level employees disagree in its fairness. This implies that the current reward in use is not attractive and motivating for middle and lower level employees. The fairness of the company reward system can be measure by taking and comparing similar firms reward system. As it was proved in the interview, financial institutions like banks offered much better reward to middle or lower level employees than Nyala Insurance S.C. Therefore,
if the fairness issue of the current reward system in use particularly for middle or lower level employees is not addressed by the company promptly, the employees’ turnover will worsen and affects its profitability in a negative way.

Employees were asked if the company acknowledges employees performance regularly. 41.7% of respondents agreed that the company acknowledges excellent performance, 23.3% disagree, 16.7% are neutral, 9.2% strongly agree and 9.1% strongly disagree. This shows that most of the company employees believes that the company acknowledges good (excellent) performance. However, the acknowledgement is for performance in group or department or branches than individual performance.

The interview result reveals that the performance of each department and branch have been evaluated extensively and rewarded accordingly. As part of strategic plan, a clear and specific goal for each branch and department has been derived and shared, and evaluated accordingly. However, the office doesn’t put strong individual appraise system in place which helps employees to develop their own goal and evaluate accordingly. The current reward system in use is to award good performers of individuals and groups (branches) but with poor evaluation criteria. The existing criteria sometime creates argument between the supervisor and supervisee during performance evaluation. In addition to the company goal, employees needs to have their own plan which motivates and drives them to achieve. Collectively, it increases overall productivity of employees and profitability of the company.

Another question was if the company values good performance than tenure, seniority, status or loyalty since it has its own effect on employees’ motivation. The data shows 33.3% agreed and 14.2% strongly agreed that the office values good performance than tenure or seniority. Further to the data 17.5% of respondents are neutral, 27.5% disagree and 7.5% strongly disagree. Based on the analysis, totally 35% believes that the company is not valuing good performers rather it values tenure or seniority which implies the existence of series weakness in managing employees performance in the company. As it was discussed in the interview, the company has a rewarding system for good performers both individually and in group, yet 35% of the respondents are not happy with the existing system in use. The main reasons is lack of clarity in the performance evaluation criteria. As it was learned from the interview, the company needs to share clear performance evaluation criteria to all staff and award good performers in group and individuals. The clarity of procedures for performance evaluation and awarding practice in the company affects employees’ motivation. A good performance evaluation system
can help supervisors to avoid their personal bias or emotion against supervisee and support them to evaluate professionally.

Further to the above paragraph, employees of Nyala Insurance S.C were asked if recognition of good performance impacted their level of motivation positively. Out of total respondents, 35.8% are agreed and 11.7% are strongly agreed that it affects their motivation level positively. On the other side, 20.8% responded neutral, 25.8% disagreed and 5.8% strongly disagreed. As it was explained during the interview, substantial number of employees believes that the rewards given to the good performers motivates them for better performance. The current reward system of the company gives recognitions to good performers in the form of financial reward. However, the size of reward offered to higher level employees is much bigger than low level employees and is not proportional. As a result, 32% of respondents believe that financial recognition for their good performance does not motivate them for better performance. Moreover, the recognition for good performance shouldn’t be only in the form of payment but can be designed as combination with non-financial reward. Additionally, the recognition given to employees has to be the ones which employees appreciate and consider to be high significance.

Equitability issue within the company is another important matter to be discussed. The questionnaire result shows that 29.2% agreed and 10% strongly agreed that the company treats its employees in equitable manner. The rest responded that 25.8% neutral, 24.2% disagree and 10.8% strongly disagreed. Around 40% of employees believes the company treaties its employees equally and 35% disagree. Both extremes implies that near to equal number of employees who are working for the same company have been treated differently. Some of them are happy and some of them are not. According to the interview result, the main reasons for inequity among employees are lack of strong reward policy, lack of strong evaluation criteria for individual performance, lack of proportional award, insignificance of reward amount and unfair pay scale for lower level employees.

If the company fails to design or modify the existing reward system promptly to address the stated issues, the employees’ motivation will go down, increases employees’ turnover and affects the company’s profitability negatively. The correlation of employees’ turnover and company’s profitability is negative since it brings additional cost to the company such as recruitment cost, training cost and others.
Employees of Nyala Insurance S.C were asked if the Company has clear and specific goals for each job type. Out of the total respondents, 45% agreed and 14.1% strongly agreed that the Company has clear and specific goals for each job. 16.7% responded neutral, 21.7% disagreed and 2.5% strongly disagreed. Majority of employees agreed that the company jobs assigned to each employees have specific and clear goals. As learned during the interview, a generic job profile for similar job family have been developed and shared to all staff which includes goals, description, reporting lines, grade and location of the position. However, the given goal shouldn’t limit employees, rather the company needs to have defined system to motivate employees to develop their own goal and align it with the company goal. Doing so can increases employees’ motivation and helps employees to achieve the stated goals in their own way.

4.5 Analysis on Financial Reward

Table 4.5 responses to financial rewards

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>My company pays satisfactory salary to its employees</td>
<td>15 (12.5%)</td>
<td>47 (39.2%)</td>
<td>18 (15%)</td>
<td>24 (20%)</td>
<td>16 (13.3%)</td>
</tr>
<tr>
<td>I am satisfied by the bonus the company gives to its employees annually</td>
<td>37 (30.8%)</td>
<td>33 (27.5%)</td>
<td>14 (11.7%)</td>
<td>25 (20.8%)</td>
<td>11 (9.2%)</td>
</tr>
<tr>
<td>I am satisfied by the health insurance the company provided to employee</td>
<td>39 (32.5%)</td>
<td>37 (30.8%)</td>
<td>11 (9.2%)</td>
<td>25 (20.8)</td>
<td>8 (6.7%)</td>
</tr>
<tr>
<td>I am satisfied by the education fee the company offer to its employee</td>
<td>30 (25%)</td>
<td>23 (19.2%)</td>
<td>21 (17.5%)</td>
<td>29 (24.2%)</td>
<td>17 (14.2%)</td>
</tr>
<tr>
<td>Transportation benefit is fair with the current cost of transportation service</td>
<td>12 (10%)</td>
<td>26 (21.7%)</td>
<td>21 (17.5%)</td>
<td>29 (24.2%)</td>
<td>32 (26.7%)</td>
</tr>
<tr>
<td>The company has good retirement benefit package</td>
<td>8 (6.7%)</td>
<td>31 (25.8%)</td>
<td>40 (33.3%)</td>
<td>33 (27.5%)</td>
<td>8 (6.7%)</td>
</tr>
<tr>
<td>My salary is fair when compared with that of similar jobs in other companies</td>
<td>13 (10.8%)</td>
<td>46 (38.3%)</td>
<td>23 (19.2%)</td>
<td>24 (20%)</td>
<td>14 (11.7%)</td>
</tr>
<tr>
<td>Salary increment is managed fairly</td>
<td>13 (10.8%)</td>
<td>50 (41.7%)</td>
<td>20 (16.7%)</td>
<td>27 (22.5%)</td>
<td>10 (8.3%)</td>
</tr>
</tbody>
</table>

Source: Own survey result, 2018
The questionnaires were to understand the perception and response of Nyala Insurance S.C employees regarding the financial rewards provided by their employer. In relation to this, the first question was if the company pays satisfactory salary to its employees. The result of the questionnaire shows that 39.2% of respondents agreed and 12.5% strongly agreed that the company’s salary is satisfactory. In contrary, 20% disagree and 13.3% strongly disagree that the company salary is not satisfactory at all. The remaining 15% of respondents are neutral to this question. As it has been elaborated in the interview, most staff members believes the pay is reasonable for what they do. Above 50% of respondents are comfortable with the current pay scale even if the pay is not top when it is compared to similar organizations. One of the reason is pension fund. Before private pension fund was introduced by the Ethiopian government, there was the company pension fund which is more attractive. This scheme has continued for all staff who joined the company before the new pension scheme introduced. Employees who have provident fund resigns and join another company, they will be enforced to be enrolled in the current government pension scheme which is relatively unattractive. Therefore, staff members with provident fund are more comfortable than others. Majority of new and lower level employees are not happy with the existing reward scheme of the company. Financial institutions especially banks offers much better reward schemes for juniors and lower positions than Nyala Insurance S.C. and has resulted increase in employees’ turnover.

Annual bonus is another financial reward that employees of Nyala Insurance S.C were asked if they are satisfied. The result of the questionnaire shows that 30.8% of respondents are strongly agreed and 27.5% agreed that the company’s annual bonus is satisfactory. In opposite, 20.8% of respondents disagreed and 9.2% strongly disagreed. The remaining 11.7% of respondents were neutral. Bonus is a lump sum payment offered to employees usually once in a year. As it was elaborated during the interview, most employees are happy with the bonus policy and payment of the organization. Bonus is only subject to income tax and exempted from any other deductions. Most employees are comfortable with bonus payment because the net pay amount is higher than monthly salary. However, the level of bonus is not fixed rather it depends on the profitability of the company at that particular year. The more the profitability of the company, the more bonus amount to be distributed to employees. The bonus disbursement is based on the performance employees and branches or groups, as a result all employees will not get similar amount. Yet, employees raise their concern on the bonus disbursement ratio. Therefore, the company needs to develop a simple tool to transmit
information to all employees regarding bonus disbursement and to reduce employees’ dissatisfaction.

The third line of table 4.6, shows that the employees response against the company’s health insurance benefit. The result of the questionnaire shows that 32.5% strongly agreed and 30.8% agreed that the company’s health insurance is satisfactory. However, out of the total respondents 20.8% disagreed and 6.7% strongly disagreed. The rest of the respondents accounted to 9.2% are neutral to the company’s health insurance benefit. In general, more than 63% of the total respondents are happy with the existing health insurance policy of the company. As it was elaborated in the interview, the company is insurance provider and provides best insurance policy to its employees to use its competitive advantage. Yet, 27% of respondents still seeks better insurance policy than the existed one. It also mean that they are not aware the details of the benefits in practical terms.

Education fee is also part of the financial rewards provided to the company’s employee. Table 4.6 shows that 19.2% and 25% of the respondents are agreed and strongly agreed respectively that the company offers satisfactory education fee to its employees. It also shows that 24.2% and 14.2% of the respondents are disagree and strongly disagree respectively. The rest of the respondents accounted to 17.5% replied neutral. The company offers education allowance to its employees based on seniority and enforcement measure. As it was explained during the interview, the company provides education allowance to its eligible employees and requires employees to sign enforcement document to stay in the organization for two years. If they wish to leave the company before expected service years, they will be enforced to refund the costs. This practice discourages significant number of employees from extending their education. The company needs to encourage its employees to extend their education because in the long run, it increases employees’ productivity and company’s profitability. Therefore, the company needs to review the current education allowance policy as part of reward scheme and re-design it in such a way to motivate employees to extend their education at all level.

**4.6 Analysis on Non-Financial Rewards**

Table 4.6 employees responds to non-financial rewards

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have challenging and interesting job</td>
<td>26(21.7%)</td>
<td>52(43.3%)</td>
<td>18(15%)</td>
<td>17(14.2%)</td>
<td>7(5.8%)</td>
</tr>
</tbody>
</table>
The company offers carrier advancement opportunity  
| Percentage | 7(5.8%) | 55(45.8%) | 21(17.5%) | 28(23.3%) | 9(7.5%) |

The company provides job-related training opportunity to its employee  
| Percentage | 10(8.3%) | 52(43.3%) | 20(16.7%) | 25(20.8%) | 13(10.8%) |

Employee gets feedback and recognition from their supervisors  
| Percentage | 12(10%) | 53(44.2%) | 20(16.7%) | 26(21.7%) | 9(7.5%) |

Employee participates in decision-making that concerns them  
| Percentage | 6(5%) | 44(36.7%) | 24(20%) | 31(25.8%) | 15(12.5%) |

The company guarantees job security to its employee  
| Percentage | 8(6.7%) | 53(44.2%) | 17(14.2%) | 34(28.3%) | 8(6.7%) |

Source: Own survey result, 2018

Types of rewards in different organizations are not similar. In Table 4.7, a list of non-financial rewards and employees' answers is summarized. A questionnaire has been provided to employees of Nyala Insurance S.C. regarding a challenging and interesting job, and the questionnaire result shows that 43.3% of respondents agreed and 21.7% strongly agreed that their job is challenging and interesting. In addition to that, 15% of respondents replied neutral, 14.2% disagreed, and 5.8% strongly disagreed. In total, 20% of respondents are not happy with what they do on a daily basis. The interview result revealed that majority employees are happy with the nature of the job as it is interesting and challenging for them. However, job content for employees below the middle level is more boring. Different studies show that the more interesting the job is, the more motivation of employees for better achievements. In contrast, when employees are not happy with their job, their motivation and productivity will be affected negatively. Therefore, the company needs to review repeatable jobs and re-profiling them in such a way to make them more interesting and challenging.

Employees of Nyala Insurance S.C. were asked if there is a career advancement opportunity provided. The questionnaire result shows that 45.8% of respondents agreed and 5.8% strongly agreed that there is a career advancement opportunity in the organization. This implies that more than 50% of the company's employees are getting career advancement opportunity which benefits the organization and its employees. As it was learned from the interview, the company provides a formal learning opportunity to all employees up to degree level in the form of covering educational expenses. The company also encourages employees and covers expenses for international certificates such as ACCA. Further opportunities such as masters and above are sponsored based on seniority and competition. Eligibility criteria for all opportunities are clearly defined and shared with all staff. However, the practice has negatively affected good
performers who don’t have long service year in the organization. Moreover, the company has enforcement measure in place as collateral while providing such career opportunity. This is the main reason why 17.5% of respondents replied neutral, 23.3% disagreed and 7.5% strongly disagreed. The collateral and seniority criteria is discouraging conditions for a number of employees. The company needs to consider this as a competitive advantage and provide attractive career advancement opportunity to its employees since it benefits the company as well in the long run.

In the questionnaire, the employees of Nyala Insurance Company are asked if the company provides job related training opportunities to its employees. As a result, 43.3% agreed and 8.3% are strongly agreed that the company provides job related training opportunities to its employees. Trainings are normally arranged in need base and usually provided in groups. Above 50% of employees are happy with the existing training practices. The rest of the result shows that 16.7% are neutral, 20.8% are disagreed and 10.8% strongly disagreed that the company provides job related training opportunities to its employees. This shows that more than 30% of employees are not happy with the existing training practices and wish to be changed. During the interview, it is mention that the company has limitation in meeting all training requests due to cost and training type. In order to address training needs with less cost, the company needs to have a separate Learning and Development unit or department in its structure to analysis training needs and meet accordingly. The unit can easily prepare trainings as a module and shares online to all employees using the company intranets. Doing so will reduce costs for the company and can reach to all employees easily.

Employees of Nyala Insurance S.C were asked if they gets feedback and recognition from their supervisors for their good work. Recognition and feedback from supervisor is one of the well know non-financial rewards that different organizations applied. The result of the questionnaire shows that 44.2% of respondents are agreed and 10% are strongly agreed. The rest of the result shows that 16.7% are neutral, 21.7% are disagreed and 7.5% strongly disagreed that the company provides feedback and recognition from their supervisors. The recognition practice in the company is more of traditional and based on supervisors’ recommendation. However, as part of the reward system, the company needs to have a well-defined process or system to recognize good performers. According to motivation factor of Herzber theory, recognition is one of intrinsic factor which motivates employees for better performance. A direct payment does not motivate all employees especially top managers rather they wish to be recognized for
their good job. Therefore, the company can create a competitive advantage by designing strong policy and system for non-financial rewards to recognize good performers at all level.

Employees’ participation in decision making is also another important question to discuss. With this regard the questionnaire result shows 36.7% agreed and 5% strongly agreed that the company involves its employees in decision making process. On the other hand, 20% of respondents are neutral, 25.8% disagree and 12.5% strongly disagree that Nyala Insurance S.C does not participate its employees in decision making that concerns them. Different studies shows that involving employees in decision making process can help the company to empower and motivates employees. As it was learned during the interview, employees have given small range or procedure to make decisions in relation to day to day activity. However, the company needs to have a strategic plan and detailed process to involve its employees in big decisions which concerns them and the company since it benefits both. Empowered employees contributes to reducing costs associated with customer service issues. Employees with the power to make decisions and find solutions to customer complaints are able to provide exceptional customer service, yielding happier customers with increased loyalty to the company.

According to table 4.7, the last question from non-financial rewards was job security which is one of the big issues or challenges of employees in this dynamic world. The questionnaire result implies that 44.2% agreed and 6.7% strongly agreed that the office provides reasonable job security for its employees. However, 28.3% disagree and 6.7% strongly disagree that the office provides reasonable job security to its employees. The rest of the respondents which is 14.2% are replied neutral to this questionnaire. The data shows that 35% of employees are not provided job security. As we learned during the interview, the company’s last restructure didn’t affect the existed positions but employees’ turnover has been increasing. Unfortunately employees have linked the job security with the reward package of the company. Employees who settle into a position are more likely to achieve long-term career goals, better position themselves financially, and gain marketable skills that appeal to future employers.

**4.7 Comparison of Financial versus Non-Financial rewards**

Reward is the benefit received for performing a task. It is a positive stimulus or incentive that can be presented employees as compensation for their work. In most organizations, the purpose of reward system is to attract, retain and motivate qualified employees. The reward type or the
combinations offered by companies usually differs. Not only that the preference of employees for the reward type is also differs.

Figure 4.1 Financial versus Non-Financial rewards

![Financial vs Non-financial reward](chart.png)

**Source: Own survey result, 2018**

Summary of responds from employees of Nyala Insurance S.C regarding significance of financial and non-financial rewards show almost similar result. Out of the total responds, around 54% of respondents equally believes that both financial and non-financial rewards are equally significant. The data shows that employees wants the company to give equal attention and consider the importance of non-financial rewards. As part of the reward system, the company needs to design a new policy or update the existing policy for non-financial rewards and clearly communicate it to all employees. It helps the company to create competitive advantage and attracts employees. The figure also shows that 22.5% and 24.2% of respondents are replied as insignificant of financial reward and non-financial rewards respectively. It implies that almost equal number of employees believes that financial reward is more than important than non-financial reward or vice versa.

The interview result revealed that the absence of policy for non-financial reward has created confusion among employees. The company has limitation in offering combined reward scheme. Lack of clarity in performance evaluation criteria and poor communication is a common problems observed in both reward scheme.
The current market is full of competition and Rewards also go far beyond cash compensation and payments. Monetary compensation alone is insufficient to motivate employees. Other factors such as giving greater recognition, creating conducive work environment and establishment of better leadership system have the greatest impact on employee motivation. Therefore, the company needs to design strategic total reward scheme which includes both reward type to its employees.
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents summary of finding, conclusion, and recommendation made based the finding.

5.1. Summary of Findings

The broad objective of the research was to assess the practice of financial and non-financial rewards in Nyala Insurance Share Company, to identify related challenges and to provide recommendation. The researcher conducted an interview on reward practices of the company. The researcher also used structured questionnaire to collect data to identify challenges in the existed practice and analysed it using descriptive analysis. Based on the analysis of data and discussion of results, the followings are the summary of major findings of the study.

Nyala Insurance S.C provides both financial and non-financial rewards to employees. During the interview, it is mention that the company has written policy for financial rewards. But the policy was designed without employees’ participation. Beside that the company needs formal system to collect employees though and feedback to improve existed reward system and to evaluate its efficiency in regular bases. The company conducts salary survey twice in a year to update its pay scale but it performs using its own human resource officers with limitation of skill and knowledge. It would be much effective and trustworthy by employees if it was conducted or supported by external professionals.

The company has no written policy and procedures for non-financial rewards. The existing traditional way of awarding non-financial rewards is based on supervisory recommendations. Lack of operating standard procedure in awarding non-financial rewards has created confusion and employees dissatisfaction. In average 30% of employees have responded that they are not happy with the existing practice of awarding non-financial rewards. Lack of clear guidance for non-financial rewards such as how to select, how to evaluate and what to award has created confusion among employees. As learned from the interview, jobs are boring which needs re-profiling, trainings are not provided timely, there is no system for continuous development opportunities in the company. Moreover, non-financial rewards are insignificant and unable to motivate employees for better productivity.
The analysis of data shows that there is high employees’ turnover for middle and lower level employees. As it was learned from the interview, financial institutions especially banks provides much better benefit package for this job category. The duration or the extended span of the survey process in Nyala Insurance S.C is another factor affects employees negatively since the actions are not taken promptly. The dynamic nature of the industry and unstable economic situation of the country has mostly affected the lives of lower level employees in relation to cost of living. As a result, employees are enforced to look jobs in another companies even for smaller increment. The employees’ turnover creates additional cost for the company such as recruitment cost, training cost, legal dispute and others.

As part of the reward system, the company has put individual performance evaluation system in place and the evaluation process proceeds based on the standard template provided by the company. But the company doesn’t have written policy for staff performance appraisal and clear evaluation criteria to tackle personal bias. As a result, employees are evaluated based on their supervisors’ subjective judgments as indicated in the template which affects the trust among employees. Sometimes arguments between supervisor and supervisee is observed during performance evaluation. The lack of trust among employees will affect the company negatively since the performance result is linked to annual increments, bonus and future promotions.

The analysis of the study shows that 25% of respondents are not happy with the existing reward system in use. Some employees have developed unethical behaviour due to dissatisfaction in the reward scheme. Employees’ unethical behaviour is a very serious problem to be watched and corrected promptly since it affects employees’ motivation and performance. It also affected the relationship between supervisor and supervisee, and among employees.

5.2 Conclusion

The demographic information of Nyala Insurance S.C employees from survey points shows that, respondents are closely proportional in gender and implies, the analysis is inclusive of both genders. The collected data accounted to 70% of the total population (employee of the company) based in Addis Ababa and this implies that employees are fairly represented for the research.

The purpose of the research questions were to assess the practice of reward scheme in Nyala Insurance S.C. The interview result shows that the case company offered both financial and
non-financial rewards for its employee. But there is no system put in place either to evaluate the efficiency of the rewards or to know employee feeling on the current reward practice. It is also noted that the input of employees was not taken to consideration during reward design. Employees are not fully aware how the existing reward system works and it need to be well communicated. The well communicated reward scheme is more likely effective and brings trust among employees and the company.

The company’s practices in managing non-financial reward is not systematic and doesn’t have a written policy. The study shows that employees are equally interested for non-financial rewards as for financial reward. The company needs to have a policy for non-financial rewards to create and maintain competitive advantage with in the industry. Since competition is high in insurance industry, the company can focus in differentiation in terms of offering unique non-financial rewards in cost effective way. The company doesn’t have its one intranet to share good practices, training materials and new developments to its employees. This could be one of the areas that the company can create differentiation.

In general, the employees of Nyala Insurance S.C have shown equal interest for both reward type (financial and non-financial). However, the case company has gaps in designing combination of reward scheme which is supported by written policy, system and awareness creation programmes.

5.3 Limitation of the Study

The study focus only on practices and management of financial and non-financial rewards on Nyala Insurance S.C because of the limitation of resources like finance, data and most importantly time and the study is not representative of the insurance industries. It would be interesting to conduct industry wide study and extend this study to other industries.

Further a research can be conducted to examine the practices and management of financial and non-financial rewards and its effect on employee’s motivation with the moderating demographic differences like age and gender.
5.4 Recommendation

Based on the study, the following recommendations are made to Nyala Insurance S.C current reward system to make it more efficient and acceptable by its employees.

1. A formal system to collect employees’ feedback on the current reward system needs to be put in place. The current financial reward policy was developed without employees’ participation and should be revised in such as to consider employees need. The company also needs to create awareness and distribute information to its employees regarding the current reward in use.

2. The bi-yearly salary survey can be conducted in consultation with professionals who have reach skill and knowledge to make the reward system more attractive and acceptable by employees. To be cost effective, the company can train its own human resource officers, who are in charge to conduct survey, by experts to enhance their capacity.

3. Individual performance evaluation criteria needs be clearly define and communicated to all employees. The study shows that bonus and salary are more significant from financial rewards, and they are linked to performance results. Employees’ performance appraisal management should be beyond one page template and supported by written policy. There has to be a system which gives a space for employees to set their own goal and align it to the company objectives which helps to improve employees’ motivation.

4. The study shows that employees of Nyala Insurance S.C are equally interested for financial and non-financial rewards. Therefore:

4.1 Awarding non-financial rewards and its management has to be supported by policy and expected to communicate to all employees. Creating awareness and participating employees during the policy development is very crucial. Moreover, the company can create and maintain competitive advantage by offering reasonable non-financial rewards and focus on differentiation. The offer should be based on market assessment and affordability analysis. Additionally, the awards provided as non-financial rewards should be significant and acceptable by employees.

4.2 The company can introduce its own intranet. Through this channel, the company can share good practices, training materials and new developments to its employees. The system will create continuous employees professional
development, staff excellency and improves information flow with minimum cost.

5. Costs associated with employees’ turnover in middle and lower level can be minimized by providing competitive offer which includes both financial and non-financial reward. Additionally, the time span for salary survey should be shorten exceptionally for this job category to assess the market offer and amend accordingly. As a result, the employees’ turnover can be minimized

6. Strategic Total Reward System is more appropriate and effective mechanize for Nyala Insurance S.C. Total reward system is an offer by the company which consists combination of both reward type (financial and non-financial) and should be guided by policy.
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Appendix A: Interview Questions

To triangulate the data collection, the researcher has conducted an interview with customer service officer, human resource manager and finance manager. The interview questions are stated below.

I. Interview questions for Customer Service Offers

1. What is your understanding of the current reward in use and practice?
2. Which reward system do you believe the employees prefer? Why?
3. Do you believe the rewards have increased employee motivation? Why or why not?
4. Does the employees have an opportunity to participate on the decision making process of the reward system?
5. Could the reward systems be improved or developed further? How?

II. Interview questionnaire for human resource and finance manager

4. How is the office reward system of Nyala Insurance S.C designed?
5. What is the current reward practice of Nyala Insurance S.C?
6. Is it financial or non-financial reward more significant to employees’ motivation at Nyala Insurance S.C.?
7. Why are the impacts of the rewards on the employees’ motivation at Nyala Insurance S.C?
8. What change should be made in the company’s current reward system?
Dear Respondents,

I am conducting a master’s thesis on “Assessment of Reward Management Practice The Case of Nyala Insurance S.C.” as part of partial fulfilment of the requirement for masters on business administration. I have developed a questionnaire and I would be very grateful if you could take just few minutes to complete the questionnaire.

Please note that the questionnaire is made to protect your identity and the answers you give cannot be traced in any way. The results of the questionnaire will be used only for this research paper. The name of respondent shall not be appeared in any part of the paper.

Therefore, only your honest response for the questions determine accuracy of the research finding. Thus, we kindly request you to fill this questionnaire with utmost honesty and to forward your true feeling.

I Appreciate Your Cooperation

Mesay Manedo
Questionnaire to be filled by Employee of Nyala Insurance Share Company

Section One: Demographic Profile Questions

1. Please specify your gender? Male □ Female □

2. Please specify your age group?
   - Under 25 □
   - 26 up to 35 □
   - 36 up to 45 □
   - above 46 □

3. Please specify your educational background?
   - Certificate □
   - Diploma □
   - First degree □
   - Above First degree □

4. Please specify your length of service in this company?
   - Below 5 □
   - 5 up to 10 □
   - 11 up to 15 □
   - above 15 □

5. Your current position? _____________________________

6. In which of the following salary ranges falls your salary in ETB?
   - 2,000 – 4,000 □
   - 4,001-6,000 □
   - 6,001-10,000 □
   - 10,001-15,000 □
   - 15,001-25000 □
   - Above 25,000 □

Section Two: Questions Related to Current Reward in Use

The following questions are presented on a five point likert scale. If the item strongly matches with your response choose 1 (strongly agree), if you moderately agree on the idea choose 2 (agree), if you can’t decide on the point choose 3 (neutral), if you don’t agree with the idea choose 4 (disagree) and if you completely disagree with the point choose 5 (strongly disagree). The purpose of this questionnaire is to give you a chance to tell how you feel about your present job, what things you are motivated with & what things you are not motivated with. Each choice were identified by numbers ranged from 1 to 5.

Note: 1- Strongly agree, 2- agree, 3- Neutral, 4- Disagree 5- Strongly disagree
Scale the significance of the below list reward for you; which are currently offered by your company

<table>
<thead>
<tr>
<th>Reward</th>
<th>Very significant</th>
<th>Slightly significant</th>
<th>Neutral</th>
<th>Slightly insignificant</th>
<th>Very insignificant</th>
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</thead>
<tbody>
<tr>
<td>Salaries.</td>
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<tr>
<td>Bonus.</td>
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<td>Insurance plan.</td>
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<td>Transport allowance.</td>
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<tr>
<td>Pension/retirement benefit.</td>
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<tr>
<td>Responsibility and interesting duties.</td>
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<tr>
<td>Recognition and feedback from supervisors</td>
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<td>Job related training.</td>
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<td>Job security</td>
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<tr>
<td>Career advancement opportunity</td>
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</tbody>
</table>

2. I am well communicated about the rewards offered by the company.

1 □ 2 □ 3 □ 4 □ 5 □

3. The reward system designed by the company shows its investment and care for employee.

1 □ 2 □ 3 □ 4 □ 5 □

4. The reward practice of the company motivate me to work toward achievement of company’s goal.

1 □ 2 □ 3 □ 4 □ 5 □

5. The reward system designed by the company takes employees’ need in to consideration.

1 □ 2 □ 3 □ 4 □ 5 □

6. Reward system of the company is designed to reward good performance than status or seniority.

1 □ 2 □ 3 □ 4 □ 5 □
Section Three- Questions related to motivation and Reward Schemes.

3.1 Questions Related to Motivation

1. The reward allocation in my company is fair.
   1 □  2 □  3 □  4 □  5 □

2. My input is equitable with my outcome.
   1 □  2 □  3 □  4 □  5 □

3. My company acknowledge excellent performance.
   1 □  2 □  3 □  4 □  5 □

4. Our company value good performance than tenure, seniority, status, loyalty.
   1 □  2 □  3 □  4 □  5 □

5. The company recognition of good performance impact my level of motivation positively.
   1 □  2 □  3 □  4 □  5 □

6. My company treat its employee in equitable manner.
   1 □  2 □  3 □  4 □  5 □

7. The Company has clear and specific goals for each job.
   1 □  2 □  3 □  4 □  5 □

8. I am free to schedule my job.
   1 □  2 □  3 □  4 □  5 □

9. My job has visible and recognizable outcome which I am aware of.
   1 □  2 □  3 □  4 □  5 □

10. My job requires various skills.
    1 □  2 □  3 □  4 □  5 □
3.2 Questions Related to Financial Reward.

11. My company pays satisfactory salary to its employees

   1 □  2 □  3 □  4 □  5 □

12. I am satisfied by the bonus the company gives to its employees annually.

   1 □  2 □  3 □  4 □  5 □

13. I am satisfied by the health insurance the company provided to employee.

   1 □  2 □  3 □  4 □  5 □

14. I am satisfied by the education fee the company offer to its employee.

   1 □  2 □  3 □  4 □  5 □

15. Transportation benefit is fair with the current cost of transportation service.

   1 □  2 □  3 □  4 □  5 □

16. The company has good retirement benefit package.

   1 □  2 □  3 □  4 □  5 □

17. My salary is fair when compared with that of similar jobs in other companies.

   1 □  2 □  3 □  4 □  5 □

18. Salary increment is managed fairly.

   1 □  2 □  3 □  4 □  5 □

3.3 Questions Related to Non-financial Rewards.

17. I have challenging and interesting job.

   1 □  2 □  3 □  4 □  5 □

18. The company offers carrier advancement opportunity.

   1 □  2 □  3 □  4 □  5 □
19. The company provide job related training opportunity to its employee.

20. Employee gets feedback and recognition from their supervisors.

21. Employee participate in decision making that concern them.

22. The company guaranteed job security to its employee.
DECLARATION

I, the undersigned, declare that this thesis is my original work in partial fulfilment of the requirements for the award of a Master’s Degree in Business Administration, prepared under the guidance of Professor Belete Mebratu. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

_________________________  _______________________
Name                                                                Signature

St. Mary’s University, Addis Ababa                                  January, 2019
ENDORSEMENT

This thesis has been submitted to St. Mary’s University, School of Graduate Studies for examination with my approval as a university advisor.

_________________________                       ______________________
Advisor                              Signature

St. Mary’s University, Addis Ababa   January, 2019