

**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**



**THE EFFECT OF REWARD MANAGEMENT PRACTICE ON  
EMPLOYEE MOTIVATION: THE CASE OF GIZ OFFICE  
ETHIOPIA**

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**MAY, 2019  
ADDIS ABABA, ETHIOPIA**

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**APPROVED BY BOARD OF EXAMINERS**

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## **List of Acronyms and Abbreviations**

**GIZ** = Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

**HRM** = Human resource management

**HR** = Human resource

**BPR** = Business Process Reengineering

**SPSS** = Statistics package for social science

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## **Abstract**

*Organizations are seeking to develop, motivate and increase the performance of their employees in a variety of human resources applications. Therefore, the reward management system has been considered to be the most considerable practices of the human resource management system. Hence, the main objective of conducting this research study is to determine the relationship between reward and employee motivation. The result of the study may significantly contribute to the knowledge with regard to reward and employee motivation since it is a contemporary issue of the organization. Census research is implemented for the study. Mixed research method and Explanatory research design is used. Qualitative data collected through interviewing 6 staff. Quantitative data analyzed through descriptive statistics, correlation and regression analysis. 59 data collected out of the whole 71 employees of GIZ found at head office using questionnaires. The data collected was analyzed using SPSS version 20 software. As a result, the result of this study support that reward management practices have significant positive relationship with employee motivation. The findings of this study also propose that integrated reward management approach (total reward) has more positive significant approach on motivation. The study also investigate which components of reward management has largest contribution on employee motivation and as the result shows non-financial reward has largest contribution on employee motivation relative to financial one. Therefore, its sound to recommend that the organization should implement a total reward approach instead of standalone one.*

# **CHAPTER ONE: INTRODUCTION**

## **1.1 Background of the Study**

Any company, whether it is engaged in manufacturing or provision of service, needs human resource in order to achieve its objectives. Among other things, people usually consider the attractiveness of the reward package that an organization offers at the time of employment. Existing employees, also, works in expectation of some rewards. In most cases, reward systems are designed to attract and retain skilled employees, to promote specific job behaviors appropriate for high level of performance and motivate employees to work harden in return to help the company achieve its strategic goals Hume (2000).

According to Cascio (2003) "Reward includes direct cash payments, indirect payments in the form of employee benefits and incentives to motivate employees to strive for higher levels of productivity." In human resource management, reward is referred to money and other non-monetary benefits given to an employee for providing services to the employer.

Ajila and Abiola (2004) revealed that reward package can influence on employee performance. Based on their findings they concluded that reward system helps to increase employee performance by enhancing employee skills, knowledge and abilities to achieve organizational objectives. According to the Allen and Kilmann (2001) reward practices play a vital role in improving employee performance and to achieve organizational goals. As mentioned earlier, many researchers have identified that employee rewards directly attached to employees' performance. According to Heng (2012) if organization fails to reward employees, it will decrease employee performance; and an efficient reward system can be a good motivator but an inefficient reward system can lead low productivity, internal conflicts, absenteeism, high turnover, lack of commitment and loyalty, lateness and grievances. Therefore, organization needs to develop strategic reward system for employees in order to retain competent employees which result to obtain sustainable competitive advantage.

Any organizations in private and public sectors adopt their own reward practices. However, the existence of the reward system by itself does not guarantee the effectiveness of their reward practices rather it highly de motivates employees if it is practiced poorly. Researchers like Zekaria (2011) stated that there is a need of transparent, competitive and strategically aligned reward practices. The

need of transparent reward system involves the preferences towards having a clear communication of how the reward is distributed. The employees also need to understand the connection between the company's business objectives, how they contribute, and how they are rewarded. In addition to this, the reward provided should be distributed equitably among employees depending on their performance. As Brian (2005) says the failure to ensure equity or fairness will result compensatory damage on the organizational performance.

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (German Federal Enterprise for International Cooperation) or GIZ is an international global, enterprise owned by the German Federal Government, operating in many fields across more than 130 countries. It primarily works with states, state agencies, and the private sector. Its headquarters are located in Bonn and Eschborn, Germany. The organization was established on 1 January 2011 through a merger of the three German organizations Deutscher Entwicklungsdienst (DED), Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), and Internationale Weiterbildung und Entwicklung (InWEnt). The GIZ mainly operates on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ). Further clients are other departments of the government, international donors like the European Union, World Bank or the United Nations, partner countries and the private sector. The cooperation with private enterprises is an emerging field, promoted under the name of sustainable development. The GIZ is set up with International Services (IS) and the Public Private Partnership (PPP) in this area. (Personnel Policy of GIZ Ethiopia,2010). GIZ has been working in Ethiopia on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) since 1964. With about, 100 international staff (including 11 development advisors) and 575 national staff one of GIZ's largest in-country teams worldwide can be found in this country. In addition, 14 development workers are working in various programs, and 15 CIM experts are deployed in institutions and programs in Ethiopia. Priority areas and programs that GIZ is currently working are Sustainable Management of Natural Resources, Agriculture and Food Security, biodiversity in Amhara, Tigary Oromia and SNNPR regions, Labor Market Oriented Education and Training, CD for strengthening drought resilience (Afar), support to Agricultural Transformation Centre (ATA), Agricultural Training Centre, Kulumsa.

GIZ has four different operation departments which work side by side with its programs by giving all the supporting activities like controlling their finance, procuring and delivering the necessary

supplies and material, hiring & managing its human resources and promoting its activities so that all the program functioning properly and fulfill the organization's stakeholders requirements as well as achieving the overall organization goal. Human resources department is one of the departments which support GIZ program by hiring the right employees, Handling staff's benefit and grievances managing the organization reward management system.

As stated above one of and most important function of Human resource department is managing GIZ's Reward Management System together with top management teams (Country Director, Program & Operation Directors).

Rewards include both financial and non-financial rewards. Financial rewards enhance the direct satisfaction of employees and non-monetary rewards are helpful for the recognition of employees and that recognition is a motivational tool for the employees and leads to the work engagement Burgess & Ratto (2003). This study is to assess financial and non-financial rewards management practice of GIZ Ethiopia.

## **1.2 Statement of the Problem**

Effective reward systems help an organization be more competitive, retain key employees, and reduce turnover. Reward systems also can enhance employee motivation and reinforce the image of an organization among key stakeholders or future employees. Today's labor market is competitive environment. In such Environment, capability to retain efficient and experienced workforce in an organization is very crucial for the overall performance of the organizations. The highly motivated employees serve as the competitive advantage for companies because their performance leads an organization to well accomplishment of its goals. In this highly competent and fast growing labor market, organizations seek to attract and retain highly qualified employees to improve and sustain the performance of their respective organizations. Ayele (2017). However, seeking to acquire or acquiring of highly qualified employees may not result success without being able to motivate employees to attain the organizational goals. (Ibid).

With an increasingly educated workforce who desire more information about pay and benefit practices, it will be essential to communicate far more effectively than today and effective understanding and acceptance of reward policies lead employees to contribute their maximum effort for the achievement of organizational objectives. (Ibid).

According to Hume (2000), a poorly designed reward system is likely to manifest itself in the recruitment of poor-quality staff, undesirable level of employee performance and motivation, and high level of employee turnover.

For effective utilization of human assets sound human resource practices need to be adopted by organizations. Among other human resource practices reward systems plays a vital role in employees' development and organization wellbeing. Keeping in view the existing competition for talent among the players competing in the market, effective human resource practices can help organizations to retain their employees. Ayele (2017).

GIZ claim that the most valuable assets they have are the human resources, therefore rewarding them based on their performance is considered to be a prerequisite for achieving organizational goals.

To clarify the research gap, at an informal interview, some employees of the office, who are HR officers, said that the reward management practice which is being implemented in the office is that, after the annual staff assessment staff will be granted with salary increment which is mainly focused on financial reward. There is also a policy addressee salary adjustment and similar financial reward issues. However, no policy or strategy so far towards on how to reward employees through non-financial reward mechanisms.

As to the researcher observation and being an employee of the office GIZ, even if practicing the above-mentioned reward mechanism but from the importance that it has toward motivating employees, rewarding employee with financial and as well non-financial mechanisms in the office needs further attention and research. Therefore, the purpose of this study is to assess reward management systems practices being implemented in GIZ office Ethiopia and the effect it has toward motivating its employees.

## **1.3 Research Questions**

Based on the above stated problems the study tried to address the following research questions:-

1. What types of reward management practices, strategies and policies are being implemented in GIZ?
2. What is GIZ employees' perception toward the existing reward management?
3. Which rewards (financial or non-financial) motivate more the employees of GIZ Ethiopia?

## **1.4 Objective of the study**

### **1.4.1 General objective**

The general objective of this research is to assess reward management systems being implemented in GIZ office.

### **1.4.2 Specific objective**

The study attempts specifically to;

- Assess the type of reward management system being implemented in GIZ;
- Determine employees' perception on the existing reward management practice;
- Identify which rewards (financial or Non-financial) motivate more the employees of GIZ office;

## **1.5 Scopes of the study**

Although, GIZ Office is operating worldwide and has more than 40 project offices located in different geographical areas of the country Ethiopia, the study is confined with the reward practice in the head office of Ethiopia only. The research will see both financial and non-financial reward management system practices of the office. The population of the study includes all-national staff of the Head Office.

## **1.6 Significance of the Study**

The results of this study will have greater input to the human resource practitioners that design and administer their reward system. Particularly, this study has greater importance to GIZ Office Ethiopia on improving the existing practice, strategy and policy of reward management and attempts to foster employees' motivation through effective reward management. This study could be used as an input for researchers who want to make further improvement in this area of study, also it gives the researcher, the opportunity to gain deep knowledge in the study area.

## **1.7. Limitations of the Study**

Everything has got its own limitations. In the same manner, this study has also faced some confines. Researcher's lack of prior experience in conducting systematized research. The second major problem was lack of awareness among our society to fill out questionnaires with due care and return them on time. Employees were not willing to fill out questionnaires, this was one of the challenges that I have faced.

Despite the useful findings of the study, this study has several limitations that need to be acknowledged. The data for this study was only collected from GIZ-Ethiopia head office because of time constraints, so it needs further research in other projects offices or International government institution, thus the results may not be generalized.

## **1.8. Organization of the Paper**

This research work is presented by five major chapters that constitute varied sub chapters under each. The first chapter incorporates background of the study, statement of the problem, objective of the study, the research questions, and significance of the study, scope of the study and limitation of the study. The second chapter has presents varied reviewed literature that support the research conducted. The third Chapter describes about the methodology used by the researcher.

Chapter four discuss about data presentation, analysis, and interpretation, data gathered from employees through questionnaire and interview is analyzed and presented with the help of tables and description is made under each table. In the last chapter, chapter five, conclusion of the research work is made followed by suggestion or recommendation given by the researcher.

# **CHAPTER TWO: REVIEW OF RELATED LITERATURES**

## **2.1 Theoretical Reviews**

### **2.1.1. Definitions of Reward**

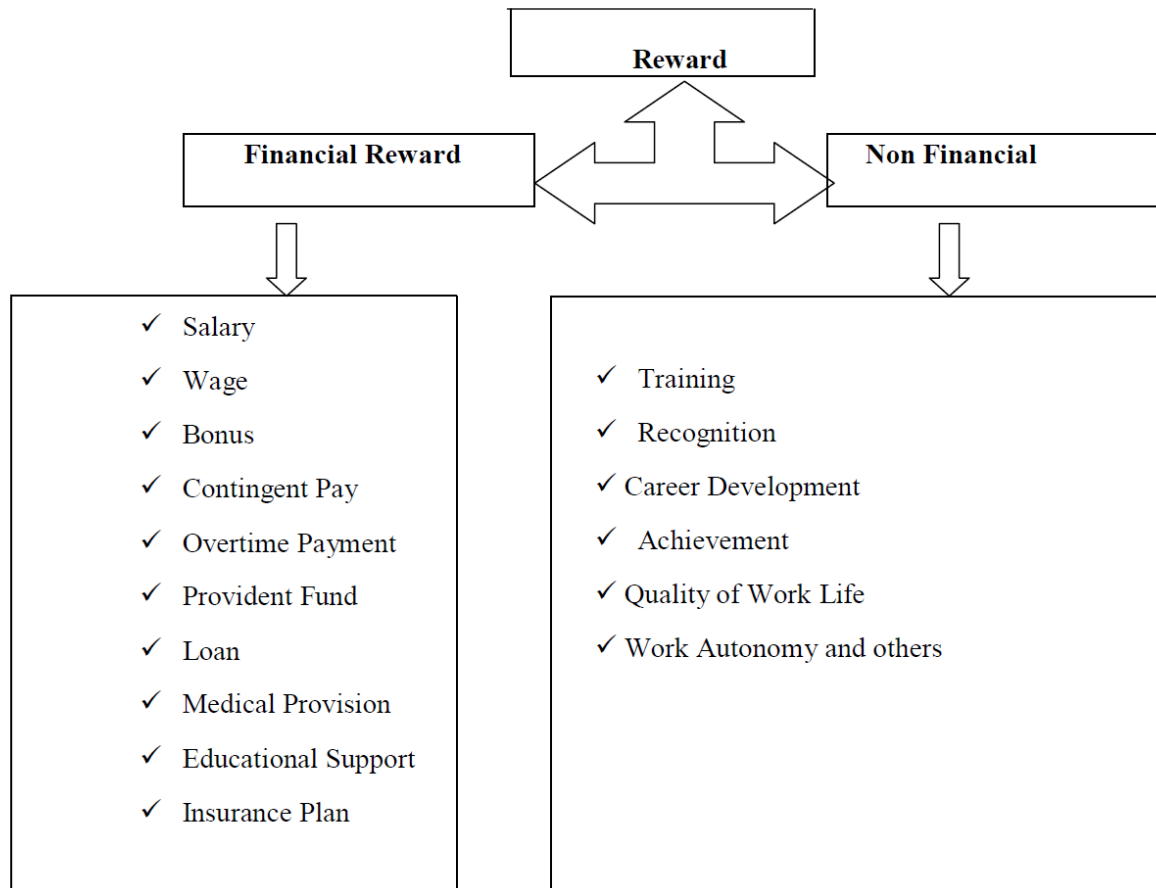
Reward refers to all the monetary, non-monetary and psychological payments that an organization provides for its employees in exchange for the work they perform. It includes extrinsic and intrinsic rewards Bratton (2007). Intrinsic rewards are derived from the content of the task itself and include such factors as interesting and challenging work, self-direction and responsibility, variety, creativity, opportunities to use one's skills and abilities and sufficient feedback regarding the effectiveness of one's efforts. Extrinsic rewards on the other hand comprise promotions, private office space and the social climate. Other examples include competitive salaries, pay raises, merit bonuses and time-off'' Hatice (2012).

### **2.1.2. Types of Reward**

Different authors agree on the classification of total reward in to two broad categories. However the naming differs from author to author with similar connotation. To mention some of the classifications: - financial and non-financial; monetary and non-monetary; extrinsic and intrinsic; tangible and intangible, transactional and relational etc. Regardless of the minor difference, all categories discuss about the same thing. Reward systems should therefore be designed and managed in such a way as to provide the best mix of all kinds of motivators according to the needs of the organization and its members. As a result, this study adopts the classification of financial and non-financial rewards.



Figure 1: Types of reward



Source: Armstrong (2007).

### 2.1.2.1. Financial Rewards

From Armstrong's (2009) point of view financial rewards comprise all rewards that have a monetary value and add up to total remuneration – base pay, pay contingent on performance, contribution, competency or skill, pay related to service, financial recognition schemes, and benefits such as pensions, sick pay and health insurance. Another author wrote that financial reward includes direct reward, which is paid to employees in the form of wages, salaries, bonuses, and commission in exchange for their performance and indirect reward in the form of insurance plans (life, health, social assistance), retirement benefits, educational assistance, employee services, and paid absence for vacation, holidays, sick leave, etc. Mondy and Noe (1990).

Many types of financial inducement exist. Some directly provide the employee with cash. Bonuses based on performance against budget, quality or other standards may be used as immediate financial

incentives. Management rewards by bonuses have become popular in some companies as a means of providing employees with an immediate buster for completion of a project or activity. While the number of company's delivering cash awards has increased, only 7 percent actually use such rewards at present. Ulrich & Lake (1990).

Most companies make use of financial compensation plan to motivate their employees. Sales contests are short term incentive programs that can be an effective motivational tool if they are cautiously and accurately designed. A sales contest should have a precise purpose, such as to increase in sales in short term sales of slow moving products or getting new customers. The design of the sales contest should take into consideration the following points: each salesperson has an equal opportunity to win, use sales quotas and select either open ended in which unlimited number of sales persons can win. In addition to the above, closed ended contest could be use in which there are limited number of salespersons winning the contest. Prizes should be attractive, each consisting of cash prizes. At least 10 percent of the budget should be spent on sale contest, so there is an excitement in the company. Care should be taken in order that employees do not use undesirable methods such as using pressure tactics to attend their targets. In order to reduce the undesirable method is not to announce the contest period in advance. Havaladar & Cavale (2007)

#### **2.1.2.2. Non- Financial Rewards**

Non-financial rewards are those that focus on the needs people have to varying degrees for recognition, achievement, responsibility, autonomy, influence and personal growth. They incorporate the notion of relational rewards, which are the intangible rewards concerned with the work environment (quality of working life, the work itself, work-life balance), recognition, performance management, and learning and development. Non-financial rewards can be extrinsic, such as praise or recognition, or intrinsic, arising from the work itself associated with job challenge and interest and feelings that the work is worthwhile Armstrong (2009).

### ❖ **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 & Murli (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. Organization can also give other forms of recognitions such as long service awards, status symbols of one kind or another, sabbaticals and work related trips abroad.

### ❖ **Achievement**

The other type of non-financial reward is achievement. 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 Malhotra (2007).

### ❖ **Training**

Training is the process whereby people acquire capabilities to perform jobs. Training provides employees with specific, identifiable knowledge and skills for use in their present jobs. It typically focuses on providing employees with specific skills or helping them to correct deficiencies in their performance Gomez (2012).

### ❖ **Career Development**

According to Gomez (2012) career development is a formal approach taken by an organization to help its people acquire the skill and experiences needed to perform current and future job. The organization can offer this opportunity by providing people with a sequence of experience and training that will equip them for whatever level of responsibility they have the ability to reach. Talented individuals can be given the guidance and encouragement they need to fulfill their potential and achieve a successful career in tune with their abilities and aspirations.

### ❖ **Work Environment**

Pearson (1991) identifies that organizational values, supervisor style and physical condition are factors related to work environment. According to Kruger (1996) physical working condition pertains to the quantity of work and availability of resource, such as machine and tool, ventilation,

lightning, workspace and air conditioning. Furthermore, according to Singleton (1989) climate condition play an influential role in differences in work behavior.

### **2.1.3. Reward Management**

According to Wikipedia Reward management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization. ... Reward management aims to create and efficiently operate a reward structure for an organization.

Reward is clearly central to the employment relationship. The amount and the form of reward is an issue which matters most for employee and also central for human resource management functions; since money spent on salary, benefit and other form of reward typically accounts for well over half of an organization's total cost Derek, Laura & Stephen (2008). This days, organizations with varying degree of success, attempts to harness the powerful forces of pay as a motivator to encourage employees to work in ways that lead to the achievement of organizational objectives. There are many more forms of incentive payments, many varieties of recognition awards and the number of employee benefits has greatly expanded. John (2005)

Managing reward is largely about managing expectations what employees expect from their employers in return for their contribution and what employers expect from their employees in return for their pay and the opportunity to work and develop their skills. The tighter the labor market becomes, the harder it is to recruit and retain the best-qualified people, and the more pressure there is placed on employers to develop rewards packages that suit employees as much as they suit their own needs Madhuri (2014).

The key aim of reward management is to design reward packages which serve to motivate, attract, and retain staff. At the same time ensuring the organization commercial and financial viability is not affected by the cost of reward package. The significance employee put on their pay and their tendency of comparing their pay with relevant others makes the task very difficult. Any mistake on reward package has major negative consequences, it demotivate employee in a serious way, resignation of employee good employee, less effort and unhealthy employee relation climate, high

level of absenteeism. In time this reduce organization's effectiveness and damage financial performance. Derek, Laura, & Stephen (2008).

According to Stephen (2002) Reward package design is influenced by several factors; company profitability, size of the company, management philosophy, kind of job whether labor or capital incentive, employee performance, kind of job performed if it need high skill or not, are only some factors. Flexibility of reward design is also a key consideration. The traditional approach design pay based on seniority and job level. The contemporary approach to design reward is based on the skill of employee to lead the organization to objective of achievement. Yet the reward package must create a fair, equitable, motivating reward system that enable the organization to recruit and retain productive work force.

#### **2.1.3.1. Reward Strategy**

Derek, Laura & Stephen (2008) defined reward strategy is a means of aligning an organization's payment arrangements and wider reward system with its objectives. In other word. Developing a system that leads the organization employee actively contribute to the achievement of its goals. It is deliberately using reward system as integrating mechanism to directing various units and individuals effort to the achievement of organization objectives. Contemporary reward administration frequently embraces a strategic approach where the mix and level of reward are chosen to reinforce the organization overall strategic objectives.

A written reward strategy must consist of for key elements, first one is 'statement of intention' what the organization wants to achieve and what reward strategy have been taken to achieve these core objectives. The second is 'rationale' present and explain objectives in more detailed manner and show how the various elements of organization reward policy support the accomplishment of those objectives. The rationale section must include the benefit that will be accrue and indicate a means that will be used to evaluate the success. The third element is; explanation of a guiding principles that have been used in developing the strategy and that will be used to adapt them in the future. The final element of reward strategy document is implementation plan, set out exactly what the reward strategy brought forward and when, who has responsible for the introduction. Also a design of consistent reward package required to integrate policy decision such as;

Comparing jobs within an organization internal equity, setting pay level relative to competitor's external equity, adjusting pay for individual employee like skill based pay design, and administer and communicate the reward function. Madhuri (2014)

#### **2.1.3.2. Reward Objectives**

Rewards are among the major factors in the economic and social life of any community. In an economic sense, reward represent payment of compensation in return for work done. In a sociological sense, reward characterize stratification of occupational categories. In a psychological sense, reward satisfy needs directly and indirectly in response to changing employee aspirations. It constitutes one of several elements of job satisfaction and it is instrumental for the satisfaction of some needs more than others. In a legal sense, the term wages/salaries has acquired various connotations, depending on the context and has become a subject of special law in many countries. The movement in the mix of reward signifies a shift from viewing employee as a component in the cost will to viewing the employees as a group of people who have come together to achieve some common goals (Ibid).

Reward objectives can be seen from employer dimension and employee dimension. From employer dimension reward objective is to; attract, to retain, to motivate staff and to initiate change. Employee also have different objective as far as reward concerning some of them are; fairness, Recognition, Purchasing power.

The significance of different objectives varies overtime, environment and among organization. What is attractive in one labor market may not be attractive in another labor market. Or what might look equitable/fair in a particular time may not be considered as same way by workers in another time Derek, Laura, & Stephen (2008).

#### **2.1.4. Total Reward**

Basically reward may be defined as a stimulus or encouragement for greater action .The trend towards viewing reward policies and practices as extending well beyond the dominant term of payment has led to widespread interest in the concept of 'total reward' which involves managers viewing the way that they reward employees in the round, taking equal account of both the tangible and intangible ingredients that together help to make work and jobs 'rewarding' in the widest sense

of the word. The change in perspective away from a narrow focus on payment towards a broader focus on 'total reward' has come about largely because of developments in the commercial environment (Ibid).

According to John (2005) reward broadly categorized by two; non-financial (intrinsic or intangible) rewards and financial (extrinsic or tangible) rewards. Non-financial rewards are internal and related to the job perception of the employee. Also affected by the job design. Such rewards are difficult to control and manage by the managers and to replicate by competitors. As well intangible part of total reward is harder to achieve and evaluate. Such rewards are more of intrinsically motivating or cannot be provided by manager. Non-financial rewards are divided as reward from the job itself and from job environment. Financial rewards are external to workers and are given by organization. Related to employee prerequisite or benefits. Unproblematic to control since the basic principles are followed and right technical decision are made. This tangible part of total reward are enable the organization to secure competitive advantage in labor market yet easily imitated by competitors. Financial rewards are divided in to direct rewards and indirect rewards.

### **2.1.5. Strategic Reward Management**

As per Armstrong (2007) Strategic reward management is an approach to the development and implementation over the longer term of reward strategies and the guiding principles that underpin them.

As described by Armstrong and Brown (2007): It provides answers to two basic questions: first, where do we want our reward practices to be in a few years' time? And second how do we intend to get there? It therefore deals with both ends and means. As an end it describes a vision of what reward processes will look like in a few years' time. As a means, it shows how it is expected that the vision will be realized. Strategic reward can be described as an attitude of mind – a belief in the need to plan ahead and make the plans happen. The aim of strategic reward is to create total reward processes that are based on beliefs about what the organization values and wants to achieve. It does this by aligning reward practices with both business goals and employee values.

As Brown (2001) emphasizes, the 'alignment of your reward practices with employee values and needs is every bit as important as alignment with business goals, and critical to

the realization of the latter’.

### **2.1.6. Aim of Reward Management**

According to Armstrong (2007) the aims of reward management are to:

- reward people according to the value they create;
- align reward practices with business goals and with employee values and needs;
- reward the right things to convey the right message about what is important in terms of behaviors and outcomes;
- help to attract and retain the high-quality people the organization needs;
- motivate people and obtain their engagement and commitment;
- Develop a high-performance culture.

### **2.1.7. Determinants of Reward Management**

Reward management policy and practice are subject to a number of influences. As summarized below, these consist of contextual factors arising from the internal and external environment and conceptual factors relating to theories and beliefs about strategic management, total reward, and human capital management, the factors affecting pay levels, motivation, engagement, commitment and the psychological contract. (Ibid).

### **2.1.8. Reward system**

The approaches to achieving the aims of reward management as described above are incorporated in the reward system of an organization. This consists of:

- ***Reward strategies***, which set out what the organization intends to do in the longer term to develop and implement reward policies, practices, processes and procedures that will further the achievement of its business goals. For example, an organization may have a strategy to maintain competitive rates of pay.
- ***Reward policies***, which set guidelines for decision making and action. For example, an organization may have a policy that sets the levels of pay in the organization compared with median market rates.



- **Reward practices**, which consist of the grade and pay structures, techniques such as job evaluation, and schemes such as contingent pay used to implement reward strategy and policy. For example, the policy on pay levels will lead to the practice of collecting and analysing market rate data, and making pay adjustments that reflect market rates of increase.
- **Reward processes**, which consist of the ways in which policies are implemented and practices carried out, for example the way in which the outcomes of surveys are applied and how managers manage the pay adjustment and review process.
- **Reward procedures**, which are operated in order to maintain the system and to ensure that it operates efficiently and flexibly and provides value for money. For example, a procedure will be used for conducting the annual pay review (Ibid).

### **2.1.9. The Concept of Motivation**

Motivated workforce is an important predictor of an organization's competitiveness, which is why managers and corporate leaders persistently concerned about their employee motivation. When employees become demotivated or not excited about their jobs they may put their time but not their energy and passion into their work. Thus, for an organization to be effective, it must tackle the motivational challenges involved in arousing individuals' needs to be productive members of the organization Lotta (2012).

According to Don, John & Slocum (2011) motivation is either internal or external force that influence the person to behave or act in a specific, goal-oriented manner. This force affect productivity of employee so managers must be certain that they channel employee motivation effectively toward organizational goal achievement.

Steven, McShane & Mary (2008) define motivation as " Motivation refers to the forces within a person that affect the direction, intensity, and persistence of voluntary behavior." There are three elements in this definition; *Direction*- refers to where people put their effort. Employee set goal and put their effort toward its achievement. One might set a goal as to finish a project in a specific hour so he/she direct their effort to the achievement of the goal. *Intensity*- the amount of effort employee is willing to exert toward the achievement to the stated goal. The extent to which an employee is willing to push his/her self to the completion of the goal. *Persistence*- how long the employee keep its effort. Whether the employee sustain his/her effort until they attain their goal or not. Motivation is considered as one factor that influences employee behavior and performance along with ability, role perception and situational factor.

Another related definition of motivation stated by Robbins, Stephen, & Mary (2012), “(...) Motivation is the process by which a person’s efforts are energized, directed, and sustained toward attaining a goal. This definition has three key elements: energy, direction, and persistence. The *energy* element is a measure of intensity, drive, and vigor. A motivated person puts forth effort and works hard. However, the quality of the effort must be considered as well as its intensity. High levels of effort don’t necessarily lead to favorable job performance unless the effort is channeled in a *direction* that benefits the organization. Effort that’s directed toward, and consistent with, organizational goals is the kind of effort we want from employees. Finally, motivation includes a *persistence* dimension. We want employees to persist in putting forth effort to achieve those goals.”

### **2.9.1.1. Theories on Work Motivation**

Contrary to Maslow’s views, the short answer appears to be the fact that for the majority of people, money is clearly significant and a motivator at work. But to what extent is money a significant motivator and how important depends upon their individual circumstances and the other happiness they derive from work. The bottom line is definitely the extent to which money motivates people to work to the top of their abilities. Even though pay may still compose people tick, there are now a number of other significant influences on motivation. For a lot of people, the feeling of being recognized and valued appears more important than money in motivating them to keep on in a particular job. Laurie (2007)

Therefore, motivation has been an issue of concern in the past and has established it- self as an integral part in current organizational settings. Motivation is quite complex to comprehend thus placing awareness to the fact that several factors influence employees performance in a particular organization. Reason being that, what motivates one worker will not definitely motivate the other employee within the same company. McShane et al defines motivation as “...a factor that exist in an individual which has the potential to affect the way, strength and eagerness of behaving towards work” McShane & Von Glinow (2003). The above definition of motivation has been supported by Petri & Govern, “motivation is the thought that explains the propelling force in an individual that explains differences in intensity of behavior” Petri & Govern (2004).

Motivated employees are willing to devote time to certain level of commitment for a particular objective in an organization. Certain actions which include changing jobs that employees perform,

bringing down the levels of hierarchy and relegating many employees in the motivation process are significant enough to damage the levels of trust and commitment necessary for employees to perform above work requirements. Moreover, employee needs are changing as younger generations of employees have different expectations to their work than older workers. This is as a result of globalization which has made workforce variations to the complex issue of motivation McShane & Von Glinow (2003). Many studies had been carried out on the issue of motivation. The theories of motivation seek to justify why certain employees act or do things in a certain way rather than others. For the purpose of this research I considered the following theories to be vital in this study: the Maslow's *hierarchy of needs*, Herzberg's *Motivation–hygiene theory*, Fifty-Fifty theory and Vroom's *Expectancy theory*.

### ***Maslow's Hierarchy of Needs***

Different scholars have put forth different explanations on how motivation can be achieved within a company or an organization. Prominent amongst them is Maslow with the theory of “Maslow's Hierarchy of needs”. Consequently, Maslow in 1943 reasoned that human beings have an internal need pushing them on towards self-actualization (fulfillment) and personal superiority. Maslow came up with the view that there are five different levels of needs and once we happen to satisfy a need at one stage or level of the hierarchy it has an influence on our behavior. At such level our behavior tends to diminish, we now put forth a more powerful influence on our behavior for the need at the next level up the hierarchy.

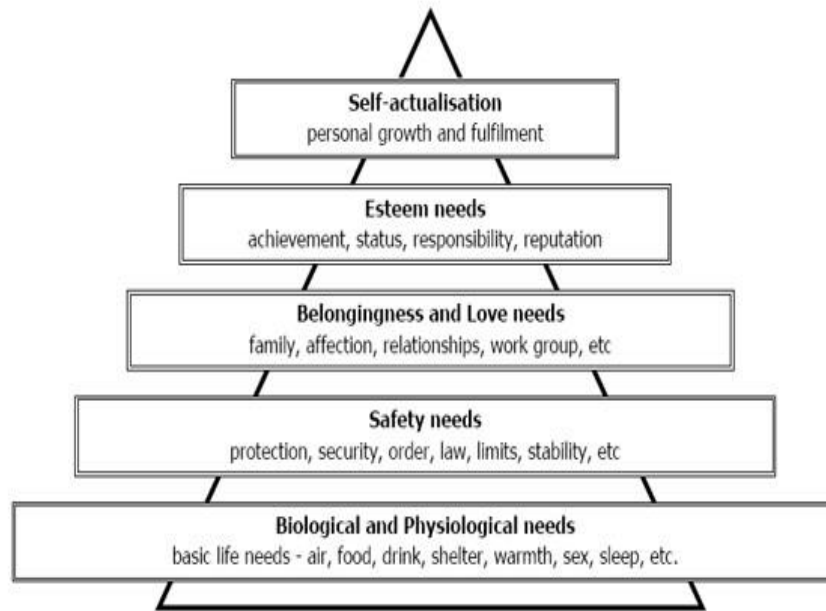
Firstly, individuals are motivated by *Psychological needs*: By Maslow this psychological needs forms the basic need for survival and this may include food, warmth, clothing and shelter. When people are hungry, don't have shelter or clothing, there are more motivated to fulfill these need because these needs become the major influence on their behavior. But on the other hand when people don't have a deficiency in those basic needs (psychological needs), their needs tend to move to the second level where it is equally seen by Maslow as the higher order of needs.

The second level is seen as the *security needs*: Security tends to be the most essential need to people at this level. This is expressed in safety in the employee's health and family.

The third level of needs by Maslow was the *social needs*. When feeling secured and safe at work, employees will now place job relations as their focus that is trying to build up a good friendship, love and intimacy. As we keep moving up the ladder we will have *self- esteem needs*:

This fourth level of needs by Maslow presents the recognition to be accepted and valued by others. The highest or last level of Maslow's need is *self-actualization needs*: Self-actualization was to develop into more and more what one is to become all that one is competent of becoming. Srivastava (2005).

Figure 2: Maslow's five hierarchy of needs



Source: Needham (1999)

### ***Critiques of Maslow's theory***

Wahba and Bridgewell in their extensive review of Maslow's theory found little evidence for the ranking of needs which Maslow described or even the existence of a definite hierarchy. Maslow's theory has been criticized for this apparent rigidity. It is questionable whether needs can always be ranked in a simple hierarchical form. Maslow himself questions the validity of a rigid ordering of needs, because individuals are likely to have different priorities. Needham (1999).

### ***Herzberg's two factor theory***

Herzberg had the notion that those factors which cause job satisfaction are the opposite to those that causes job dissatisfaction. Herzberg survey was carried from a group of accountants and engineers. Herzberg in his studies came up with the conclusion that employees are influenced by two factors that are; the *motivators and hygiene factors*. *Motivators* create job satisfactions which include

achievement, recognition, autonomy and other intrinsic aspects when there are fulfilled. On the other hand he came up the *hygiene factors* which will enhance dissatisfaction when they are not fulfilled. *Motivators* are those factors which provide feeling of job satisfaction at work. These factors influence the ways of work in a company; for example giving responsibility to carry an enlarge task within an organization and providing the person with the necessary conditions will lead to growth and advancement to higher level tasks. Motivators are those factors which come from within an individual that is *intrinsic*. These factors could be achievements, interest in the task, responsibility of enlarge task, growth and advancement to higher level. *Herzberg hygiene factors* create a suitable work environment though not increase in satisfaction. For instance low pay can cause job dissatisfaction which will affect employees' performance. Hygiene factors are essential to make sure that the work environment does not develop into a disgruntle situation. Typical hygiene factors are salary, working condition, status, company policies and administration. Saiyadain (2009).

### ***Fifty-Fifty Theory***

The fifty-fifty theory was developed by John Adair as a motivational factor that could influence company performance. From his perception fifty percent of motivation comes from within a person and the remaining fifty percent comes from the environment, mainly from people around us. This rule is not used to declare the exact proportions, but it tries to explain that, fifty per cent of our motivation comes from within us and fifty per cent from an external influence, that is, from our environment, particularly from the people around us. These observations are indicative rather than mathematical and they may differ from person to person. Within these important external factors the nature and quality of the leadership present is essentially important. Hence the tough link between leadership and motivation becomes vital to determine employee's motivation. The Fifty-Fifty rule does have the benefit of reminding leaders that they have a key role to play for the success or failure in the motivation of employees at work. Fortunately or unfortunately not all the cards are in their hands, for they are dealing with people who are self-motivating in various degree. These are the challenges that confront the HRM to galvanize employee motivation with the work environment John (2007).

### ***Vroom's Expectancy Theory***

The concept of the expectancy theory was first develop by Victor Vroom and was published in 1964. Victor Vroom offered an expectancy approach to the understanding of motivation. As a result, motivation is a product of the anticipated value to a person in an action. He perceived probability

that the person's goals would be accomplished as a product of the anticipated value in an action. Thus the Vroom' model is built around the concepts of value, expectancy and force. The concept of force is on the whole equivalent to motivation and may be shown to be the algebraic sum of the products of valences and expectations Thus, *Motivation (force) = Valence x expectancy*.

Valence is the strength of an individual's preference for an outcome or goal. The strength may be negative (fear demotion or transfer to less important job) or positive (prospect for promotion). Expectancy is the probability that a particular action will lead to a required outcome. If the employee has a particular goal, some behavior has to be produced to accomplish that goal. The employee has to weigh the likelihood of various behaviors that will accomplish the desired goals and select the most successful behavior. Thus the employee's motivation according to Vroom may be augmented by changing the perception or by boosting the expectancy level through better communication and augmenting the actual reward that will result. Vroom's theory clarifies the relationship between the employee and the organizational goals and recognizes the differences between employees in producing work motivation. Furthermore, this theory is consistent with the idea that a manager's job is to design an environment for performance, necessarily taking into account the differences in various situations. Thus Vroom's theory is quite consistent with management by objectives. However, this theory is difficult to research and is confronted with practical difficulties in its application. Bose (2004).

Vroom tackles three beliefs and brings out with some clarity and applicability. Each of the beliefs deals with what employees think will happen if they put out effort to perform. The first (B1) comprises of the relationship between effort and performance, that is, (B1) is the employee's belief about the probability that effort will lead to performance. Another definition is that, B1 is the expectation that effort will lead to success. (B1) can be seen as the employee's belief about whether or not what is expected can be done. The second (B2) comprises with the relationship between performance and outcomes, that is, the employee's belief about the probability that performance will lead to outcomes. B2 can be stated in different ways, that is the employee's belief about the relationship between "what you do" and "what you get." It is the belief about outcomes following performance and the third (B3) looks at the relationship between outcomes and satisfaction. The third belief (B3) is the employee's belief about how satisfying or gratifying the outcomes will be. It is the belief about how fulfilling or worthwhile they will be. It is the belief about how much

value the outcomes will have in the future when they are received, rather than what their value is now. Green (1992).

### **2.1.10. Relationship between reward management and motivation**

Now a day's motivating employee has become very challenging. Globalization, information technology and corporate restructuring and other organizational changes are thought to be one factor responsible for the increasing challenge. These changes dramatically affect employment relationship and undermine the level of trust and commitment necessary to make employee to put much effort beyond the minimum standards. The other factor is the flattening of organizational structure in order to reduce cost and because today's professional workforce reject the old command- and- control approach to performance management. Due to this, supervisors now have too many employee so, they can't possibly concerned about who perform well or not and why Steven, McShane, & Mary, (2008)

The entire success of an organization is based on how an organization keeps its employees motivated and in what way they evaluate the performance of employees for job compensation. The perceptions that employees have with regards to their reward climate influences their attitude towards their work effort. In addition, the commitment of managers towards their organization is also shown by how the manager rewards his/her employees. The effectiveness of skilled employees is likely to be limited if they are not motivated to perform. One of the means that organizations can use to enhance employee motivation and performance is to provide performance- related compensation Serena, Muhammad, & Emran (2012).

There are two types of motivation intrinsic motivation and extrinsic motivation. Intrinsic motivation derives from the individual itself and one feels that he or she does not necessarily need external stimuli to obtain this motivation (e.g. money). Extrinsic motivation which results from the external factors of the individual such as getting money. Individuals who are possessing extrinsic motivation will be motivated by the stimuli coming outside the individual and their motivation will be the sum of efforts made to motivate them in an organizational context in forms of rewards, promotion, pay increases and punishment The intrinsic motivation is more powerful in the long run and deeper in meaning as it is integrated in the individual and not controlled by external forces whereas the extrinsic motivation might have powerful and visible effects fast but these are not lasting long as the stimuli is coming outside the individual. Lotta (2012).

How to keep employee motivated is the hardest issue manager's face this days. A number of theories are developed, and those theories explained how motivation is created and how managers can be benefited from the literatures. These motivation theories are supported each other and complimentary Stephen (2002).

Motivation begins from Individuals need and their underlying drives. *Need* is defined as deficiency that energize or trigger behavior into satisfying the needs. The tougher the needs the motivation become more strong. Unsatisfied needs pressure an individual to search for a way to satisfy those needs. *Drive* is tendency of an individual to pursue goal or maintain internal stability and it is more of intrinsic or innate. Need is produced by drives yet can be strengthened through reinforcement and social forces Steven, McShane & Mary (2008).

## **2.2. Review of Empirical Studies**

Various related studies are conducted by different researchers in different parts of the world. However, there are limited numbers of studies conducted in Ethiopia on the Impact of financial and non-financial rewards on motivation.

Nebiat (2010) conducted a research on 'relationship between Reward and Nurse's motivation in Addis Ababa Hospitals'. The objective of this research was to examine the relationship between rewards and nurse work motivation in hospitals administrated by Addis Ababa Health Bureau. Self-administered questionnaire was used to collect data. The collected data analyzed by using descriptive statistics. By 88% respondent rate the result revealed that there is positive and significant relationship between reward and the nurse's work motivation. Payment is the most significant variable among financial reward and recognition is the least significant from non- financial reward variable.

Another research conducted by Berhan (2007), this study examines the impact of intrinsic, extrinsic, and equity factors of work on employee's organizational commitment a case study in two selected private colleges in Addis Ababa. Questionnaire was used to collect primary data and different records of the institution reviewed for collection of secondary data. Random sampling method used to select respondent. The collected data analyzed by using SPSS. The finding shows that instructors in private colleges were satisfied with intrinsic factors of work such as opportunity for achievement, challenging work, responsibility. On the other hand, instructors is generally dissatisfied with



extrinsic content of work such as salary, fringe benefits, incentives, job security, and post-employment security. Moreover, there is also structural inequity. Consequently, employees were not committed to their organization which implies the availability of high turnover and lower performance.

Madhuri (2014) conducted a research on impacts of financial and non-financial rewards with respect to overall levels of employee motivation in private sector organizations. This study collected primary data through questionnaire and secondary data from different journals and books. Sampling method employed to select sample organization was random sampling techniques. 30 private sector organization were selected and response rate was 53%. According to these research finding there is strong relationship between level of reward and motivation. The finding also reveals employee in private sector gave much importance to financial rewards than non-financial rewards. Yet these may vary according to that status of employee, lower level and middle level employee give much importance to financial rewards and high level staffs like managers emphasis on non-financial rewards. Reward variables that is given a high rank by the respondents are retirement benefit, salary and bonus from financial reward and good interpersonal relationship and freedom of work from non-financial reward.

Saira *et al*, (2014) studied on financial and non-financial rewards that affect motivation of employee in organization. As well the paper discussed how to retain the motivated workforce in organization. The research conducted in private film company in; Pakistan. Both qualitative and quantitative research methodology has been adopted in the paper. Primary data collected through questionnaire and semi-structured interview. Simple sampling method was use to select sample population. In-depth interview conducted to increase the reliability of the research. The study found that financial reward ranked top as an influential factor in in creating employee motivation. The authors also stress the instrumentality of non- financial reward to improve employee morale. That is how the organization can keep/retain its motivated workforce. Salary, bonus, from direct financial reward and allowance are significant element of financial reward.

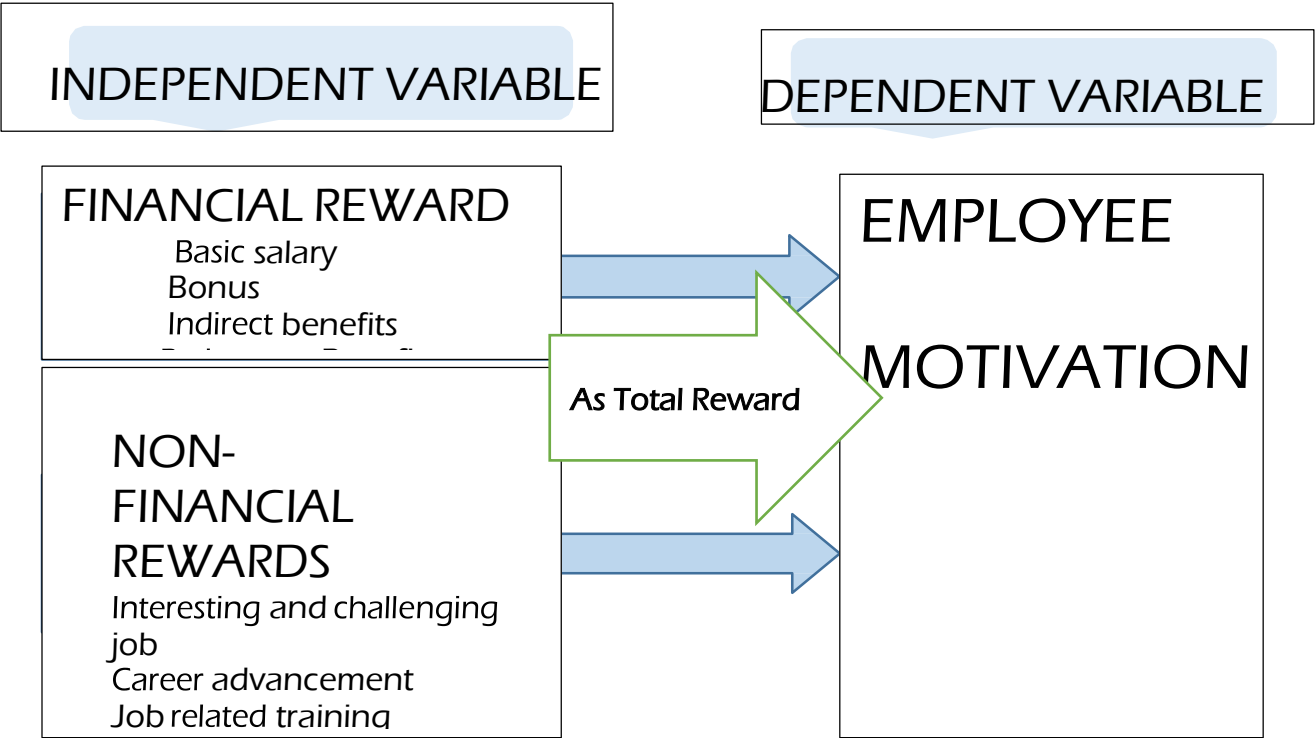
On the other hand the study conducted by Martha (2013) on effect of financial and non- financial rewards with respect to lower level employee in retail industry. Cluster sampling was used to select sample respondent. The sample represent 47.1% of the total lower level employees from the selected retail shops. A structured questionnaire were employed to collect data. The finding shows that there

is no significant relationship between financial reward and employee motivation. But there was a moderate significance relationship between non-financial reward and motivation among lower level employee. Flexible working hour and recognition considered significant non-financial rewards and pay for performance considered important financial reward.

### 2.3. Conceptual Framework of the Study

The following diagram shows the variables included in the study and the conceptualization of the relationship between the independent and dependent variables.

Figure 3: Conceptual framework of the study



Source Armstrong (2007)

# **CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY**

## **3.1 Research Design & Approach**

In this section the researcher deals with how to conduct the study, design of the study, research methodology, sample size and sampling techniques, types of data and methods of data collection, research ethics and instrumentation procedures and methods of data analysis.

The design of the study is explanatory. Mixed research approaches with concurrent data triangulation both quantitative and qualitative methods are employed to analyze the data concurrently in the analysis part. The rationale behind selecting the mixed method is the study needs to be explained in words and it also analyzed in figures. The study systematically captures information and assessing the target subject. Data collection tools were administered accordingly.

## **3.2 Target Population**

Census inquiry implemented for the study so, the target population for this study is employees of GIZ Ethiopia head office which are 71 (37 females and 34 males) for the questionnaire and 6 staff for the interview which include all national staff.

## **3.3 Data Collection methods**

In this research, the researcher used both the primary and secondary types of data. For the primary data collection purpose, the researcher used questionnaire from the staff of GIZ head office and structured interview with human resource officers and human resource head. The secondary data collected from policy documents, books, published electronic and print journals, websites, reviewed and analyzed documents and officially reports of the organization.

## **3.4 Methods of Data Analysis & Presentation**

The data obtained from the questionnaire were analyzed through descriptive statistical measures such as tabulation, cross tabulations, correlational & regression analysis.

### 3.5 Research ethics

The respondents were informed regarding the purpose, objectives and methods of the study. Each participant was informed about the study, and after agreed to participate in the study, informed consent was obtained before starting the data collection. Participation was voluntary and the participant could choose not to participate, or not to answer any individual questions they don't need. In conducting the study, the study analyzed and concluded based on the frame of the data. Beside to this, the data was collected anonymously and kept confidential.

### 3.6 Reliability and validity measures

Reliability refers to the consistence, stability or dependability of the data. Therefore, in order to get the reliable data, the researcher use pre-testing of the questions and distributed after revises. To insure the consistency of the instrument in this study it was used the cronbach's alpha coefficient. According to Kothari (2004) the Cronbach alpha coefficient of a scale should be above .70. When the Cronbach alpha is low, it indicates low reliability and this means that the measuring instrument is not consistent in its measurement. The following table shows that the reliability test result from the pilot study.

*Table 1: Reliability Statistics*

Dimensions on	No of items	Cronbach's Alpha
Reward Management policy of GIZ	10	.816
Financial Reward of GIZ	14	.789
Non-financial reward of GIZ	12	.851
Motivation	9	.810
AVERAGE	11	.816

Source own survey (2019)

As it is shown from the above Cronbach's alpha coefficient, which in this case is result for the reliability test is .816 which is in the range of acceptable limit. Validity refers to the data must be true and accurate. The questionnaire was developed based on research objectives and research questions and designed using literatures. Questionnaires which have meaning ambiguities have been dropped in order to keep appropriateness to gather relevant data to the subject of study.

# **CHAPTER FOUR: RESULTS AND DISCUSSION**

## **4.1. Results**

In this study questionnaire and interviews were employed to come up with data presented afterwards. The questionnaires were prepared in four sections which is the first sections designed to capture biodata and profiles of the respondents, section A of the questionnaire is about set policies and guiding documents on reward management, section B, C and D are designed to capture information and data on the types of reward management systems functions in the organization and employees perceptions towards reward management practices and systems in the organizations. The questionnaire provided to 71 employees and 59 of them able to respond and the rest were not replied due to employees' absenteeism. Six persons engaged on the interview for triangulation and further information for detail assessment to the subject of study. The Human resource managers and support staff for the interviewee were selected purposefully based on the proximity and close relationship they have with employees reward implementations, management and practices. In this chapter major sections were comprised: presentation of the results of the study and analysis and interpretations of the data on reward management practices in GIZ organizations are extensively reviewed, assessed and presented respectively.

### **4.1.1 Descriptive Analysis of Data**

#### **4.1.1.1 Demographic Characteristic of respondents**

The presentation of the results characteristics of respondent's biodata age, sex, educational level, employee functions in the organization or role, year of experience of the employee in the organization are presented here.

Table 2: Demographic Characteristics of the Respondent

Parameters		Frequency	Percent
<b>Gender</b>	Male	25	<b>42.4</b>
	Female	32	<b>54.2</b>
	Missing value	2	<b>3.4</b>
	<b>Total</b>	<b>59</b>	<b>100</b>
<b>Educational Background</b>	Diploma	8	<b>13.6</b>
	Degree	33	<b>55.9</b>
	Master	11	<b>18.6</b>
	PhD	2	<b>3.4</b>
	Others	1	<b>1.7</b>
	Missing value	4	<b>6.8</b>
	<b>Total</b>	<b>59</b>	<b>100</b>
<b>Age</b>	<20	-	<b>-</b>
	20-30	20	<b>33.9</b>
	31-40	26	<b>44.1</b>
	41-50	8	<b>13.6</b>
	>50	1	<b>1.7</b>
	Missing value	4	<b>6.8</b>
	<b>Total</b>	<b>59</b>	<b>100</b>
<b>Category</b>	Manager	4	<b>6.8</b>
	Supervisor	5	<b>8.5</b>
	Employee	47	<b>79.7</b>
	Missing value	3	<b>5.1</b>
	<b>Total</b>	<b>59</b>	<b>100</b>
<b>Experience In the company</b>	<2 years	21	<b>35.6</b>
	2-4 years	10	<b>16.9</b>
	5-7 years	9	<b>15.3</b>
	7 years & above	15	<b>25.4</b>
	Missing value	4	<b>6.8</b>
	<b>Total</b>	<b>4</b>	<b>100</b>

Source: own survey (2019)

From table 4.1 it is possible to understand that majority of the employees of GIZ Ethiopia staff age ranges from 31-40 and 20-30 which count 44.1 & 33.9 % proportion respectively. Employees in age category above 40 are only 13.6% proportion of the whole staff. Based this implication the organization could target these age groups in its strategies towards reward policies and practices for effective reward implementations

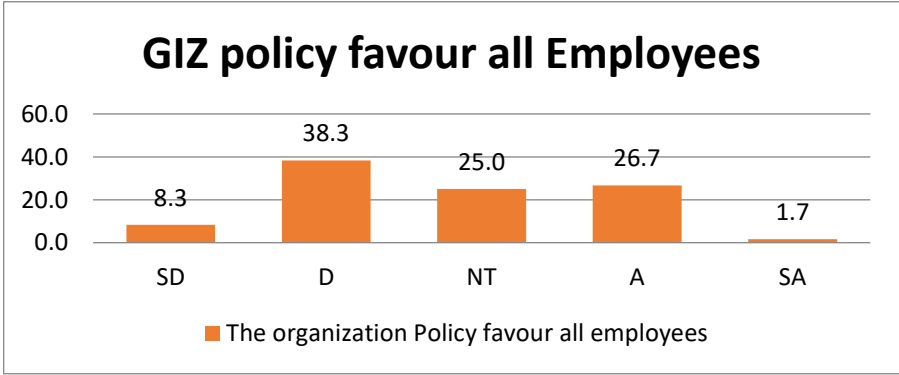
As shown in table 4.1. the proportion of female exceeds that of males. From this it is possible to analyze that the organizations human resource management and gender balancing is promising in engaging gender equality in development unlike that of other organizations in Ethiopia in which the female proportion towards males is big gap of intervention.

Table 4.1. revealed while 36.% of the employees have less than 2 years’ experience in the organization, 25.4% of them have been working for the organization for more than 7 years.

As shown in table 4.1 most of 55.6% of GIZ employees are at least degree level education. Only 2% educational levels is less than diploma or others like certificate, short term trainings and military backgrounds that serve as guards and janitors. The figure also can show us that 56% of the employees’ educational level mix is Bachler degree. Working on staff development and training that benefits this group of educational level staff that are more than half could benefit the vast majority of the staff which has indirect effect in contributing for motivation.

**4.1.1.2 Analysis of reward management practices, policies and strategies**

Figure 4: Reward management policies of GIZ



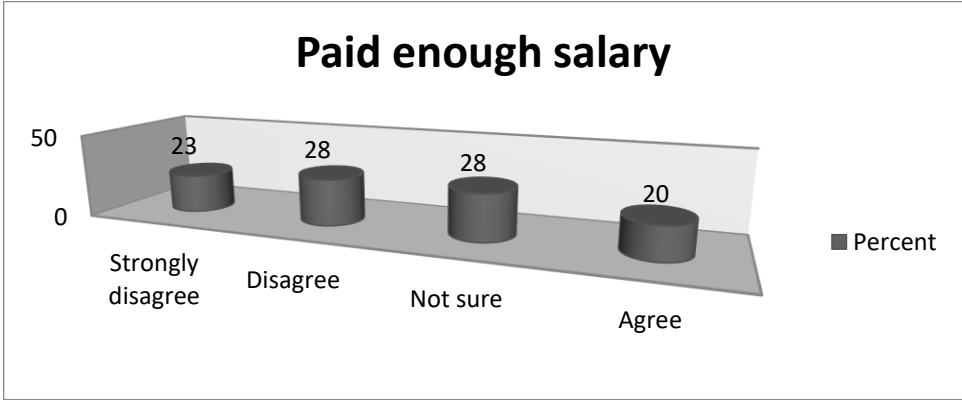
Source: own survey (2019)

In responding to a questionnaire about reward management policies and practices of GIZ Ethiopia favors all employees, 46.6% of the staff either strongly disagree or disagree to the question that means the policies ,strategies and guides favor all employees equally. While 25% of the respondents are not sure whether it favors employees or have no understanding on the organizational policy only 26.7 % agrees to the point that the policy favors them. This implies that the organization is not

communicating the policies and strategies of reward management for the staff. And/or the office is not well implementing the existing policies and strategies toward reward management.

**4.1.1.3 Analysis of Financial reward practices**

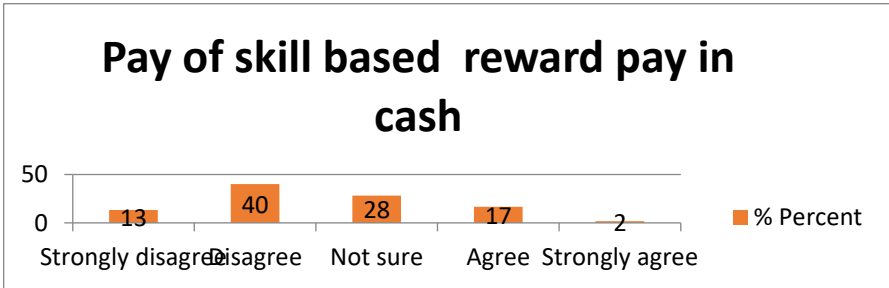
Figure 5: Adequate salary payment in GIZ



Source: own survey (2019)

Figure 4.2 shows that 51% (the sum of strongly disagree and disagree response) staff of GIZ Ethiopia perceived that they are not paid enough salary. Only 20 % believe that they are paid adequately and the rest 28% not sure if they are paid enough. This implies that the office is not paying well for the staff.

Figure 6: Skill based payment practices in GIZ



Source: own survey (2019)

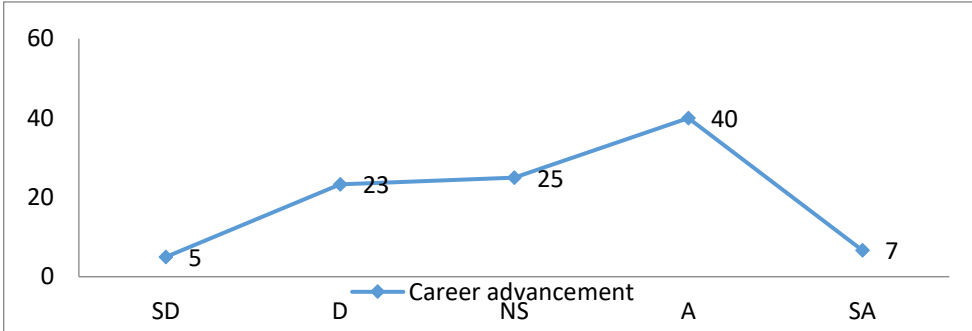
Fig 4.3 demonstrated 53% responded that there is no skill based reward system in the organization. But 17 % respondents agreed that they are benefitting skill based cash payment as reward to their extra ordinary skill.



During the interview session it was possible to identify that the organizational conducts annual performance assessment based on the employees contribution to the organization as per his or her functions and roles results achieved throughout the year. Based on this result there is job grading and salary increment in cash to the extent the supervisor believed the employee met the standards but this is not systematic enough to capture the individual staff monthly or timely performance as it is yearly conducted and captures only general data that may not detail reflects to the staffs real performance and it not participatory to and solely based on the supervisors judgmental rating and exposed to subjectivity. The tool for assessment itself need to design in a participatory way and subject to improvement based on studies and up-to-date as it accommodates extraneous factors.

**4.1.1.4 Non-financial reward management practices**

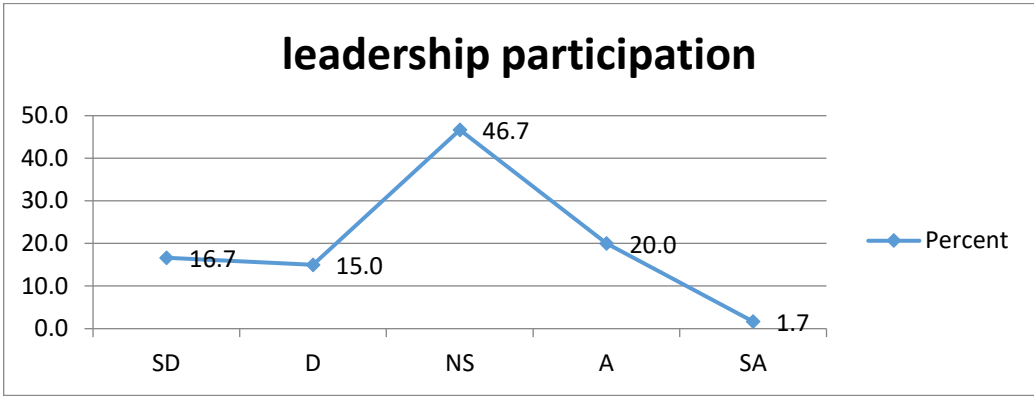
Figure 7: Career advancement in GIZ



Source: own survey (2019)

As displayed in fig 4.3 while 40% of the respondents agree to the statement the organization gives its staff opportunities for career advancement (staff development), 7% strongly agree and reasonable proportion of the respondent 23 % disagree to the indication. From this one can conclude that career advancement and on job trainings provided to 47% of the staff and not for others or about 25% are not sure if there is career advancement opportunity in the organization.

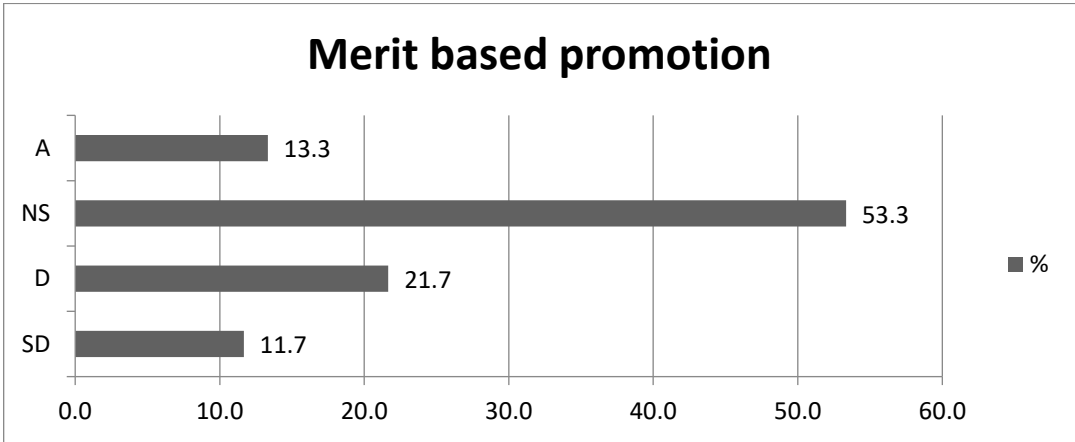
Figure 8: Participation in leadership in GIZ



Source: own survey (2019)

The fig 4.4 showed responses of employees to the question “ The organization allows the staff to participate in its decision making process” 31.7 % either disagree or strongly disagree to the statement,46.7% don’t know if the statement is true and 21.7% agrees to the statement. This implies that staff are not invited to be part of the process of decision making in different stake of the organization including their own interest like reward and similar management problems.

Figure 9: Practice of merit promotion in GIZ



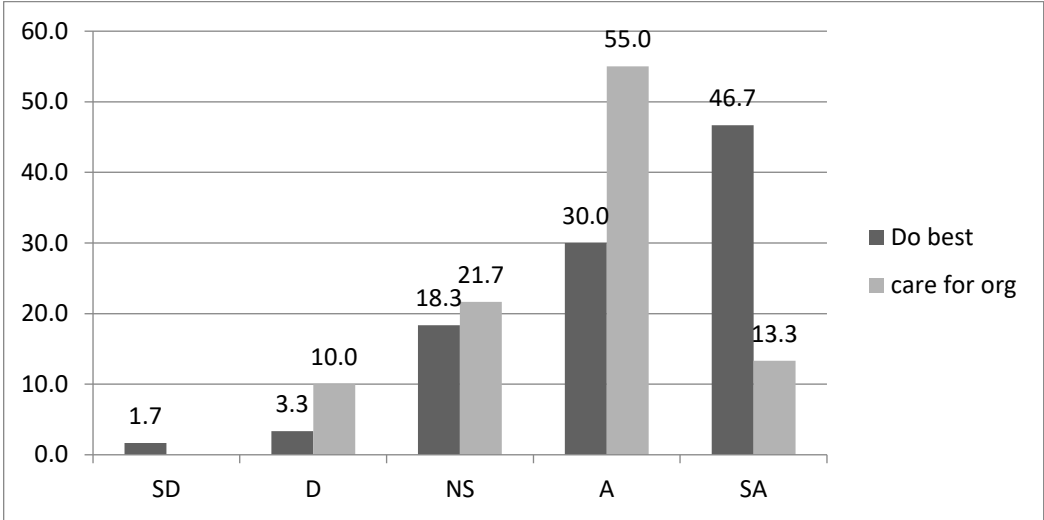
Source: own survey (2019)

A graph in fig 4.5 showed that significant proportion of the employees up to 53.3% have confusions and uncertain if merit based promotion practiced in the organization. 21.7% disagree and 11.7% strongly disagree to the statement that merit based promotion being implemented. This implies and as per the interview made with the staff, once a staff is hired and settled her/his salary then there is no performance check or merit based promotion or payment arrangement for the staff. So, that means

it doesn't matter to be someone with high performer or low because everybody will be paid irrespective of their merit for the company.

**4.1.1.5 Organizational perception**

Figure 10: Employees perception to the organization in GIZ



Source: own survey (2019)

The graph 4.6 portrayed that significant proportion of the staff 55% agree that they do care for the fate of the organization. On a statement about the employees perception towards exerting their utmost effort “Do the employee really care about the fate of this organization” The proportion of employees replied that is noteworthy that 46.7% proportion are able to perform on their role and do best every day.

The correlation of two factors (sharing of value or value alignment with the organization and care for the organization) at correlation coefficient of 0.55 with calculated mean value of 4.2 with standard SD 0.5 which depicted that there is a relationship between staffs’ care for the fate of the organization and their shared value with GIZ development organization.

### 4.1.2 Correlation analysis

Correlation analysis is used to describe the strength and direction of the linear relationship between two variables. According to Julie P. (2011), Pearson correlation coefficients (r) can only take on values from -1 to +1. The sign indicates whether there is a positive correlation (as one variable increases, so too does the other) or a negative correlation (as one variable increases, the other decreases). The size of the absolute value (ignoring the sign) provides an indication of the strength of the relationship. A perfect correlation of 1 or -1 indicates that the value of one variable can be determined exactly by knowing the value on the other variable. Below is the correlation result of the independent variables and the dependent variable motivation of the study.

*Table 3: Correlational analysis of variables*

Independent variables	Employee motivation/dependent variable Approx. Sig.	R	R Square
Reward	.012	.338a	.114
Salary	.021	.257a	.066
Skilled based pay	.017	.290a	.084
Performance recognition	.006	.424a	.180
Participation in decision making	.002	.396a	.157

\*\* . Correlation is significant at the 0.05 level (2-tailed).

Source: own survey (2019)

As shown in the above table reward is significantly and positively correlated with employee motivation with the coefficient of (  $p < 0.05$ ). According to the above table the result shows that the increase or decrease of reward practice will change employee motivation.

As seen in the table, Pay or salary has significant and strong positive correlation with employee motivation since the value of Pearson correlation ( $P < .05$ ).

Skilled base pay and employee motivation has significant and positive relationship. i.e the decrease or increase of skilled base pay for employee has direct relationship with employee motivation. As it can be shown in the table above, the Pearson correlation ( $p = .006$  which is  $p < .05$ ) indicates that there is a significant and strong positive relationship between Performance and recognition and

employee motivation. That means the absence or presence of good performance management and recognition is directly related to employee motivation.

As it can be seen in the table above, the Pearson correlation ( $p=.002$  and  $p<.05$ ) indicates that there is a significant and strong positive relationship between participating staff in decision making and employee motivation.

#### 4.1.3 Regression Analysis

According to Julie P. (2011), multiple regression is not just one technique but a family of techniques that can be used to explore the relationship between one continuous dependent variable and a number of independent variables or predictors (usually continuous). It allows a more sophisticated exploration of the interrelationship among a set of variables. Further, the end result of conducting multiple regressions to develop the regression equation or the line of best fit between dependent variable and several independent variables.

##### 4.1.3.1 Multiple linear Regression analysis

Table 4: Multiple regression analysis

Variables Entered/Removed <sup>a</sup>			
Model	Variables Entered	Variables Removed	Method
1	Promotion, reward, cash gift ,decision m, skill based p, recognition, salary,		Enter

a. Dependent Variable: Motivation

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.501 <sup>a</sup>	.251	.127	.946

a. Predictors: (Constant), promotion, reward, cash, decision, skill based, recognition, salary

Source: own survey (2019)

The above selected independent variables has explained the dependent variable, motivation, by 50 %. The other remaining 50 % is explained by unknown variables or factors.

There are a number of different types of multiple regression analyses that you can use, depending on the nature of the question you wish to address. The three main types of multiple regression analyses are; standard or simultaneous, hierarchical or sequential; and stepwise. For this study, standard or simultaneous type of multiple regression analysis was used. To measure statistical significance of the effect independent (predictor) variables on dependent (constant) variable, simple linear regression analysis is used. Since the researcher believe that the specific objective could be answered by this model i.e.:

- to determine the practice of reward management and employee motivation with reference to the perception of employees,
- to determine the relationship between reward management practices and employee motivation,
- to identify the specific components of reward management practices that lead to employee motivation and
- to investigate the impact of reward management practices on employee motivation.

#### **4.1.3.2 Simple regression analysis**

To identify the specific components of reward management practices that lead to employee motivation, adjusted R square is values used to measure the percentage variable explained by the independent variable. The following tables explain and discuss the effect of every independent variable on dependent respectively.

Table 5: Simple regression analysis result

	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig
Reward	1	.338 <sup>a</sup>	.114	.098	.958	.011
Salary	1	.257 <sup>a</sup>	.066	.049	.965	.055
Skilled based pay	1	.290 <sup>a</sup>	.084	.068	.967	.028
Performance & Recognition	1	.424 <sup>a</sup>	.180	.164	.911	.001
Participation in decision making	1	.396 <sup>a</sup>	.157	.141	.917	.003

Source: own survey (2019)

As it shows in the above model summary table reward value of adjusted R square = .098;  $P < .05$ ; Indicating that 9.8% of the variance in motivation is accounted for reward practice.

In the above model summary table shows that pay or salary expressed in terms of the variance on motivation was due to the scores reached adjusted R square value of .049; that means 4.9% of the change in motivation is by pay or salary

In the above table shows that skilled based pay reached adjusted R square of .068;  $P < .05$  indicating that, 6.8 % of the change on motivation can be accounted for skilled based pay.

As it shows in the model summary table the performance and recognition value of adjusted R square = .164;  $P < .05$ ; indicating that 16.4% of the variance in motivation is accounted for performance and recognition.

In the above model summary table shows that decision making expressed in terms of the variance on motivation was due to the scores reached adjusted R square value of .141;  $P < .05$ ; that means 14.1% of the change in motivation is by decision making

## 4.2 Discussion

The study was conducted to assess the effect of reward management practice on employee motivation in GIZ-Office Ethiopia. In order to attain these, relevant data were gathered through questionnaire with 71 employees at head office and the data was analyzed with the aid of descriptive statistics, correlation and regressions. Based on the discussion of the data, the following summaries are drawn.

- The majority of the respondents are females.
- As per the result of this study the majority of the research participant was found between the age ranges of 31-40 years.
- The result of the study shows that most of the respondents are serving the office for 1 up to 2 years.
- This study implies that the majority of employees under this study are first degree graduates.
- The majority of the respondents are professional employees.
- According to the research finding reward have significant and positive correlation with employee motivation.
- The result implies that increase or decrease in salary or compensation will bring a significant change in employee motivation.
- The study shows that skilled base pay and employee motivation has significant and strong positive relationship. i.e the decrease or increase of paying employee basing on their skill has direct relationship with employee motivation.
- The study finding shows that there is a significant and strong positive relationship between Performance and recognition and employee motivation.
- The finding of the study indicates that, there is a significant strong correlation between participating staff in decision making process and employee motivation. It implies that the presence or absence of employee decision in the given organization fate has direct relationship with the employee motivation.



- According to the finding of this research performance recognition has a unique highest contribution on employee motivation relative to others components of total reward.

As it indicated in the above findings the study shows that the result is consistent with the suggestion given by Armstrong and Murlis (2004), and Robinson et al (2004), which states that; increasing reward and raising levels of commitment and engagement are key organizational requirements. The development of reward management policies, structures and practices is supported by the assumptions about how people can best be motivated to deliver high levels of performances, discretionary effort and contribution Armstrong and Murlis (2004). The other approach to employee engagement, discussed by Robinson et al (2004), stresses the importance of 'feeling valued and involved' as a key driver of engagement. Within this umbrella of feeling valued and involved there are a number of elements that have a varying influence on the extent to which the employee will feel valued and involved and hence engaged. The diagnostic model of Robinson et al (2004), illustrates the drivers of engagement in which the 'hygiene' factors, such as pay and benefits and health and safety, training, learning, career and development, performance appraisal and communication, work life balance are included. Generally the result shows that Reward management practice has direct significant effect on employees work motivation and majority of the employees are not satisfied with the reward practice in the organization.

The result of this study is similar with the World at Work (2010) model of total reward study that there is a significant positive relationship between total reward (pay, benefit, work life balance, development and career opportunity and performance feedback and recognition) and employee engagement.

In addition, the results of this study are consistent with the conceptual frame work discussed in the literature part which shows reward management is major sources of competitive advantage in this competitive and dynamic business environment. And as it shows the result of this study performance and recognition has unique highest contribution on employee motivation among other components of total reward system.

As the relationship between the reward component and employee motivation indicated in this study what really causes motivation, and what it causes in turn are found to be constant with the conceptual frame work proposed by the researcher of this study.

In general the argument or view by different scholars as stated in theory and research result that reward and its constituent has significantly affect employee motivation in this research study. Apart from that, the claims that total reward also affects employee motivation more when the reward components are tailored together than individually

## **CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATION**

### **5.1. Conclusions**

The main purpose of this research study was to assess the effect of reward management practice on employee motivation, and on this study it was found that reward and its components (payment, benefit, performance feedback and recognition, work life balance and development and career opportunities) use to attract, motivate and retain skilled and talented human resource have a significant positive effect on employee motivation. Hence, the higher the employees are satisfied with the reward practice in the organization, the higher the motivation of their employee will be and lead to better organizational performance.

As it has been discussed in the discussion and result section, the correlation between reward management practices and employee motivation of the studied office has a positive relationship. According to the result of this study, it has been inferred that reward components or practices which referred to compensation, benefit packages, performance feedback and recognition, work life balance, development and career opportunities will have more significant effect on employee motivation when they tailored together (as a total reward) in reward management practice rather than as an isolation manner even and also it was discovered that recognition of performance has the largest unique contribution to explaining the employee motivation.

As the researcher mentioned in the statement of the problem, the reason why employees of GIZ are not motivated, in the first hand assumed (hypothesized) to be the outcome of unsuccessful practice of reward management and the result of this study shows also reward management practice and employee motivation has a positive relationship.

Therefore, in general it can be concluded that reward management practice has significant positive effect on the employee motivation in the studied organization. Moreover, it has more direct significant effect on employee's motivation when tailored as a total reward than stand alone.

## 5.2. Recommendations

Based on the above findings and conclusion the following points as recommendation are provided.

- Since the finding of the study proofed that reward and its components directly and significantly affect employee motivation, organization should implement better reward management practice. That is, both financial and non-financial rewards components are important for the enhancement of employee satisfaction which leads to employee motivation. Today's market trend, employees not only interested at the benefits entitlement and compensation packages offered by the company but they also seek for overall organizational incentive plans.
- Since recognition of employee performance play an important role in reflecting the employee motivation, GIZ need to modify their rewards strategy to be aligned with more of the non-financial reward management.
- Organizations should tailor a total reward management approach in order to increase their level of employee work motivation since it has more direct and significant causal relationship. In other words, integrated reward management ought to be recommended that provides for reward policies and practices to be treated as a coherent whole in which the parts contribute in conjunction with one another to ensure that the contribution people make to achieving organizational, departmental and team goals is recognized and rewarded.
- The reward philosophy of the organization advised to be, the sense that it addresses longer-term issues relating to how people should be valued for what they do and what they achieve. Thus, since employee motivation is believed that one of the drivers of organizational performance, reward strategies and the processes that are required to implement them ought to have to flow from the business strategy.
- As managers get things done through others, it is essential that they should understand matters that motivate employees to perform better to the extent of their capacity and get full commitment toward ensuring organizational effectiveness through good reward management.

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## **Appendix**

### **Survey Questionnaire**

#### **QUESTIONER**

#### **ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES MBA-PROGRAM RESEARCH QUESTIONNAIRE**

#### **ASSESSMENT ON THE REWARD MANAGEMENT PRACTICES IN THE CASE OF GIZ OFFICE:**

This questionnaire is primarily intended as preliminary criteria for the partial fulfillment required for the award of **THE DEGREE OF MASTERS OF BUSSINESS ADMINSTRATION (MBA)**. The general objective of the study is to assess the practices of Reward Management System of GIZ through this questionnaire to get firsthand information.

All data and information that will be gathered through this questionnaire for the sole purpose of the research and remain confidential. Therefore, you are kindly requested to respond to the questions with utmost good faith, freely and to the best of your knowledge.

There is no need to write your name on the questionnaire.

The questionnaire has three different parts, part I is used to gather general information about the respondent, part II questions with 5-point Likert scale are provided to collect information that are related with the subject matter.

I would like to extend my heart full gratitude in advance for being a volunteer to devote your valuable time in filling this questionnaire.

Your painstaking and genuine responses are reliable and relevant for the success of the study .All the information given will be kept confidential.

Thank you in advance for your cooperation

*Abnet Mengesha*

**Instructions:**

In each question, please **tick** or mark with **x** the number in the provided options which you think is the rightful answer in your own opinion.

**Respondents' Bio Data**

Gender of respondent

- 1. Male ( )
- 2. Female ( )

Education level

- 1. Diploma ( )
- 2. Bachelors ( )
- 3. Masters degree ( )
- 4. PhD ( )
- 5. Others specify.....

Age of respondents

- 1. Below 20 years ( )
- 2. 20-30 ( )
- 3. 31-40 ( )
- 4. 41-50 ( )
- 5. Over 50years

In which category do you fall?

- 1. Manager ( )
- 2. Supervisor ( )
- 3. Employee ( )

For how long have you been working in this company?

- 1. Less than 2 years ( )
- 2. 2-4 years ( )
- 3. 5-7 years ( )
- 4. 7years and above ( )

## SECTION A

### STRATEGIES, POLICIES AND PROCEDURES IN REWARD MANAGEMENT

For the following questions please tick the number of your choice

Key

1. Strongly disagree (SD)
2. Disagree (D)
3. Not sure (NS)
4. Agree (A)
5. Strongly Agree(SA)

	Statement	Rating				
		SD	D	NS	A	SA
1.	The company reward policies favor all employees	1	2	3	4	5
2.	The Reward policies ensure all employees in this company are well and effectively rewarded	1	2	3	4	5
3.	Rewards are appropriate at each employee's level in this company.	1	2	3	4	5
3.	Reward processes and practices are geared towards the improvement of organizational, team and individual performance	1	2	3	4	5
4.	Employees are appreciated on efforts contributed to the organization	1	2	3	4	5
5.	There is a reward strategy in place which ensures the contribution people make to achieving organizational or team goals are valued, recognized and rewarded	1	2	3	4	5
6.	The organization has well-constructed employee recognition programmes	1	2	3	4	5
7.	The organization conducts job evaluation from time to time	1	2	3	4	5
8.	There is a grade and pay structure in the organization	1	2	3	4	5
9.	The organization conducts market analysis or salary surveys to be able to identify rates of pay in the labour market	1	2	3	4	5

## SECTION B

### FINANCIAL REWARDS

For the following questions please tick the number of your choice

Key

1. Strongly disagree (SD)
2. Disagree (D)
3. Not sure (NS)
4. Agree (A)
5. Strongly Agree(SA)

	Statement	Rating				
		SD	D	NS	A	SA
1.	Employees are given enough and appropriate salary	1	2	3	4	5
2.	The company gives staff annual financial bonus based on individual performance.	1	2	3	4	5
3.	The company gives top up allowances to its staff members periodically	1	2	3	4	5
3.	The company usually gives competence/skill based pay	1	2	3	4	5
4.	The company gives group bonus based on team performance of staff.	1	2	3	4	5
5.	The company gives cash award for team performance periodically.	1	2	3	4	5
6.	Employees are given cash gifts periodically	1	2	3	4	5
8.	Employees are given overtime pay for extra hours worked	1	2	3	4	5
9.	Employees are given shift working pay (for those who stand in for others)	1	2	3	4	5
10.	Employees in this company are encouraged by time rate pay	1	2	3	4	5
11.	Employees are paid extra for the stores special clothes	1	2	3	4	5
12.	Employees are assured of their pension pay	1	2	3	4	5
13.	Employees are given sick pay allowance	1	2	3	4	5
14.	Employees are privileged to access loans through the company arrangements	1	2	3	4	5

## SECTION C

### NON-FINANCIAL REWARDS

For the following questions please tick the number of your choice

Key

1. Strongly disagree (SD)
2. Disagree (D)
3. Not sure (NS)
4. Agree (A)
5. Strongly Agree(SA)

	Statement	Rating				
		SD	D	NS	A	SA
1.	The company offers training programs to its employees.	1	2	3	4	5
2.	The company gives its staff opportunities for career advancement (staff development).	1	2	3	4	5
3.	The company recognizes high achievers and excellent performers of the company.	1	2	3	4	5
4.	The company usually organizes small non-cash awards (e.g., dinners, trips abroad) to its staff.	1	2	3	4	5
5.	Employees sponsored in professional courses like ACCA, CPA, CIPS, CIMA among others	1	2	3	4	5
6.	The company allows its staff to participate in decision making process in the company	1	2	3	4	5
7.	Staff members are always given promotion on merit.	1	2	3	4	5
8.	Staff members are given better office facilities to motivate them.	1	2	3	4	5
9.	High achievers are given autonomy in decision making of the company	1	2	3	4	5
10.	Employees are given more rewarding responsibility in case of distinct performance	1	2	3	4	5
11.	Employees are given a good working environment	1	2	3	4	5
12.	Some employees are sponsored for further studies like masters	1	2	3	4	5

## SECTION D

### MOTIVATION

For the following questions please tick the number of your choice

Key

1. **Strongly disagree (SD)**
2. **Disagree (D)**
3. **Not sure (NS)**
4. **Agree (A)**
5. **Strongly Agree(SA)**

Statement	Rating				
	SD	D	NS	A	SA
I would accept jobs happily to keep working for this organization.	1	2	3	4	5
I find that my values and organization's values are very similar.	1	2	3	4	5
I am proud to tell others that I am part of this organization.	1	2	3	4	5
This organization really inspires the very best in me in the way of job performance.	1	2	3	4	5
I am extremely glad that I chose this organization to work for over others I was considering at the time I joined.	1	2	3	4	5
I really care about the fate of this organization.	1	2	3	4	5
For me, this is the best of all possible organizations for which to work.	1	2	3	4	5
I know what is expected of me at my job.	1	2	3	4	5
I am able to do what I do best every day.	1	2	3	4	5

## DECLARATION

I, Abnet Mengesha, hereby declare that this thesis is my original work, prepared under the guidance of Dr. Solomon Markos (PhD). 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.

Abnet Mengesha

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Name

Signature

**St. Mary's University College, Addis Ababa**

**May,2019**

## **ENDORSEMENT**

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

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**Advisor**

**St. Mary's University College, Addis Ababa**

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**Signature**

**May, 2019**