ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MBA PROGRAM

THE EFFECT OF REWARD MANAGEMENT ON ORGANIZATION SUCCESS: THE CASE OF MAMA MILK PROCESSING SHARE COMPANY

BY

GIRMA ALEBACHEW GELAW (**ID: SGS/0174/2010A**)

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ADDIS ABABA, ETHIOPIA

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APPROVED BY BOARD OF EXAMINERS

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Dean, Graduate Studies	**Signature**	**Date**
Advisor	**Signature**	**Date**
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External Examiner	**Signature**	**Date**
Internal Examiner	**Signature**	**Date**

TABLE OF CONTENTS

Contents   **page**

ACKNOWLEDGEMENTS

ACRONYMS AND ABRIVATIONS

SNV   Netherlands a Non-Profit International Development Organization.

NGO   Non-Governmental Organization

SPSS   Statistical Package for The Social Science

S.Co.   Share Company

PRMS   Profitable Reward Management Strategy

HRM   Human Resource Management

ANOVA   Analysis of Variance

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

The purpose of this research paper is to find out the effect of reward management system on organization success in Mama milk processing S. Co. The researcher used explanatory research design. descriptive statistics, correlation, and regression data analysis method were used, primary and secondary data source were the source of information, questionnaires and interviews were used for data collection instruments, before the actual data analysis validity and reliability test were tested. 152 employees were included in the survey. Census sampling technique were employed in admitting the questionnaires. The data collection instrument contains 46 items. The Pearson correlation test conducted between company success and factors showed that, there is significant positive relation between them. The ANOVA test result the is significant and there is a relation between factors variables reward policy, reward prouder and employee satisfaction is a relational factor of model company success. Finally, the researcher concluded, factors variables have significant positive effect on company success and recommended that the company design appropriate reward management system and fairly implement.

Keywords: Reward Policy, Reward Procedure, Employees' Satisfaction and Company Success.

CHAPTER ONE

INTRODUCTION

This chapter deals with background of the study, profile of the company, terms definition, statement of the problem, basic research questions, objective of the study, significance of the study, scope and limitations of the study. And finally it highlights the organization of the paper.

1.1. Background of the Study

The aims of reward management are achieved by developing and implementing strategies, policies, processes and practices that are founded on an attitude, operate in accordance with the principles of distributive and natural justice, function fairly, equitably, consistently and transparently, are aligned to the business strategy, fit the context and culture of the organization, are fit for purpose and help to develop a high performance culture (Armstrong, 2007).

Reward management deals with the strategies, policies and processes required to ensure that the contribution of people to the organization is recognized by both financial and non-financial means.

It is about the design, implementation and maintenance of reward systems (reward processes, practices and procedures), which aim to meet the needs of both the organization and its stakeholders (Kohn, 1993).

 Reward strategy, in practice, is beyond the obligatory compensation or remuneration package; it is a package of motivational incentives that guide action in manipulating and controlling the behavior of employees towards the achievement of the organization's goal (Stoner et.al, 1995). It is in recognition of the importance of reward as motivational technique that most organization invests heavily in them (reward) in order to gain control of the behavior of their employees (Shields, 2007).

A reward strategy just like any other strategy in the organization must seek to address an organization's bottom line. Its purpose must therefore be to support the corporate strategy and address organizational needs. Profitable Reward Management Strategy (PRMS) includes supporting the achievement of overall business strategy, it is integrated with other HRM strategies, it is strategic in nature in the sense that it looks at supporting overall organizational effectiveness and efficiency, it adopts a 'total' reward approach which recognizes that there are a number of

ways of rewarding people- being both financial and non-financial, it is based on a philosophy of rewarding people differently for the value they create i.e. the return on human capital investment and it seeks to achieve a perfect balance in the employment relationship and a generally positive employment relationship (Armstrong, 2003).

Reward management is the process of formulating and implementation of strategies and policies that aim to reward people fairly, equitably and constantly in accordance with their value to the organization (Armstrong and Murlis, 2004). It also deals with the design, implementation and maintaining of reward processes and practices that are focused towards the improvement of organizational, team and individual performance.

Literally, according to the above definitions reward management is a motivational tool used in appreciating employees on the efforts contributed to the organization. Which means reward could be interchanged as compensation or remuneration or explicit price of labor. Furthermore, reward management is more concerned with people (employees) and the value they create in the organization (Schneider, 1987).

For organizations to achieve a highly committed business environment and its overall business goal, a reward strategy must be developed to ensure that the contribution people make to achieving organizational or team goals are valued, recognized and rewarded (Armstrong, 2010).

If a business is as good as the people who work in it then reward management becomes central in that it can determine the goodness of the people who work in the business of motivation and commitment. They show to the organization (unsatisfactory rewards = low commitment). (Isaacket.al, 2016), which shows the organizations with well to do reward systems enjoy better results in terms of productivity and general performance than those with poor ones such as the civil service (Armstrong, 2007).

Organizations that have well-crafted and applied reward management strategy or When reward management practice is designed, and implemented successfully it encourages employee participation, motivation and commitment. Moreover, the importance of motivated employees cannot be highlighted enough in an organizational context and can be characterized as the following basic four variables such as well-structured reward police and Reward procedure, Employee satisfaction are the basic factors to characterized Company success.

In view of the above, this research was basically intended to study the effect of reward management on company success, the case of Mama Milk Processing S. Co.

In few years of existence, Mama Milk Processing S. Co. has established recognition with the customers and NGO's (non-governmental organization) that are interested in working with farmers in the milk sector. Like, SNV is Netherlands a non-profit international development organization.

Mama Milk Processing S. Co. is committed in encouraging, supporting and delivering its human resource developments for all staff throughout the organization to aid each process and the organization as a whole to meet its objectives thereby assisting the company to remain competitive and highly effective in milk processing sector.

Therefore, this research paper attempts to examine the effect of reward management on employees' performance, and satisfaction which is expected to have effect on the overall success of Mama Milk Processing Share Company.

1.2. Statement of the Problem

An analysis of the current trends show that most reward management decisions are based more on social and political processes rather than academic information on the merit of the reward management decision, (Chen & Hsieh, 2006). Besides, reward management is seen as one of the most effective ways of increasing employee performance as depicted in the expectancy and instrumentality theories that reward management touch on the very aspects of employee performance such as their expectations and behavioral tendencies towards their work, (Tahir et al, 2013).

Moreover, the hotel Industry in Kenya plays a very important role in the country's economic development in terms of foreign exchange, government revenue and provision of employment and business opportunities. This is heightened by the importance of 7 tourisms as one of the key backbones to the Kenyan economy to which the hotel industry is the spinal cord, (Kenya Tourism Report, 2013). The industry has thus come up with an extensive reward management policy and practice that needs to be studied in an attempt to determine the effect of reward management on employee performance. There have therefore been various studies attempting to explain effect of reward management on employee performance. However most of these studies (Lynn et al 2009;

Amstrong et al, 2009; Mbaya, 2013 and Mzera, 2012) are more concentrated on reward rather than reward management with the studies on reward management more concentrated in the banking industry (Aktar et al, 2012; Cherotich, 2012 and Jepngetich & Njue, 2013) and processing factories (Ahmad et al 2010 and Mansor et al 2012). Moreover, the study by Mokaya (2013) showed that hotels in Kenya used reward to retain talents and high performing employees. This study will therefore give a detailed outline of reward management by specifically narrowing down on each reward management practice and determine its relative effect on employee performance to enable mangers prioritize the reward management practices to use for optimal employee performance.

In general, the concept of reward is to create self-starter, motivated employees and for the companies to be competent in the current competitive market of the current economy. Based on the success stories described in many literatures such as Armstrong and Taylor (2010), Armstrong and Murlis (2004) it is indicated that rewards are largely to attract and retain competent staff and employees in an organization, that guarantees attractive fringe benefits to the employees, the student researcher was investigate the effect of reward management on company success of Mama Milk Processing S. C's existing employees reward management system in place.

It is observed that the main problem that exists in many organizations' employee reward system is lack of improvement in the reward management system in accordance to the drastically changing competition and economic environment, discriminatory nature of the reward management system implementation and delay to give solutions for reward claim of employees.

Few researches were conducted on practice and challenge of Reward management on employee satisfaction and company success (Scott (2010); Actar (2012); Adeyemi (2013). Most findings show that, the design and implementation of reward management practice influences employee performance significantly. Thus, in order to achieve high level of employee performance, organizations should participate individual employees on designing reward management practice and the system should be transparent, clear, and easy to understand.

However, the researcher was not concerned in studying how the influence of reward management practices on the company. Yet, there is no attempt to examine the effect of reward management practice on employee satisfaction and company success in milk processing sector.

The effect of the reward management practice on employee satisfaction in milk processing sector is also not yet researched. Hence, to bridge this research gap, this study was try to assess the of existing reward management practice and examine its influence on employee satisfaction and company success of Mama Milk Processing S.C.

The observation made by the student researcher reveals that the company would benefit if due care and focus is given to its reward management system.

1.3. Research Questions

In due course of this research study the following basic research questions were used to guide the entire inquisitive research process;

- What the existing reward management practices and what challenges they face in relation to reward Management of Mama Milk Processing S. Co.?
- To what extent employees are satisfied with the existing reward management in Mama Milk Processing S. Co?
- What is the extent of company success due to reward policy, reward procedure and employee satisfaction in Mama Milk Processing S. Co?

1.4. Objective of the study

1.4.1. General Objective

The objective of this research is to assess the practices and challenges of reward management within Mama Milk Processing Share Company.

1.4.2. Specific Objective

The specific objectives of the research are;
- To assess the practices and challenges of reward management that faces in relation to reward management of Mama Milk Processing S. Co.
- To analyze the extent to which employees are satisfied by the existing reward management system Mama milk processing S. Co.
- To identify the factor of reward management on company success.

1.5. Hypothesis

Research question: Is reward policy, reward procedure and employee satisfaction is a factor of company success?

Hypothesis test

Ho: there is no relation between factors variables and model variable.

HA: there is a relation.

Research question: Is reward policy, reward procedure and employee satisfaction is a factor of company success?

Hypothesis test

Ho: b1=b2=b3=0

HA: At least one is difference from zero

1.6. Significance of the Study

This study was assuming to have various benefits to different bodies, such as:

- ➢ Serve as a tool in suggesting a way to a better practice in reward management to the Company
- ➢ Significance in creating awareness in the mind of the management of Mama Milk Processing Share Company in light of practices and challenges of reward management including best practices.
- ➢ Used as a reference material for those who are interested to conduct further, a detailed and comprehensive study in the area.

1.7. Scope of the Study

Although there are many factors that affect company success in the real business context but three main factors that are expressed in 46 items are included in this study. This narrows the scope related to the factors of company success. Other supporting functional departments like Human Resources, Accounting and Finance, Procurement and Store, Market Development, are included in the study. Employees of the corporate office are also part of the sampling population. The

discussions and results of this particular study may reveal the effects of some factors related to the company success in the agro- processing companies more specifically in milk processing companies. Hence the conclusions and the findings of this particular study have to be complemented with other relevant studies.

1.8. Limitation of the Study

The major problem may have encountered by the researcher during the data collection process was the reluctance of respondents to answer the questionnaire, mismatch of schedule between respondents and the researcher, The Negative attitudinal problem of respondents towards the questionnaire and unwillingness to fill the questionnaire and lack of full cooperation from the departmental managers were some of the limitations in the study.

1.9. Organization of the Study

The paper is organized into five chapters; the first chapter consists of background of the study, Statement of the problem, Objectives of the study, Research question, Significance of the study, Limitation of the study, Organization of the study. The second chapter is about the literature review. The third chapter includes Research design & methodology. And chapter four is all about data presentation, analysis and interpretation. The final chapter (chapter five) incorporates Summary of the findings, Conclusions & Recommendations of the study and other necessary documents of the research like reference, list of Bibliography, Appendixes, and sample questions.

1.10. Terms and Concepts

Extrinsic rewards- are those external to the task of the job such as pay, work condition, fringe benefits, security, promotion, contract of service, and the work environment (Ajils, 1997).

Intrinsic rewards- are inherent in the job itself and which the individual enjoys because of successfully completing the task of attaining his or her goal (Ajils, 1997).

Motivation- internal and external factors that stimulate desire and energy, in people to be continually interested and committed to a job, role or subject, or to make an effort to attain a goal Armstrong, (2010).

Reward-- is an important part of the feedback loop in performance management (Hartle, 1995)

Performance management-- a process or set of processes for establishing shared understanding about what is to be achieved, and of managing and developing people in a way which increases the probability that it will be achieved in the short and longer term (Armstrong &Murlis, 1994).

Benefits: consist of arrangements made by employers for their employees enhance the latter's well-being (Armstrong, 2010).

Working conditions: includes working hours, relationships with workers, and quantity of work and availability of resources (Armstrong, 2010).

Promotion: refers to opportunities that organizations offer for advancement asserts that promotions create the opportunity for personal growth, increased levels of responsibility and an increase on social standing (Robbins & Judge, 2013).

Recognition: are special awards for employee achievement, is less common and is associated with performance but usually operated separately and where many of the rewards are non-cash (Stredwick, 2015).

Employee Performance- is the productivity or result of the employee while doing the job. Employee performance means employee productivity and output because of employee development (Oroh, Lapia, & Pandowo,2013)

CHAPTER TWO

REVIEW OF RELATED LITRATURE

Introduction

This chapter defines the foundations of the study by detailing the theoretical framework guiding the study before establishing the empirical foundation and conceptual framework for the relationship between variables of the study that is reward policy, reward procedure, employee satisfaction and company success.

2.1. Reward

Reward is the generic term for the totality of financial and non-financial compensation or total remuneration paid to an employee in return for work or service rendered at work (Shields, 2007).

Reward which is sometimes been refers to as compensation or remuneration, is perhaps the most important contract term in every paid employment. Its impact on workers (or employee's) performance is in most instance greatly misinterpreted. The understanding of this term is very important; this is because the incentive scheme given to an employee will influence the behavior and level of engagement to organization (Shields, 2007).

A Reward can be defined anything that attracts an employee's attention and stimulates him to work .it is the benefit that workers receive by performing a task and discharging a responsibility. Rewards is also defined as one of the valuable elements to motivate employees for contributing their best effort to generate innovative ideas that lead to better business functionality and further improve company performance both financial and Non-financial (Aktar, sachu, & Ali,2012).

Rewards are the positive reinforcements given by the organization. Rewards acts as effective motivators and help people to increase productivity and efficiency According to Mirkander (2010), cited in oroc, lapian and pandowo (2014) Reward is given by the individual or organization to the worker or employees as the following job they do. Reward is the benefit that arises from performing a task, rendering a service or discharging a responsibility. Reward had been seen to be a vital instrument in employee performance. And a well-rewarded employee feels that he /she is being valued by the company that he/she is working for (Sajuyigbe, Bosede, &Adeyemi, 2010).

Employees will give their maximum when they have a feeling or trust that their efforts will be rewarded by the management. There are many factors that affect employee performance like working conditions, worker and employer relationship, promotion and development opportunities, job security, and company's overall policies and procedures for rewarding employees etc. Aktar, Sachu and Ali (2012) Batol &Srivastava (2002) as cited in Khan, shahid and Nawab (2013) suggests that rewards as utilized by managers to show employees that their behaviors shall be valued. Generally, a reward is given in return for a good work or in recognition of merit performance of a service rendered (Mansor, Borhannuddin and yusuf,2012)

2.2. Reward Management

According to Michael Armstrong (2010) Reward management is concerned with the strategies, policies and processes required to ensure that the value of people and the contribution they make to achieving organizational, departmental and team goals is recognized and rewarded. It is about the design, implementation and maintenance of reward systems (interrelated reward processes, practices and procedures) that aim to satisfy the needs of both the organization and its stakeholders and to operate fairly, equitably and consistently. Reward management is concerned with people – especially the employees who are rewarded for their efforts, skills and contribution but also the directors, managers and reward specialists who plan, manage and administrate rewards.

According to Armstrong (2010) reward management is defined '' as the strategies, policies and processes required to ensure that the value of people and the contribution they make to achieving organization, departmental and team goals is recognized and rewarded''.

Reward management is more concerned with people (employee) and the value they create in the organization (Schneider, 1987). Reward system is an ''integration of the sources and the courses of actions that inform the selection of a mix of rewards aimed at facilitating the attraction and retention of employees, and to encourage employees' effort, cooperation as well as willingness to learn new skills and adopt to change'' (Torrington el al (2009) sited in (Cowling and Mailer, 1998).

Reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility (Schneider, 1987).

Literally, according to the above definitions reward management is a motivational tool used in appreciating employees on the efforts contributed to the organization. Which means reward could be interchanged as compensation or remuneration or explicit price of labor. Reward management is more concerned with people (employee) and the value they create in the organization (Schneider, 1987). For organizations to achieve a highly committed business environment and its overall business goal, a reward strategy must be developed to ensure that the contribution people make to achieving organizational or team goals are valued, recognized and rewarded (Armstrong, 2010).

According to Byars and Rue (2005), rewards are of two types, the extrinsic reward and intrinsic reward. Extrinsic rewards are the tangible rewards in form of pay and benefits while intrinsic rewards are intangible rewards internalized by individual employees as a result of their participation in specified activities. Another word of extrinsic and intrinsic is Financial and Non-financial some texts also refer to them as monetary and non-monetary.

2.3. The Aims of Reward Management

According to (Armstrong & Stephens, 2005) 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 and develop a high-performance culture.

The aims of reward management are achieved by developing and implementing strategies, policies, processes and practices that are founded on a philosophy, operate in accordance with the principles of distributive and natural justice, function fairly, equitably, consistently and transparently, are aligned to the business strategy, fit the context and culture of the organization, are fit for purpose and help to develop a high-performance culture (Armstrong & Stephens, 2005).

In the words of Ghoshal & Bartlett (1995) the overall aim of reward management should be to 'add value to people'. It is not just about attaching value to them. More specifically, the aims are to: Support the achievement of business goals through high performance, Develop and support the organization's culture; Define what is important in terms of behaviors and outcomes, Reward people according to the value they create, Reward people according to what the organization

11

values, Align reward practices with employee needs, Help to attract and retain the high-quality people the organization needs, Win the engagement of people, and Overall and specific approaches to achieving these aims are described below.

According to Armstrong &Murlis (1988), to fulfill its overall aim of helping the organization to attain its goals, the reward management system should be geared to the value of the contributions individuals make to reaching these objectives.it must be tailored to meet the organization's special needs and it should be capable of being easily modified in response to the change that will enviably take place in a dynamic enterprise.

In particular the system should aim to ensure that the organization can recruit the quantity and quality of staff it requires, encourage suitable staff to remain with the organization, Provide rewards for good performance and incentives for further improvements in performance, moreover, achieve sufficient equity in the pay for similar jobs, Create appropriate differentials between different levels of jobs in accordance with their relative value, operate flexibly enough to accommodate organizational changes and alterations in the relative market rates for different skills, be simple to explain, understand, operate and control, and be cost-effective in the sense that the benefits of the system are obtained without undue expense.

2.4. Importance of Reward Management

According to Armstrong (2010) Reward management supports the achievement of business goals by helping to ensure that the organization has the talented and engaged people in needs. It contributes to the achievement of high performance by ensuring that the reward system recognizes and encourages it. Reward management can define expectations through performance management and contingent pay Schemes.

2.5. Purpose of Reward Management

What is it that organizations hope to obtain by offering rewards to their employees; that is, what should a system of reward management seek to do? In essence (and again in prescriptive mode) a reward system maintained by a work organization is likely to have three primary objectives: like to attract the right people at the right time for the right jobs, tasks or roles, to retain the best people

by recognizing and rewarding their contribution and to motivate employees to contribute to the best of their capability (Ronald J. & Cary L., 2005).

Notice here the strong linkage between the reward and staffing functions (Regarding the staff attraction and retention objectives) and between the reward and performance management functions (regarding motivation).

Which is of greater importance? Dissatisfaction arising from perceptions of reward inequity can certainly lead to increased employee turnover and reduced motivation, but the costs and benefits of being a low payer will vary depending on the type of organization involved. While some organizations may suffer serious performance impairment, others may be able to absorb these consequences and still meet their objectives. Tensions may also arise the fundamentals that we need to consider: 'motivation', 'job satisfaction' and 'organizational commitment' (Redman T. and Wilkinson A., 2006).

2.6 Integrated Reward Management

Integrated reward management is an approach to reward management 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. It consists of a related set of activities that impinge and impact on all aspects of the business and the HRM Practices within it. As White (2005) points out, in an integrated approach 'each individual element of reward supports the other to reinforce organizational objectives.'

Integration takes three forms these are: Strategic integration: (the vertical integration of reward strategy with business strategy), HRM integration (the horizontal integration of reward strategies with other HR strategies, especially those concerned with high performance, engagement, talent management and learning and development) and reward integration (the internal integration of reward to ensure that its various aspects cohere and that a total reward philosophy is adopted that means a full range of mutually supporting financial and non-financial rewards is used.)

2.7 Reward Philosophy

According to Torrington el at (2009), ''since 1940s payment scheme have had two underlying philosophies First is the service philosophy (experience). It indicates that people become more effective as they remain in a job, so their service should be rewarded through incremental pay scales. Second is ''fairness philosophy'' that organizations must have standard structure of reward strategy that will promote fairness''.

Reward management is based on a well-articulated philosophy – a set of beliefs and guiding principles that are consistent with the values of the organization and help to enact them. The philosophy recognizes that, if human resource management is about investing in human capital from which a reasonable return is required, then it is proper to reward people differentially according to their contribution (i.e. the return on investment they generate). The philosophy of reward management also recognizes that it must be strategic in the sense that it addresses longer-term issues relating to how people should be valued for what they do and what they achieve (Armstrong &Stephens, 2005). Reward strategies and the processes that are required to implement them have to flow from the business strategy (Armstrong &Stephens, 2005).

Reward management adopts a 'total reward' approach, which emphasizes the importance of considering all aspects of reward as a coherent whole that is linked to other HR initiatives designed to achieve the motivation, commitment, engagement and development of employees (Armstrong &Stephens, 2005). This requires the integration of reward strategies with company's strategies, including talent management and human resource development. Reward management is an integral part of a human resource management approach to managing people within the organization like Mama Milk Processing Share Company.

2.8 Types of Reward

Labor economists distinguish between the incentive effect of financial rewards (generating more engagement and effort) and the sorting effect (attracting better-quality employees). According to Luthans (2000), cited in Aktar, et al. (2012) there are two basic types of rewards, financial and non-financial rewards and both can be utilized positively to enhance performance behaviors of employees.

2.8.1. Financial Rewards

Financial rewards comprise all rewards that have a monetary value and add up to total 6remuneration 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. The management of a reward system requires decisions on levels of pay, how jobs should be valued, the design and operation of grade and pay structures and the choice of benefits. Such decisions can be complex and difficult, but the problems pale by comparison with the issues surrounding the use of financial rewards contingent on performance, contribution, competence or skill.

2.8.2. Non-financial Rewards

According to Armstrong (2010), non-financial rewards are those that focus on the needs people must 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, or intrinsic, arising from the work itself associated with job challenge and interest and feelings that the work is worthwhile.

The types of rewards as originally identified by Herzberg (1957) include the following:

2.8.2.1. Intrinsic Rewards

Intrinsic rewards are the self-generated factors that influence people to behave in a way or to move in a direction. These factors include responsibility (feeling that the work is important and having control over one's own resources), autonomy (freedom to act), scope to use and develop skills and abilities, interesting and challenging work and opportunities for advancement.

2.8.2.2. Extrinsic rewards

Extrinsic answer the question; what is done to or for people to motivate them? This includes rewards, such as increased pay, verbal appreciation or promotion and punishment, such as disciplinary action, withholding pay, or criticism. Extrinsic motivators can have an immediate and

powerful effect, but it may not necessarily last long. Extrinsic rewards are usually financial or tangible rewards.

2.9. Reward practices

2.9.1. Base pay

Base pay is the amount of pay that constitutes the rate for the job or the person. Base pay management uses the information from market pricing and job evaluation to design and operate grade and pay structures.

2.9.2. Employee benefit

As Armstrong (2010), pointed out, employee benefits consist of arrangements made by employers for their employees that enhance the latter's well-being. They are provided in addition to pay and form important parts of the total reward package. As part of total remuneration, they may be deferred or contingent such as a pension scheme, insurance cover or sick pay, or they may be immediate such as a company car or a loan. Employee benefits also include holidays and leave arrangements, which are not strictly remuneration. Benefits are sometimes referred to dismissively as 'perks'(perquisites) or 'fringe benefits', but when they cater for personal security or personal needs they could hardly be described as 'fringe'.

2.9.3. Recognition

Armstrong (2010) states that recognition schemes as part of a total reward package enable appreciation to be shown to individuals for their achievements, informally on a day-to day basis or through formal recognition arrangements. They can take place quietly between managers and their team workers or be visible celebrations of success. A recognition scheme can be formal and organization wide, providing scope to recognize achievements by gifts or treats or by public applause

2.9.4. Promotion

Promotion is an important feature of employee's life style and occupation, affecting other job experience levels and can have an obvious impact on other job aspects like job attachment and responsibilities. Additionally, promotion can influence the instrument of exerting better attempts,

if employees put an important value on it. If not, the companies would focus on pay increase to reward high effort and productivity. Indeed, the employees may be worth the promotions since they make an increase in job services (Gohari, Ahmadloo& Hosseinpour, 2013).

2.9.5. Working conditions

The physical environment in which the work is described here. Adverse environmental conditions such as noise, heat, and fumes are detailed along with the frequency of exposure. Most professionals and executive job descriptions do not include this section because work is assumed to be performed under normal office conditions. If it is not, the section should be included. Work conditions are defined by criteria such as: Physical effort, Work environment Sensory attention and Physical risks (Ruddy, 2007).

2.9.6. Responsibility

Individuals can be motivated by being given more responsibility for their work. People are impositions of responsibility when they are held to account for what they do. They are in charge of their work and the resources required to do it. Being given more responsibility can satisfy needs for achievement and increase self-esteem. It is also a form of recognition (Armstrong, 2010)

2.10 Reward and Employee performance

Reward makes an overall positive impact on performance when it contributes to the development of a high-performance culture, one in which the values, norms and HR practices of an organization combine to create a climate in which the achievement of high levels of performance is a way of life. Such a culture can be manifested in a high-performance work system. Within the high-performance culture and work system, reward impacts on individual and Organizational performance by: ensuring that performance expectations are defined and understood, providing the means to encourage and recognize high performance, enhancing engagement and promoting positive discretionary effort, enhancing engagement and promoting positive discretionary effort and Persuading talented people to join and stay with the organization.

According to the Armstrong (2008), performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. He further explained it is means of getting better results by understanding and managing

performance within an agreed framework of planned goals, standard and competency requirements. In addition to that Armstrong define performance management as "a process or set of processes for establishing shared understanding Based on Abiola and Ajila's (2004) findings, intrinsic rewards can be terms as 'psychological rewards about what is to be achieved, and of managing and developing people in a way which increases the probability that it will be achieved in the short and longer term." To measure employee performance organizations, use performance appraisal in order to ensure of achievement of goals.

2.11 Factors That Influence Rewards

A given reward system is affected by various internal and external factors. Only some of the factors that are directly relevant to the study will be mentioned; mainly the internal factors source of internal factors is within the company. These are the company's reward philosophy, organizational culture, organization's financial performance, employee's perception, and others. External factors are beyond the control of the organization. These are the labor market, level of competition, economic conditions etc.

2.12 The Reward System

The is an ''integration of the resources and course of actions that inform the selection of a mix of rewards aimed at facilitating the attraction and retention of employees, and to encourage employees' effort, cooperation as well as willingness to learn new skills and to adapt to change'' (Torrington el al (2009) sited in (cowling and miller, 1998). In a simple word Armstrong (2010) defines reward system as ''the interrelated processes and practices that combine to ensure that reward management carried out effectively to the benefit of the organization and the people who work there''. This indicates that reward strategy adapted by any origination must be alignment with the Human Resources and business strategies of the organization.

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 (Armstrong &Stephens, 2005, 8). For example, an organization may have a strategy to maintain competitive rates of pay.

Reward polices are the guidelines and courses of actions formulated for successful reward system within greatest impact on the motivation and performance of individual employees. For reward system to be effectively administered, Byar and Rue (2005) suggest that the policies should be clearly indicated; the minimum and maximum levels of pay considering – the worth of the job to the organization, ability to pay, government regulations in labor market, other markets pressures.

Reward policies, which will 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 (Armstrong &Stephens, 2005).

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 analyzing market rate data, and making pay adjustments that reflect market rates of increase (Armstrong & Stephens, 2005).

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 (Armstrong & Stephens, 2005).

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 (Armstrong & Stephens, 2005).

2.13 Elements of Reward System

The reward system is allocation of compensation and benefits to employees that follow established standards, rules and procedures (The Law Online Dictionary, 2002)

2.13.1 Business Strategy

The starting point of the reward system is the business strategy of the organization. This identifies the business drivers and sets out the business goals. The drivers are unique to any organization but will often include items such as high performance, profitability, productivity, innovation, customer service, quality, price/cost leadership and the need to satisfy stakeholders – investors, shareholders, and employees (Armstrong, 2012).

2.13.2 Reward Strategy and Policy

The reward strategy flows from an analysis of the business drivers. The question is: 'How can these are supported by reward in order to achieve the goals of the business?' The reward strategy will define longer-term intentions in such areas as pay structures, contingent pay, employee benefits, and steps to increase engagement and commitment and adopting a total reward approach.

2.13.3 Reward Management and People

Reward management is concerned with people – especially the employees who are rewarded for their efforts, skills and contribution but also the directors, managers and reward specialists who plan, manage and administrate rewards. This is in accordance with the view expressed by Schneider (1987): Organizations are the people in them people make the place. His point was that: Attraction to an organization, selection by it, and attrition from it yields particular kinds of persons in an organization. These people determine organizational behavior…Positive job attitudes for workers in an organization can be expected when the natural inclinations of the persons there are allowed to be reflected in their behaviors by the kinds of processes and structures that have evolved there.

2.14 Essentials of Reward Management

In conjunction with one another to ensure that the contribution people make to achieving organizational, departmental and team goals is recognized and rewarded. It consists of a related set of activities that impinge and impact on all aspects of the business and the HRM practices within it. In an integrated approach 'each individual element of reward supports the other to reinforce organizational objectives.'

As mentioned by Armstrong .M, (2005, 2007, and 2010) integration takes three forms:

- Strategic integration: the vertical integration of reward strategy with business strategy.
- HRM integration: the horizontal integration of reward strategies with other HR strategies, especially those concerned with high performance, engagement, talent management and learning and development.
- Reward: market driven, with overall performance dictating rate of progress of salaries within broad band's rather than existing grades.

- Recruitment: competency based, with multi-assessment processes as the basic approach.
- Performance management: not linked to pay, concentrated on personal development, objective setting and competency development.
- Training and development: targeted on key competencies and emphasizing self-development.

2.14.1 Motivation

Motivation is the wellspring of task, behavior or effort, and it refers to the strength of a person's willingness to perform allotted work tasks – to undertake work effort (Shields, 2007). To motivate means to energize the individual to deliver work effort and task behavior (Schmid, B. &Adams, J. 2008). The term itself derives from the Latin word movere, meaning 'to move' (Steers & Porter 1991: 5–6). However, motivation is not a homogeneous or indivisible phenomenon. It can be broken down into various elements. When we study motivation, then, we are really concerned with three related aspects of task behavior:

- The direction of that behavior: why people take certain actions rather than others; e. g. emphasizing product quantity over quality
- The intensity of that behavior: why the actions taken involve either a lot of effort, or a little
- The duration of that behavior: why some actions are more sustained and enduring than others (Kanfer, 1998).

What moves one individual to deliver solid and sustained work effort may have little motivational effect on other employees, or may have more behavioral impact in some work contexts and climates than in others. In fact, it is this very variety of possibilities that makes motivation such an absorbing field of academic study and management practice. Second, as our discussion so far suggests, motivation is by no means the only important work attitude. Its significance needs to be understood in context, not in isolation (Kanfer, 1998).

2.14.2 Job Satisfaction as Reward

Job satisfaction refers to the overall positive or negative attitude that employees hold towards the job and the job context. In other words, how contented or discontented are employees with the totality of their job assignment? In this sense, job satisfaction is also an affective state – that is, an

emotional condition – as well as an attitude (Shields, 2007). As a holistic summative feeling about the job, it covers both the job content – or factors 'intrinsic' to the job – and the job context – or factors surrounding or associated with the job, such as work relationships, work culture and human resource practices, including those to do with performance and reward management (Shields, 2007).

2.15 Challenges of Reward Management

Having studied companies closely and analyzed their employees reward systems over a significant period of time, what comes out consistently is that while rewards continue to remain the core of talent management activities, managing successfully the employee reward programs still remains the biggest challenge with most of those companies. (Michael Armstrong, Helen Murlis,2004).

2.15.1 Reward Not Understood by People

The employees in general are not aware of the process that goes behind the plan, design and delivery of the reward programs. The same are also not communicated adequately/effectively to the people, and the involvement of the line managers are also not able to either articulate or maximize the value such as rewards to its internal customers

2.15.2 Reward Not Linked to Company's Business

While planning and designing the employees reward programs, it is often fund that HR actually works in isolation or at best with a only few chosen stake holder who they are comfortable with and not in overall alignment with the company's goals.

2.15.3 Reward Not Linked to Employee Performance

More often than not, it is the perception around the intent and effort of employees, rather than the actual results or outcome delivered that drive performance measures and the reward associated with the same developing clear expectations, creating a clear line sight, setting achievable goal and establishing credible measurement system.

2.15.4 Reward Not Linked to the Job to Be Performed

The absence of a proper job evaluation system or well-designed job descriptions often fail to differentiate between the real job at hand and its worth, as against loosely crafted positions.

2.15.5 Reward Not Linked to Individual Employee Needs

Most of the time, the employee reward programs end up being flat and linear, in the name of standardization and equality. The spectrum of rewards must be flexible/adaptable, as the motivational factors are different groups of employees and their respective needs must be met.

2.16 Empirical Review

Rewards can be used to improve performance by setting targets in relation to the work given e.g. surpassing some sales targets. When the employee surpasses their target, he or she can be given an additional amount to their salary; this will make them strive to achieve more.

Research has proven that when human being are appreciated and praised they tend to improve their performance. This is another way an organization can apply as a reward so as to improve performance. Praise could be shown in the organization newsletter or in meetings. When managers take time to meet and recognize employees who have performed well, it plays a big role in enhancing employees' performance (Torrington & Hall, 2006). Organizations should reward employees more often. This greatly improves performance compared to having the rewards maybe only once a year. This is because frequent rewards are easily linked to the performance (Thomson &Rampton, 2003).

Another way through which organizations can use reward systems to increase output is by personalizing the reward. When rewards tend to be so general, employees do not value them. Organizations can use rewards to improve employee performance by incorporating appraisal or promotion for employees who have a good record of performance. Managers should be on the lookout for employees who perform well. Organizations tend to focus on financial rewards, and non-financial rewards have become increasingly being overlooked (Chiang &Birtch, 2008).

Every employee has his or her own set of needs and motivators. Therefore, school principal should carefully select the right rewards that respond to individual needs. Some are motivated by money, while others motivated by recognition, increment of pay. Career advancement or personal growth; which is not direct or instant material benefits. Thus, it is wrong to assume that everyone shares the same motivator and needs (Lai, 2009)

Apeyusi (2012) found that 47% of managers from the branches of the bank under study thought there was a positive relationship between rewards and employee performance whereas 53% of them disagreed with the statement. The study further revealed that more than half of the staff indicated that they are prepared to work harder if they are given more incentives or paid better, indicating a positive relationship between reward and performance. It also stated on the research that Employees were having variety of packages without realizing it was a means of rewarding their contribution to the organization. Thus, they felt always left-out and wanted more (some of which they were already enjoying without their specific knowledge). The study also reveals that the major strength was that the bank was responding to changes in the industry or the labor environment by incorporating variety into their reward packages.

The Aktar, Kamruzzaman & Ali (2012) researched the effect of Reward management on the employee performance of Commercial banks in Bangladesh. Specifically, the objective of the study is to find out the relationship between rewards and employee performance. It was hypothesized in the study there is direct relationship between Extrinsic and intrinsic rewards and employee's performance. And, there is indirect relationship between extrinsic and intrinsic rewards and employee performance. The key findings of the study were a significant correlation between dependent variable and independent variables which mean employees' performance 70.2% depend on intrinsic and extrinsic reward. Here also shows that there was a strongly significant correlation between extrinsic and intrinsic rewards.

Waruni, Ayesha &Edirisooriya (2014) investigated the effect of rewards on employee performance and the study was conducted at Electrico, a public-sector service oriented organization established in 1968.The study explores, it is demonstrated that there is a very strong relationship between pay and employee performance. It proves that most of the employees in Electrico highly prefer monetary rewards irrespective of their position. Money is a measurement of employees 'accomplishments. Issues involved in public procurement in Ghana and analyses the potential impact of this reform on public procurement organizations performance. The study also shows that there is recognition proves to have the strongest relationship to employee performance when compared to other intrinsic variables. Recognition is a powerful motivation factor because it helps employee to know how well they have achieved their objectives and whether their achievements are appreciated.

2.17 Conceptual Framework

The following conceptual framework is developed from the above literature review. Reward which is composed of both financial rewards (which are extrinsic like payment and benefits) and non-financial rewards (contains both extrinsic and intrinsic rewards and includes payment, bonus, working conditions, recognition, and the overall organizational and work environment) will result in employee satisfaction, motivation and productivity. Hence, reward policy, reward procedure and employee satisfaction is an independent variable or factor influence variable to the company success, which means company successes is a dependent variable.

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┌─────────────────────┐          ┌─────────────────────┐          ┌─────────────────────┐
│  Factor variables   │          │                     │          │                     │
│                     │   ──▶    │ Employees satisfaction│   ──▶   │  Company success    │
│  • Reward policy    │          │                     │          │                     │
│  • Reward procedure │          │                     │          │                     │
└─────────────────────┘          └─────────────────────┘          └─────────────────────┘
```
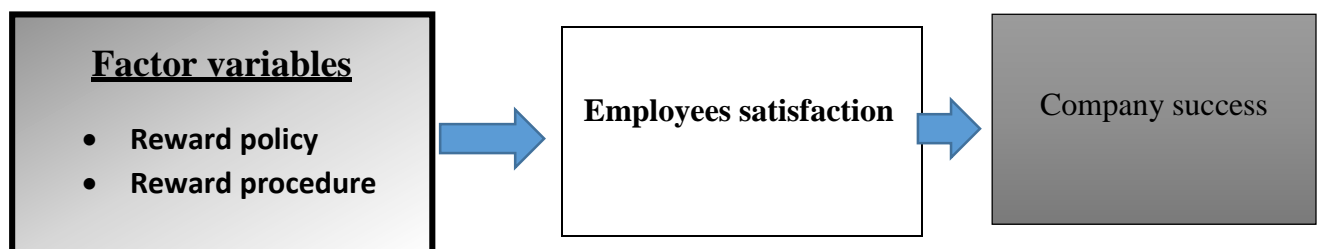
Figure1; Conceptual Framework source(self)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

Methodology refers to the material and method of study that is the variables (materials) over which the study data to be collected, data analysis, sampling and interpretation (Williams, 2011). Hence, this study focuses on the practices and challenges of Reward Management in Mama Milk Processing Share Company.

3.2. Background of Organization

Mama Milk Processing Share Company is a dairy processing company in Ethiopia owned by multinational companies, Diary invest Ltd based in UK, London and Mama Milk Processing share company based in Ethiopia. It specializes in the production and supply of dairy products such as pasteurized milk, yogurt, flavor yogurt, butter, cream, goat cheese, mozzarella cheese, provolone cheese, smoked cheese, feta cheese, and other related products.

Mama Milk Processing Share Company head office is located in Addis Ababa and the factory based in Sebeta, Oromia region. The company has four department managers such us general manager, marketing, HR, technical and production, finance and also 152 permanents and 25 temporary employees. The major customers of Mama Milk Processing Share Company Are Hyper, super Markets, small Shops, restaurants, Cafes, Ethiopian Airlines and different governmental and non-governmental Company s like Universities.

3.3. Research Approach

The study has applied Concurrent Triangulation mixed (both qualitative and quantitative) research approach that has helped the researcher to tackle the problem from different directions and to meet the objective of the study, used to confirm, cross-validate, or corroborate findings within a study and data collection is concurrent (Creswell, 2003). The student researcher chose this due to generally; both methods are used to overcome a weakness in using one method with the strengths of another (Creswell, 2003).

3.4. Research Design

The basic research category the researcher used is explanatory research to answer the research questions through analyzing the relationship between the independent variables (factors) and the dependent variable (company success). In research design, the researcher used mostly quantitative research approaches for that numbered data are analyzed using statistical procedures to answer the research questions and made generalizations on the findings. That is quantitative survey orientation where cause and effect relations of factors and company success are measured, analyzed and statistically interpreted to answer the research questions and hypotheses (Sekaran, 2006).

The researcher also employed qualitative research design to substantiate his findings and to investigate the factors that brought company success through structured interview made with management groups.

3.5. Population and Sample Size

The populations of the study were the employees and process owners of Mama Milk Processing Share Company at a different level of the organization. To be the data source and a base for the analysis 152 permanent employees of Mama Milk Processing Share Company were taken as the total population, out of which much of the data collected for the purpose of the study emanates from the above specified population. The sampling technique applied for the selection of respondents out of the entire population is Census sampling technique.

According to Kothari 2004, all items in any field of inquiry constitute a 'universe' or 'population'. A complete enumeration of all items in the 'population' is known as a census inquiry. It can be presumed that in such an inquiry, when all items are covered, no element of chance is left and highest accuracy is obtained.

For the fact that the entire population number is small has given the student researcher a flexibility and time to cover all population size.

When the universe is a small one, it is no use resorting to a sample survey. When field studies are undertaken in practical life, considerations of time and cost almost invariably lead to a selection of respondents i.e., selection of only a few items. The respondents selected should be as representative of the total population as possible in order to produce a miniature cross-section. The entire stratum is presented as follows.

Table 1: Sample size and sample frame

Name of Department	Population size			
	Managers	Supervisory Level	Operational Level	Total
GM Office	1	1	1	2
Production and Technique	1	7	55	62
Finance	1	3	3	6
HR and Admin	1	2	26	28
Commercial	1	3	34	37
Quality	-	2	8	10
IT	-	1	1	2
Total	5	19	128	152

3.6. Data Source and Type/ Data Collection Instrument

The study carried out based on the data that's gathered from both primary and secondary sources. The primary data specifically collected from the questionnaire and interview responses of the employees of Mama Milk Processing Share Company.

structured interview with concerned departmental managers were provided a lot of relevant information and gave a meaningful picture on the reward management practice and challenges in Mama Milk Processing Share Company.

On the other hand, a secondary data sources related to rewarding and compensation also obtained from the past years in the bulletins of the company, books, journal, policy procedures as well as labor law and labor union agreement documents.

3.7. Data Collection Procedure

The data collection procedure that was used in this study is mainly through disseminating questionnaire that consists of both close and open-ended questions. Additional primary data was collected from departmental mangers through structural interview.

On the other hand, secondary data was obtained from document sources such as manuals, rules, reports, and work procedures and regulations related to the topic that were developed in the past years by the management of the company to improve productivity.

In addition, the researcher has also analyzed documented materials such as collective agreements of the Mama Milk Processing Share Company so as to assess how the Company handles the reward and compensation issues. The Company's policy of rewarding and compensating, the country's labor law, as well as the labor union agreements of Mama Milk Processing Share Company were used by the researcher as an input to the study. The researcher has utilized documents of the past years' used in rewarding and compensation within Mama Milk Processing Share Company. These include their job descriptions (whether they are from the executive or the lower level), Job specification, job grade and others.

At this stage, the feeling, attitudes and perceptions of the employees as well as their beliefs about what should be done within the Company in order to enhance the reward and compensation issues were also considered to be part of the data collection process and objective judgment. The data collection has focused over the systems, policy and procedures of reward and compensation details and in doing so the entire population was considered as the subject of the study. The study has tried to identify if there are differences among the different level of population with regard to the systems and procedures of reward and compensation and its overall contribution to the motivation and improvement of employees.

3.8. Ethical Consideration

In the process of conducting this research, the researcher has done everything appropriate to uphold the rights of the participants to decide their own decision in accordance with their own interest. The participants of the study were given sufficient information about the necessity and purpose of the research.

During the data collection and analysis, the personal information of the respondents was kept Confidential.

3.9. Data Analysis

The collected data was analyzed using the basic data processing procedures such as: editing, coding & classifications and thereby making it ready for analysis through percentages frequency tables, descriptive statistics, reliability analysis, correlation and regression by using SPSS software.

The major questions are identified, summarized and all the responses were organized in a table. Then percentage description of the questionnaire was calculated and the result of the analysis was discussed, interpreted and summarized in the form of findings. In addition to this the analysis also involves the systematic classification of the responses collected from interviews, Moreover, the researcher used documents that show how Mama Milk processing share company works with reward and compensations. These are documents related to rewards, bonus, salary increments and other related rewarding systems. In this case, the fact that the researcher has familiarity of the institution has also contributed to the privileged understanding of the documents and its management in general.

3.10. Validity

Company success affecting factors were suggested based on literature and consultations of some managers from the company and from literature. Then before distributing the questionnaire to the respondents, the validity of the instrument was checked by the advisor as to whether it measures what it purported to measure. Accordingly, based on the approval obtained from the advisor, the questionnaire was considered as valid data collection tool.

For the secondary data is issue of the authenticity of the cause and effect relationship of factors, and company success which shows the generalizability of the relation of the dependent variable (company success) and independent variable (factors) for the operating factories is justified.

3.11. Cronbach's Alpha Model (Reliability Analysis)

Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group.   It is considered to be a measure of scale reliability. A "high" value for alpha does not imply that the measure is one-dimensional. If, in addition to measuring internal consistency, you wish to provide evidence that the scale in question is one-dimensional, additional analyses can

be performed. Explanatory factor analysis is one method of checking dimensionality. Technically speaking, Cronbach's alpha is not a statistical test – it is a coefficient of reliability (or consistency) by Hair et al. (2003) (or consistency) by Hair et al. (2003)

Rule of Thumb for Results

Cronbach's Alpha	Internal Consistency
α ≥0.9	Excellent
0.9 > α ≥ 0.8	Good
0.8 > α ≥ 0.7	Acceptable
0.7 > α≥ 0.6	Questionable
0.6 > α≥ 0.5	Poor
0.5 > α	Un acceptable

One can see from this formula that if you increase the number of items, you increase Cronbach's alpha. Additionally, if the average inter-item correlation is low, alpha will be low. As the average inter-item correlation increases, Cronbach's alpha increases as well (holding the number of items constant).

Table 2: Cronbach's alpha Model reliability analysis table

S/N	Factor Variables	Cronbach's Alpha	N of Items	Remark
1	Reward Policy	0.995	14	Excellent
2	Reward Procedure	0.991	13	Excellent
3	Employee satisfaction	0.984	9	Excellent
4	Company success	0.989	10	Excellent
	Average total	**0.**989	4	Excellent

The Reliability Analysis procedure calculates a number of commonly used measures of scale reliability and also provides information about the relationships between individual items in the scale. Interclass correlation coefficients can be used to compute inter-rater reliability estimates. The above table 2 indicate that the reliability analysis of this study (Cronbach's Alpha) indicated that factor indicators are above 98.9% it indicated that the variables are excellent correlate each other or perfect relationship between each other, the above tables Cleary shows that Reward policy and reward procedure is the first two ranks for reward management it implies that the reliability analysis that determine the extent, to which the items in sample questionnaire are related to each other.

3.12. Model Specification

3.12.1. Correlation Analysis

Correlation analysis is one of the most widely used tools in research; it is often used to determine a relationship between two different variables, if so how significant or how strong is the association between variables. The correlation coefficient **r** is statistics used to measure the degree or strength of this type of relationship (Taylor, 1990). In the researcher`s case the correlation analysis result was performed to see the relationship between explanatory variables and company success (model variable) in mama milk processing company with company success. Therefore, the correlation analysis was indicating the relationship between reward policy, reward procedure, employee's satisfaction with company success. To interpret the strengths of relationships between variables, the guidelines provided by Cohen, (1988), were followed. His classification of the correlation efficient (r) is as follows:

Table 3. correlation function table

Coefficient Value	Strength of Association
0.1< (r) < 0.3	small correlation
0.3 < (r) < 0.5	medium/moderate correlation
(r) > 0.5	large/strong positive correlation

Again if the correlation result lies between -1 and 0, the two variables are negatively related. However, the result is interpreted and discussed using this criterion in each dimensions.

3.12.2 Regression model analysis

Multiple linear regression attempts to model the relationship between two or more explanatory variables with the model dependent variable as a linear equation to observed data. Every value of the independent variable x is associated with a value of the dependent variable y. The multiple linear regression model assumes that there is a linear, or "straight line," relationship between the dependent variable Y and each two or more predictors. This relationship is described in the following formula

$$Y_i = B_o + b_1 X_{i1} + b_2 X_{i2} + b_3 X_{i3} + \dots b_p x_p. + e_p$$

Where

Y_i= is the value of the ith case of the dependent scale variable

P=is the number of predictors

b_j=is the value of the jth coefficient, j=0..., p

$x_{ij=}$is the value of the ith case of the jth predictor

e_i=is the value of the ith case of the jth predictor

The model is linear because increasing the value of the jth predictor by 1 unit increases the value of the dependent by bj units. Note that b0 is the intercept, the model-predicted value of the dependent variable when the value of every predictor is equal to 0.

Diagnosing the model was very important to establish whether the estimates of the coefficients are tenable and the extent to the regression coefficients fitted in the model makes the model the best linear unbiased estimator of practice and challenge of reward management in mama milk processing S. Co.

On this survey the model dependent variable company success is explain by the factors variables such as reward policy, reward procedure and employee satisfaction of practice and challenge of reward management in mama milk processing S. Co.

CHAPTER FOUR

FINDING RESULT AND DISSCUSSION

4.1 Introduction

This chapter captures data analysis, interpretation and discussion of the data collected. For ease of understanding, different methods of the presentation of the data collected were used, these included frequency tables, percentages, descriptive statistics, reliability analysis, correlation the chapter is divided into subsections where Background information of the respondents, reward management factor on assessment of the Practices and Challenges of Reward Management at Mama Milk Processing Share Companies per the objectives and the research questions of the study. The data were collect from 152 employees of Mama Milk Processing Co. of which 147 employees were gathered using questionnaires were as the remaining 5 departmental mangers were collected using structural interview

4.2. Background of Respondents

4.2.1. Age, sex and marital status of respondents

For the researcher to find out the Practices and Challenges of Reward Management at Mama Milk Processing Share Company it was considered important to establish the background information of the respondents which included: age of the respondents, gender, educational level, years of service and Salary scale of employee. The distribution of the respondents according to the above demographic characteristics is shown in below.

Table 4. Demographic characteristics of sample respondents (survey 2019)

Demographic characteristics	Number	Frequency
Age group		
• Below 30	35	23.8
• 31-40	75	51.0
• 41-50	32	21.8
• Above 50 Years	5	3.4
Gender		
• Male	97	66.0
• Female	50	34.0
Marital Status		
• Married	86	58.5

	Number	Percent
• Single	46	31.3
• Divorced	12	8.2
• Widowed	3	2.0
Total	147	100.0

The results in table 2 show that the majority respondents almost half of the respondents 51% were found between 31-40 years old followed by 23% were between below 30 (18-30) years and the remaining 21.8% and3.4 % were between41-50 age and above 50 years respectively. it is obvious that most of employees were physically and mentally active group.

The study sought to know the gender composition of respondents and they were more of male dominated at 66% percent against34% percent of females.

As shown on the above table 58% are married, flowed by 31% are single and the remaining 8.2% and 2.0 % are divorced and widowed respectively, it is indicated that over half of the respondents have a family member and responsible employee and one third of employs are young and wants to upgrade their skill and education level.

4.2.2. Educational Background

Table 5: Educational background of sample respondent (survey 2019)

Educational Background	Number	Percent
• Illiterate	13	8.8
• read write	32	21.8
• primary school only	25	17.0
• secondary school completed	45	30.6
• Diploma	25	17.0
• First Degree	6	4.1
• Second Degree and above	1	0.7

Education of the basic need and important to live settlement in our country, especially undeveloped countries education is necessity to growth economy, peoples always try to improve their educational status to get better salary and better life. On this survey report the majorities 30% of respondents are secondary Scholl competed 17% are only primary school and diploma holder, only 4.1 percent are a holder of first degree and the remaining 21% and 8.8 are read and write and illiterate respectively. It shows that 47% of the respondents need to improve their educational status in to diploma and first degree position.

4.2.3. Work Experience

Fig 2: Work Experience of sample respondents

Value	Category
4.1	
12.2	
30.6	
53.1	

Legend:
- Less than 2 years
- 2 to 4 years
- 4 to 6 years
- More than 6 years
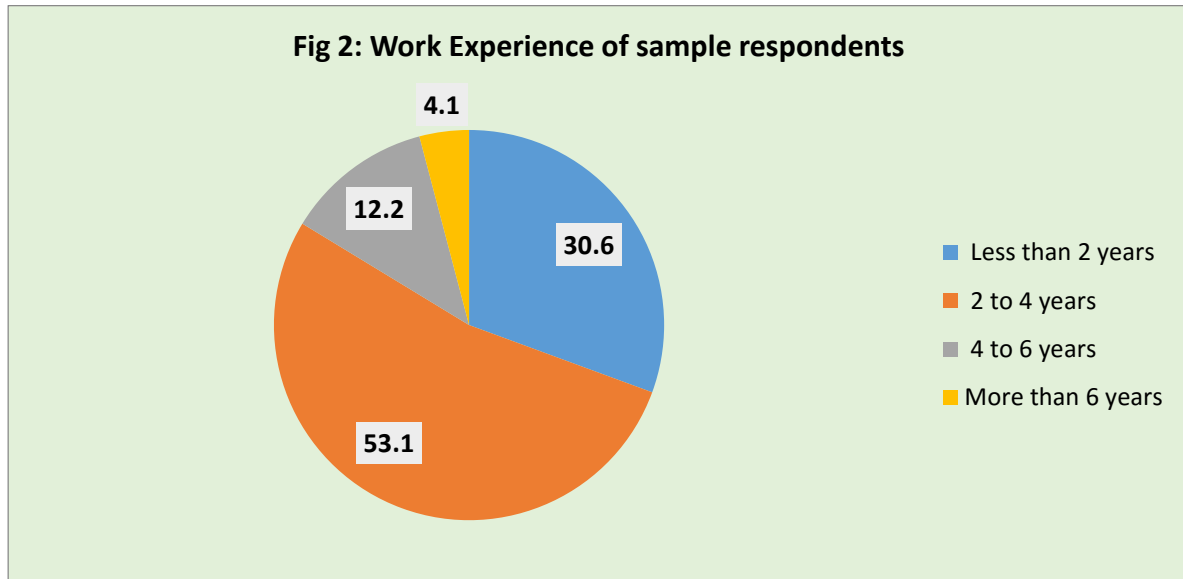
As shown on the above table. The majorities 53 percent respondents were 2-4 years' of work experience, 30% respondents are serve less than 2 years and the remaining 12.2 % and 4.1 % are found 4-6 years' experience and more than 6 years respectively, the work experience is considering for the managerial and technical parts of the influence reward management policy and it is success.

4.2.4. Employee Salary

Employee salary is one of the major factors of company success and employee satisfaction.

Table 6: Monthly salary of sample respondent (survey 2019)

Monthly Salary	Number	Percent
• <2,500	78	53.1
• 2,501- 6,001	55	37.4
• 6,001- 10,000	13	8.8
• Above 10, 000	1	0.7
Total	147	100.0

The above table indicated that 53.1% employees were getting less than 2500 birr per month, 37.4% were found in the range of 2501-6000 and only 8.8% and 0.7 % are found in the range of 6000-1000 and greater than 10,000 birr respectively. It implies that half of the respondents were getting less than 2,500 birr. It is small amount in Ethiopia employment standard and implies employees are not satisfied their work and their company management.

4.3. Major Factor Variables

4.3.1. Reward Policy

Fig 3: Percentage of Reward Policy response (survey 2019)
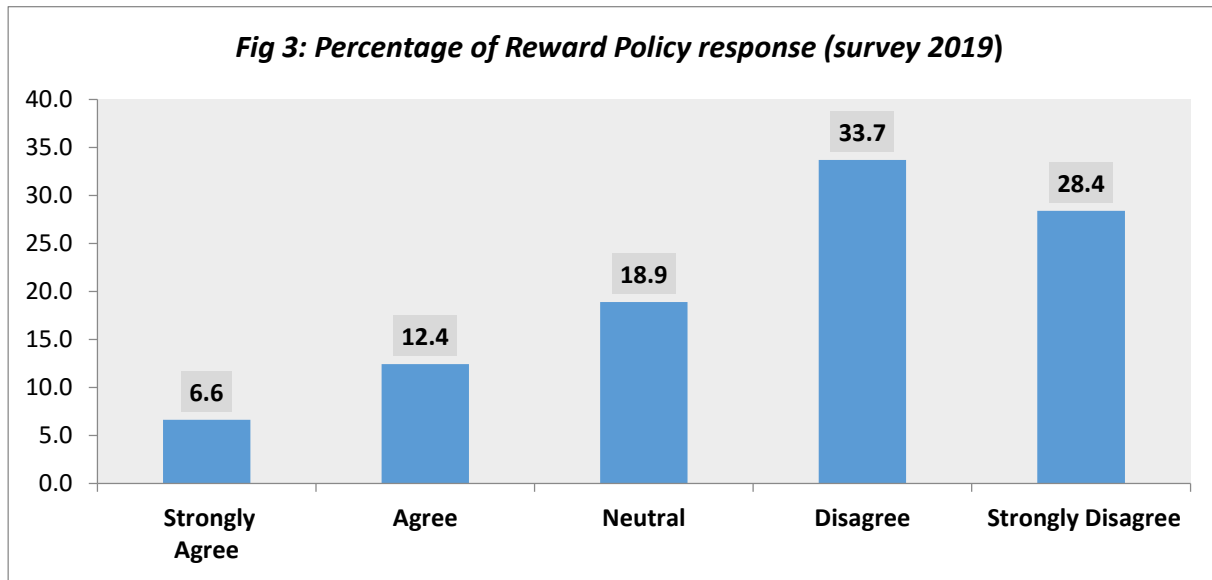
The above summary figure3 indicated that aggregate result of reward policy variable. Reward policy is one of the major factors of assessment of Practices and Challenges of Reward Management at Mama Milk Processing Share Company, there are 14 positive thinking indicators under the reward policy variable. The overall summary indicators result response were 33.7% and 28.4% of respondents said that disagree and strongly disagree on the given positive indicators respectively. It implies that 62.1% of the respondents are negative answer for the given positive indicators it means reward policy is major factor to practice and challenge in reward management followed 19 % are said neutral and only the remaining 12.4 % and 6.6 % respondents said that agree and strongly agree were the given positive tolls under the reward policy indicators. The detail indicators response is given below table 5

Table 7. Reward policy indicator response on the selected respondent (survey report 2019)

Reward Policy	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I clearly understand the reward policy of the company	4.8	6.8	19.7	34.7	34
The pay of employees is based on management objectives	0	36.7	37.4	25.9	0
The company rewards recognition of series of achievements/	4.8	12.9	17	33.3	32
Each Strategic objective has a reward for being met/	6.8	12.2	19	34.7	27.2

37

The reward for employees is within a very close	8.8	8.8	17	42.9	22.4
The job groups are based on professional qualification	15	4.8	30.6	21.8	27.9
Promotion to the next job group is based on performance and experience	6.8	12.9	14.3	34.7	31.3
There are wide differences in reward across different job groups/	8.2	8.8	17.7	30.6	34.7
The company has bonuses based on productivity/	8.2	10.2	21.8	32.7	27.2
The company has incentives for the employees	4.8	12.9	17.7	35.4	31.3
The company gives additional benefits for the employees/	4.1	6.8	19	34.7	35.4
The primary purpose of employee reward policy, is to decide employee promotion and employee salary revision	4.8	12.9	10.9	38.1	31.3
The primary purpose of employee reward policy is to improve quality of work	4.8	12.9	13.6	34	34.7
The reward management at the company focuses on the real needs of employees	10.9	14.3	8.8	38.1	27.9
Aggregate average Reward Policy	6.6	12.4	18.9	33.7	28.4

Source: own survey (2019)

4.3.2. Reward Procedure
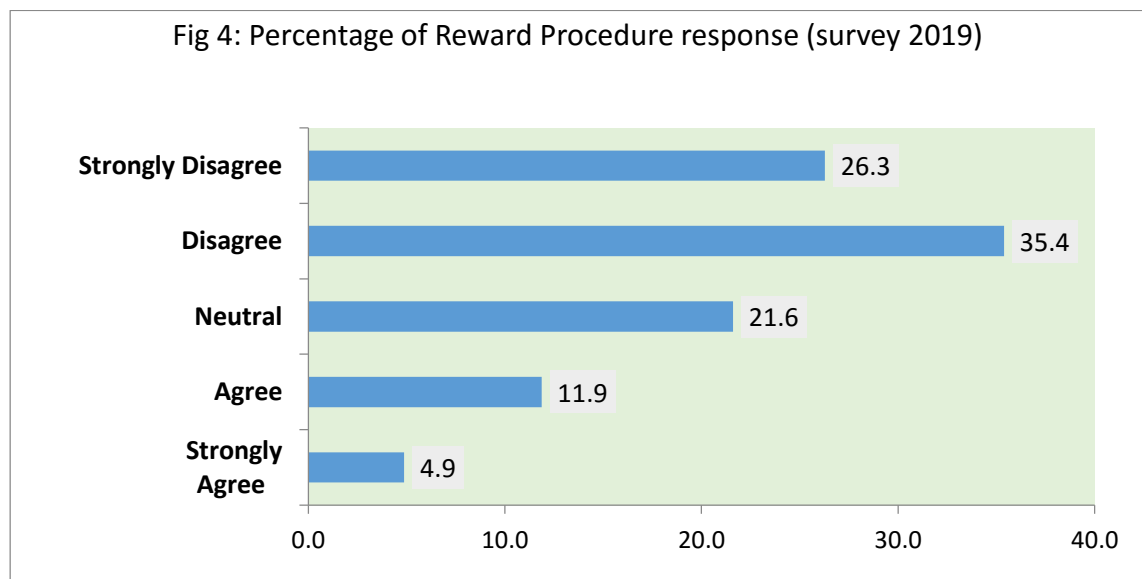
Fig 4: Percentage of Reward Procedure response (survey 2019)

Reward procedure is one the major factor of assessment of Practices and Challenges of reward management at Mama milk processing Share Company and contains 13 indicators. The majority of the respondents that on the aggregate total average value of factor indicators said that disagree and strongly disagree that accounts 35.4% and26.3% respectively it means that about 61.7 %of the respondents are negative answer for the given positive indicators it means procedure is major

38

factor to practice and challenge in reward management is following 21.6 percent respondents said neutral for rewired procedure factor the detail factors and it's percent are listed are below in table6.

Table 8: reward procedure response of sample respondent (survey 2019)

Reward Procedure	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Employees are rewarded in the company immediately when they perform best	8.2	15	10.9	36.7	29.3
The rewards at the company are distributed fairly	2	2	23.1	40.8	32
The rewards distributed matches my work effort	4.8	10.2	17.7	32	35.4
Immediate rewarding of employees for achieving best performance will help to repeat that performance in the future	4.1	8.2	8.8	40.8	38.1
I get promotion timely	6.1	12.9	12.2	39.5	29.3
I get Salary increase timely	13.6	0.7	12.9	38.8	34
I get Training timely	2.7	0.7	22.4	38.1	36.1
I get Recognition opportunities timely	0	37.4	37.4	25.2	0
I participate fully in company goal setting activities	4.8	13.6	21.8	32.7	27.2
the reward process in the company is well structured	4.8	12.9	24.5	35.4	22.4
The reward process in the company maintains bias and favoritism	4.1	6.8	21.8	37.4	29.9
The reward process in the company is not important, its outdated	8.2	12.9	17	34	27.9
The Company goal is attainable at individual and company level	0	21.1	50.3	28.6	0
Aggregate average Reward Procedure	**4.9**	**11.9**	**21.6**	**35.4**	**26.3**

4.3.2. Employee Satisfaction
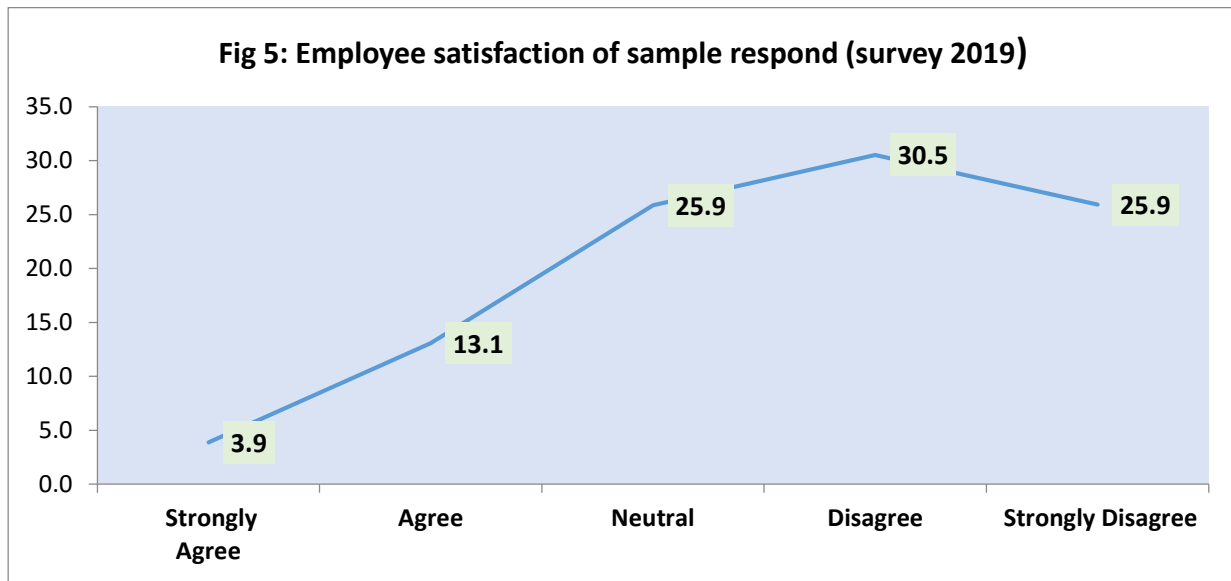
Fig 5: Employee satisfaction of sample respond (survey 2019)

Employee satisfaction is major relation for of Practices and Challenges of reward management and company success at Mama Milk processing Share Company because Employee is the basic and important things for company growth system, the researcher wants to check employee satisfaction using 9 basic indicators question and collect results (the listed indicators are reliable each other) and the total aggregate value of these indicators 56.4 % are said that strongly disagree and disagree followed 25.9% are said that neutral response on the given employee satisfaction indicators and only 13.1% and 4% are said that agree and strongly agree on the employee satisfaction indicators, which is revealed that employee satisfaction is the major factor for reward management. The details are given be bellow in table 9

Table 9: Employee satisfaction response of sample respondent (survey 2019)

Employee satisfaction	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I have opportunity to accomplish my objectives	8.8	15	10.9	27.9	37.4
The Company provides me with an opportunity of career development	1.4	0	20.4	40.1	31.3
My accomplishments give me an important sense of self-respect	4.8	17.7	47.6	15.6	14.3

My accomplishments give me an important sense of self-respect	1.4	27.2	41.5	21.1	8.8
I am satisfied with the quality (appropriateness, distributive and procedural justice) of rewards/	0	28.6	41.5	29.9	0
I feel i am part of something meaningful in my position with the company	6.8	6.1	18.4	29.9	38.8
Company inspires me to do my best work every day	4.8	11.6	15	35.4	33.3
The pay I get matches with my job and experience	6.8	8.8	15.6	38.8	29.9
The pay I get is equitable with what others get doing similar jobs in this organization	0	2.7	21.8	36.1	39.5
Aggregate average Employee satisfaction	**3.9**	**13.1**	**25.9**	**30.5**	**25.9**

4.3.3. Company Success

Fig 6: Company success of sample respondents (survey 2019)

Company success is important indicator to evaluate Practices and Challenges of reward management and company success at Mama Milk processing Share Company success is the basic and important things for company growth system, the researcher collect and analyze10 indicators under the company success question , the listed indicators are reliable each other and the total aggregate result of these indicators 55 % are said that disagree and strongly disagree followed 26% are said that neutral/unknown changes, the remaining 18.6 % respondents are response agree and strongly agree on the given positive tolls under company success variables , which is obvious that company success is the one of and major factor Practices and Challenges of reward
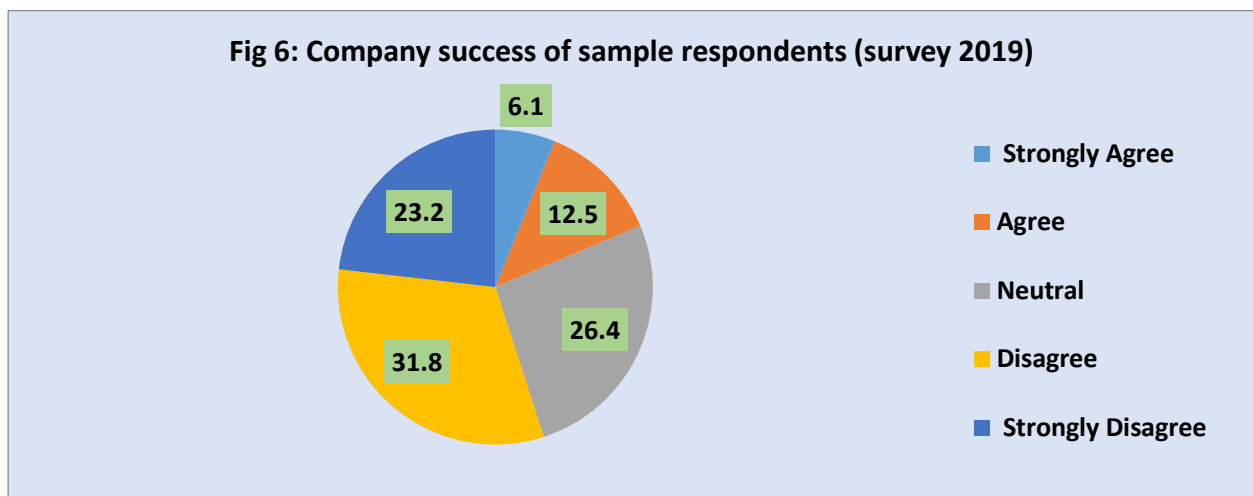
management and company success at Mama Milk processing Share Company . the details are given be bellow in table10.

Table 10: Company success response of sample respondent (survey 2019)

Company success	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I have loyalty and belongings to my company	16.3	46.9	36.7	0	0
I have encouragement to improve my performance and to develop my skills	4.8	6.8	17.7	35.4	35.4
I am committed to my responsibility of work	9.5	26.5	36.1	27.9	0
I am generally satisfied with my organization/	8.2	3.4	19.7	36.1	32.7
Management tries their best to ensure that employees will not leave from the company	4.1	7.5	16.3	41.5	30.6
The pay I get is fair compared with what I get for doing similar jobs in other organization/	1.4	10.2	18.4	33.3	36.7
I rarely think about leaving the company to work somewhere else	0	11.6	49	39.5	0
Given the opportunity, I tell others great things about working at the company	9.5	2	23.8	33.3	31.3
The pay I get matches with my job and experience	2.7	0	24.5	39.5	33.3
The pay I get is equitable with what others get doing similar jobs in this organization	4.8	10.2	21.8	31.3	32
Aggregate average Company success	**6.1**	**12.5**	**26.4**	**31.8**	**23.2**

4.4. Summarize Descriptive Table.

The below table 11 shows that the descriptive statistics or average value of for basic four indicators such as reward policy, reward procedure, employee satisfaction and company success. All factors are a significant factor of Practices and Challenges of reward management and company success at Mama Milk Processing Share Company because the below descriptive table average value is tending to four, this result reveled that all are around disagree for the issues of all inquirers, which accounts are 3.62.

Table 11: Summarize Descriptive table the effect of HRM

Indicators	N	Minimum	Maximum	Mean	Std. Deviation
Reward Policy	147	1.07	4.93	3.6515	1.14450
Reward Procedure	147	1.15	4.85	3.6644	1.02984
Employee satisfaction	147	1.33	4.89	3.6254	.98419
Company success	147	1.10	4.60	3.5340	.96369
Aggregate Average				**3.6188**	

The maximum and minimum responses are 5 and 1 respectively, for all variables stated in the above table. The mean value shows more than average of all dimensions. While, standard deviation shows that how diverse are the responses of employees for a given construct. For instance, reward police and reward procedure data are wide spread than employee satisfaction and company success.

4.5. Correlation Function

Correlation analysis is one of the most widely used tools in research; it is often used to determine a relationship between two different variables, if so how significant or how strong is the association between variables. The correlation coefficient **r** is statistics used to measure the degree or strength of this type of relationship (Taylor, 1990). In the researcher`s case the correlation analysis result was performed to see the relationship between reward management dimensions and company success in Mama Milk Processing Share Company. Therefore, the correlation analysis will indicate the relationship between reward policy, reward procedure, employee satisfaction and company success. To interpret the strengths of relationships between variables, the guidelines provided by Cohen, (1988), were followed. His classification of the correlation efficient (r) is as follows: The below correlation table 11 indicated that of all indicators are strongly correlated each other because all correlation. Coefficient value is greater than 0.5 and the sig value is less than 0.05.

Table 12: Correlation function table

		Reward Policy	**Reward Procedure**	**Employee satisfaction**	**Company success**
Reward Policy	Pearson Correlation	1			
	Sig. (2-tailed)				
Reward Procedure	Pearson Correlation	$.996^{**}$	1		
	Sig. (2-tailed)	.000			
Employee satisfaction	Pearson Correlation	$.988^{**}$	$.992^{**}$	1	
	Sig. (2-tailed)	.000	.000		
Company success	Pearson Correlation	$.987^{**}$	$.988^{**}$	$.985^{**}$	1
	Sig. (2-tailed)	.000	.000	.000	

**. Correlation is significant at the 0.01 level (2-tailed).

4.6 Regression Analysis

To find out the linear relation of one dependent variable with more than one independent variables linear multiple regression is used. These factors are treated as independent variables and company success as dependent variables. To develop the regression line formula, the dependent and the independent variables are denoted as, (**X1=reward policy, X2=reward procedure, X3=employees' satisfaction)** and the dependent variable, **Y=company success.**

On the process of developing the equation of multiple regression, the researcher conducted assumption that have to be fulfilled before testing multiple linear regression which are the assumption of normality, linear relationship, independence of errors and multicollinearity are discussed using SPSS. Model summary of the regression result, the ANOVA, standardized and unstandardized β coefficients have been presented to find out all the necessary relationships between the dependent variable (company success) and independent variables (factors).

4.6.1. ANOVA model

The below regression model able indicated that (ANOVA F statistics sig value =0.000), this figure Cleary show that there is significant relationship between model variable and factor or explanatory variables. The value correlation coefficient R=0.990 it is revealed that there is positive relationship

between model variable and factor or explanatory variables and the R2 figure 0.979 means 97.9% of the model variable is depend on the factor variables.

Table 13. ANOVA Table Model

ANOVAᵃ

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	132.770	3	44.257	2244.064	.000ᵇ
	Residual	2.820	143	.020		
	Total	135.590	146			

a. Dependent Variable: Company success
b. Predictors: (Constant), Employee satisfaction, Reward Policy, Reward Procedure

Table 12: Regression Analysis Table

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.990ᵃ	.979	.979	.14043
a. Dependent Variable: Company success				
b. Predictors: (Constant), Employee satisfaction, Reward Policy, Reward Procedure				

4.6.2. Coefficient regressions analysis of T-test

The below regression coefficient table revealed that the explanatory variable s such as reward policy, reward procedure, and employee satisfaction is a factor to company success on the reward management policy this is therefore the Bo constant variable is significant 0.001), reward policy is significant (0.009), reward procedure is not significant at 95% confidant level but it is slightly significant in the 90% C.I , the overall ANOVA table is significant and there is a relation between factors variables reward policy, reward prouder and employee satisfaction is a relational factor of model company success at the challenge of reward management.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.221	.065		3.402	.001		
1 Reward Policy	.304	.116	.361	2.630	.009	.008	129.899
Reward Procedure	.292	.157	.312	1.865	.064	.005	192.476
Employee satisfaction	.312	.093	.319	3.343	.001	.016	62.451

a. Dependent Variable: Company success

The coefficient table reveled that display the model Bo, B1, beta coefficient, T calculation, Sig value and colonially statistics, the factor variables explain by the following model

Y=Bo+B1x1 +b2x2+b3x3……. +e

Y= 0.221+0.304(reward policy) + 0.292(reward procedure) +0.312(employee satisfaction)

4.6.3. Normalization

The above regression coefficient table display collinearity statistics output from the Collinearity statistics tolerance value indicate that there is significant accepted the data is normal because there is no Collinearity and in addition to this, the below histogram and pp plot graph indicated that the factor and dependent model variable of regression model is normal, because the histogram normality curve graphs are looks; like bail shape, and pp plot scattered graph is fit to the straight line .
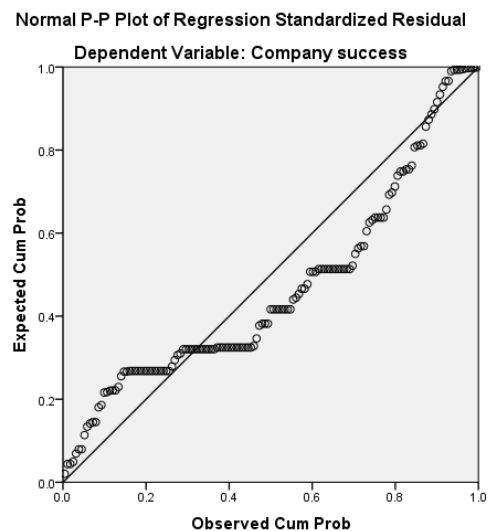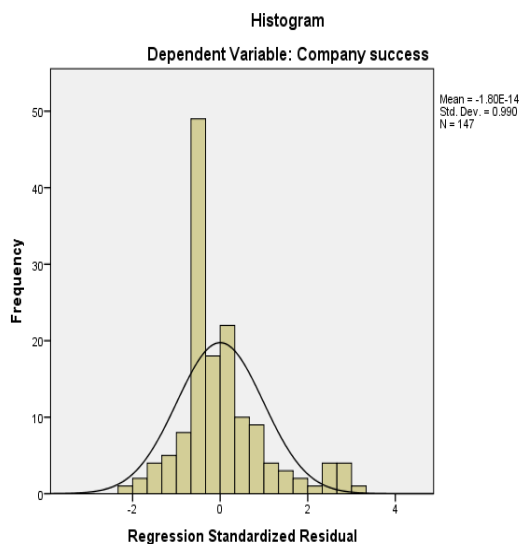
4.7. Qualitative Analysis

As per structured interview that has been conducted with department managers: provided the researcher further insight as to the challenges and practices of reward management practice in Mama Share company. Most of the professionals who administer it have responded that the most challenging factor is that the reward packages of other similar companies in the industry are: Reward Not Understood by People, Reward Not Linked to Individual Employee Needs, Reward Not Linked to the Job to Be Performed, Reward Not Linked to Employee Performance becoming and aggressively larger and more attractive and influential in variety and until recent years given the capacity of Mama Milk Processing Share company it was considerably difficult to coup up with such a competition.

The respondents were also asked if they were included in the development of the reward management practice and as to this most of them have replied that the reward procedures and the types of rewards and under which conditions they are provided are found in the human resource operational manual. So since the manual has been developed in the inception of the company only few senior employees have the chance of taking part in the development. But as per the response of the majority of interviewees if change is required in the type and amount of the reward then they employees can have their say put in to effect in discussion with the management of the company through their elected representatives.

In addition to this most of the employees have responded that the determination of the benefits and pay raise is based on the annual profit statement of the company but regarding salary scale the respondents have implied that they don't have complete information on how it is determined.

Moreover, a significant majority of the interviewees have also pointed out that they don't have a complete understanding of the reward policy of the company. They have stated that they are only informed about some fragments of the reward and benefits scheme.

In relation to this the respondents have specified that the reward policy that exists in Mama Share company has in fact a positive impact on productivity and motivation in some ways; but as explained by the majority of the interviewees such encouragement only occurs during the annual salary increment and release of some sort of bonus. But they also have stated that only a couple of

reward types couldn't possibly be powerful enough to derive the behavior and motivation of the work force in a certain desired direction.

Regarding the inspiration level of the employees to support the company goal the majority of respondents have firmly stated that they have a strong belief in the company goal and firmly support it but a substantial majority of the interviewees doesn't strongly believe that the company reward management affects the level of their success. Among the respondents we have come to notice that the company revises its reward policy annually and majority of the respondents have strongly stated that such process focuses only on determining whether to increase salary level or not; nothing beyond, but the other intrinsic and extrinsic reward packages are often over looked.

Considering the value of the reward policy in maintaining and promoting employees the reward management system of the company lacks consistency and standard procedure. According to the majority of the interviewees the reward practice in Mama Milk Processing Share Company is fragmented and often it is only focused on financial rewards which are either salary increment or bonuses.

On the other round majority of the respondents have stated that they would be very much delighted to stay and happily work in the company without getting distracted by the idea of moving out to other companies in search of better pay but an approach that's only focused on a very few variables of rewarding and motivation couldn't practically be motivating enough to encourage employees stay energetic and help them keep their tenure.

Concerning the criteria of evaluation used in the management of reward; the company usually uses seniority/experience and productivity but though this is believed to be appropriate and correct by majority of the respondents it is safe to say that there are more reward criteria that should be considered .Among these significant number of respondents have indicated that the effort wielded during performance, skills held, job difficulty and the circumstance under which an employee makes a decision should also be considered as parameters of reward and recognition.

4.8. Discussion

This research was conducted to find out the practice and challenges of reward management in Mama Milk processing company to achieve company success. Thus factors include reward policy, reward procedure, employees' satisfaction. Different issues that are believed to be categorized under these main topics were included in the questionnaires.

Based on the result of this study, there is significant strong positive relationship between reward policy, reward procedure, employees' satisfaction and company success which carries correlation coefficient value of R=0.979, and p-value of 0.000 which is significant at the alpha value 0.01. The finding in this research showed that Factor variables and model variables is positively linked. Based on the information provided in the research the overall feeling is that, for the most part, explanatory variables were an area of concern because its regression coefficients is significant at 0.05 level 0f significance. In addition to the above, this study showed that, company success has a significant positive relationship with the three factors that affect company success at a significance level of **R^2=0.979 (F=2244.06, P<0.001).** This finding is in line with the hypothesis number one; (**H1**) which states that the different factors mentioned in the paper (reward policy, reward procedure and employees' satisfaction) had a significant positive effect on company success. Thus the first stated hypothesis is accepted.

Although the methods of arguments made on the above evidenced studies are different from the one employed in this study, the central conclusions of the above studies were in agreements with the findings of this particular study. All of the above evidenced studies were done on multiple factors even thought for discussion purpose each factor was discussed separately. The conclusion of each study was based on the individual factor effect and multiple factor effects on the company success. The evidenced studies showed that different factors contributed for the variance of company success. As discussed, fortunately each factor contributed in positive relation. Hence the result of this study was evidenced by the different studies conducted in different industries (Shekari et al, 2012, Ryan, 2008, Rose, 2010, Rivas et al, 2011, Nuray, 2010).

This research was conducted to find out the effect of certain factors of company success more specifically for operational departments mama milk processing S.C. Thus factors include reward policy, reward procedure and employee's satisfaction. Different issues that are believed to be categorized under these main topics were included in the questionnaires.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

Regarding the whole journey of the study this chapter contains the most critical issues that have been discussed, revealed, and argumentatively presented in the past chapters. Specially, the chapter summarize facts and realities based on the data obtained and the methodology employed in the study pertinent to the research question under Mama Milk Processing S. Co. The findings and summaries might be specific to the study.

The first portion of the chapter focuses and relates the major findings of the study that have relevance to the research questions. Following the summary, the conclusion part states the explanations of the researcher based on the findings and interpretations relevant to the basic research question of the study. And finally the chapter contains the recommendation of the researcher based on the discussions and findings of the study.

5.1. SUMMARY OF FINDINGS

- **Reward policy** is one of the major factors of assessment of Practices and Challenges of Reward Management at Mama Milk Processing Share Company. The overall summary indicators result response were 62.1% respondents said that disagree on the given positive indicators. It implies that reward policy is major factor to practice and challenge in reward management

- **Reward procedure** is one the major factor of assessment of Practices and Challenges of reward management at Mama milk processing Share Company on the aggregate total average value of factor indicators said that disagree and strongly disagree that accounts 35.4% and 26.3% respectively it means that about 61.7 % of the respondents are negative answer for the given positive indicators there four procedures is major factor to practice and challenge in reward management.

- **Employee satisfaction** is major relation for of Practices and Challenges of reward management and company success at Mama Milk Processing Share Company because Employee is the basic and important things for company growth system, and the total aggregate value of these indicators 56.4 % are said that strongly disagree and strongly, which is revealed that employee satisfaction is the major factor for reward management.

- **Company success** is important indicator to evaluate Practices and Challenges of reward management at Mama Milk Processing Share Company success is the basic and important things for company growth system, the total aggregate result of these indicators 55 % are said that disagree and strongly, which is obvious that company success is the one of and major factor Practices and Challenges of reward management in Mama Milk Processing Share Company.

- Regarding to the descriptive statistical analysis also indicated that, the average respond result of respondents was more disagree which accounts 3.62, and the standard variation of response is less with the reward policy, reward procedure, employee satisfaction and company success indictors, that measure the practice and challenge reward management and company success at Mama Milk Processing Share Company.

- The Cronbach Alpha model statistics is 0.989 it is clearly show that 98.9% indicators that contain on the major variables are reliable or excellent to identify the model.

- On the study of regression analysis (R=99.0). and the model is explained by the explanatory variable is (r2=0.979) it means that 97.9% of the model is explained by the explanatory variables

- The beta coefficient t test significant value is less than 0.05

- Correlation result of all independent factor variable is >0.5

5.2. CONCLUSION

- Based on the model summary of the multiple regressions we concluded that the stated three factors (reward policy, reward procedure, and employees' satisfaction) have significant impact in explaining the variance in the dependent variable (company success) on reward management in Mama Milk Processing S. Co.

- From the ANOVA test result, we concluded that, the **R** and **R²**of the linear combinations of factor that affect company success was statistically significant in explaining the variance in the response variable company success of Mama Milk Processing S. Co.

- All assumptions (pre-stated requirements) of the multiple regressions which are normality, linearity, correlation and significant of independence of residuals were proven to valid under the present study.

51

- There was a significant positive relation between company success (the response variable) and the stated three factors (predictors).
- The company success of Mama Milk Processing S. Co. is positively correlated with the response variable (factors that affect company success) using Pearson correlation test and hence we conclude that for every unit increase in the factors (predictors), the company success increase
- The overall summary indicators result response of reward policy were 62.1% respondents said that disagree on the given positive indicators. It implies that reward policy is major factor to practice and challenge in reward management.
- regarding to reward procedure about 61.7 % of the respondents are negative answer for the given positive indicators there four procedures is major factor to practice and challenge in reward management.
- Employee is the basic and important things for company growth system, and the total aggregate value of these indicators 56.4 % are said that strongly disagree and strongly, which is revealed that employee satisfaction is the major factor for reward management.
- From the total aggregate result of company success indicators 55 % are said that disagree and strongly, which is obvious that company success is the one of and major factor Practices and Challenges of reward management at Mama Milk Processing Share Company.
- From the descriptive analysis the employees rated the company training and other capacity buildings were not practiced on the organization, most of employees were not understand the company reward policy, regulation clearly and objective of the company are not encouraging company success.
- Employee assignment on the necessary position and reward practice were not fairly and not based their qualification and performance and are not get other benefits and salary increment timely or based on company success.
- The mean value of all explanatory variables are tends to dis agree with the same as dependent variable positive indicators
- Based on the standardized Beta coefficient obtained in the analysis, we concluded that, among the factors considered in the study reward policy was the most important or contributor predictor of the response variable company success in Mama Milk Processing S. Co. The other factors according to their order of importance (contribution) in

determining the response variable were employee satisfaction and reward procedure. As shown the least contributor to the positive variance in the response variable company success was reward procedure.

➢ The crombacahas alpha model of the independent variable is reliable each other and its indicators under the group variables

➢ The regression analysis result is significant and positive relation between model variable and factors

➢ Correlation between each variable to explain the model variable is positive strong relationship between model and explanatory variables

➢ There is a significant value on beta coefficient t-test value between variables and model

5.3. RECOMMENDATION

From the finding of the study it was observed that there is a direct and positive relationship between reward management practices and company success which means that the reward management practices are directly proportional to company success. This indicates that the change in reward necessarily results a change in the level of company success. This shows that management of the concerned company can make use of different tactics, strategies, and policies to improve the level of company success in the organization. Based on the finding and analysis of the study, the following recommendations are proposed: -

➢ Regarding benefit packages, it can be said that there is no attractive benefit package in the company so, there should be a benefit packages which is equivalent to their work performance, difficulties of job and other parameters.

➢ According to qualitative analysis, interviewed management group members agreed that a less practicing of reward management system cause less company success. Hence the researcher recommended that, the company take account on practicing effective reward system in order to improve company success.

➢ Based on training opportunity, almost all respondents responded that they are not having training opportunity related to their tasks and professional areas. Therefore, the researcher recommended that the company design training opportunities for employees for better company success.

- In my opinion, the company is better to take account on following transparent and fair and equitable reward management practice regarding to promotion, transfer and advancement and other benefits. This is one of very important tools in bringing high company success and employees satisfaction.

- Regarding to descriptive analysis, majority of respondents did not know companies reward management system and company's objectives. Then, the researcher recommended that the company create a culture of frequent communication and awareness on company's reward practicing system and allover company's objectives with employees.

- Employees salary increment, training, designing of better benefit or reward and its best ways of implementing and other related issues are the corner stone of holding skilled man power and targeted company goals. In my opinion, to increase employees' satisfaction and improve company success, it increases employee's salary timely, arrange on job or off job training for employees and starch better reward type, and system and distribute fairly based on their performance.

- Alternative forms of reinforcement should have considered by the company by applying both financial and non-financial rewards rather applying only financial reward system to improve company success by creating employees' satisfaction.

- Regarding to time of responding about reward benefits, the researcher recommended that, the company give the necessary benefits to employees immediately or more often that they perform their duties or jobs.

- The other point that the company should consider the timely offer and improvement of its reward practices in general. Even if the organizations have a good practice in providing selected types of rewards, if it doesn't get improved from time to time, it cannot address the timely needs of employees.

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Appendix 1 - Questionnaire

ST. MARY'S UNIVERSTY

SCHOOL OF GRADUATE STUDIES

MBA PROGRAM

Dear Respondent!

This questionnaire is designed to assess practice and challenge of reward management in Mama Milk Processing S. Co. The research output is mainly to fulfill the partial requirement of **Masters of Business Administration in General Management**. The information gathered will be used fully and with due attention for academic purpose only. I therefore, would like to assure you that the data collected will not be misused in anyway. Therefore, your genuine, honest, and prompt response is a valuable input for the quality and successful completion of the paper.

General Instructions

➢ There is no need of writing your name.
➢ You are not forced to fill this paper.
➢ Don't hesitate to ask questions for clarification (If Any).

Thank you in advance for your cooperation and timely response!

Section I. Background Information/ Instruction: please answer by circling the letter that mostly suits your background

1	Age group/	1=below 30	2=31-45
		3=45-60	4=above 60
2	Gender	1= Male	2= Female
	Marital Status	1=Married	2= Single
		3=Divorced	4= widowed
3	Qualification	1=Illiterate	2 = read and write
		3= primary only	4=Secondary complete
		5= TVET or/ diploma	6= degree and above
4	Years of service in Mama Milk Processing Share Company/	1=Less than 2 years	2=2 to 4 years
		3=4 to 6	4= More than 6 years
5	Monthly Salary/	1=less than 2,500 birr 2= 2,501- 6,001 birr	
		3= 6,001- 10,000 birr 4=Above 10, 000 birr	

Section II: scale variable indicator

1=Strongly Agree2=Agree3=Neutral4=Disagree5=Strongly dis agree

	1	2	3	4	5
A-Reward Policy					
I clearly understand the reward policy of the company					
The pay of employees is based on management objectives					
The company rewards recognition of series of achievements/					
Each Strategic objective has a reward for being met/					
The reward for employees is within a very close					
The job groups are based on professional qualification					
Promotion to the next job group is based on performance and experience					

There are wide differences in reward across different job groups/					
The company has bonuses based on productivity/					
The company has incentives for the employees					
The company gives additional benefits for the employees/					
The primary purpose of employee reward policy, is to decide employee promotion and employee salary revision					
The primary purpose of employee reward policy is to improve quality of work					
The reward management at the company focuses on the real needs of employees					
B-Reward Procedure					
Employees are rewarded in the company immediately when they perform best					
The rewards at the company are distributed fairly					
The rewards distributed matches my work effort					
Immediate rewarding of employees for achieving best performance will help to repeat that performance in the future					
I get promotion timely					
I get Salary increase timely					
I get Training timely					
I get Recognition opportunities timely					
I participate fully in company goal setting activities					

the reward process in the company is well structured					
The reward process in the company maintains bias and favoritism					
The reward process in the company is not important, its outdated					
The Company goal is attainable at individual and company level					
C-Employee satisfaction					
I have opportunity to accomplish my objectives					
The Company provides me with an opportunity of career development					
My accomplishments give me an important sense of self-respect					
I am satisfied with the quality (appropriateness, distributive and procedural justice) of rewards/					
The pay I get is fair compared with what I get for doing similar jobs in other organization/					
I feel i am part of something meaningful in my position with the company					
Company inspires me to do my best work every day					
The pay I get matches with my job and experience					
The pay I get is equitable with what others get doing similar jobs in this organization					
D-Company success					
I have loyalty and belongings to my company					
I have encouragement to improve my performance and to develop my skills					

I am committed to my responsibility of work					
I am generally satisfied with my organization/					
Management tries their best to ensure that employees will not leave from the company					
The pay I get is fair compared with what I get for doing similar jobs in other organization/					
I rarely think about leaving the company to work somewhere else					
Given the opportunity, I tell others great things about working at the company					
The pay I get matches with my job and experience					
The pay I get is equitable with what others get doing similar jobs in this organization					

SAINT MARY'S UNIVERSITY

GRADUATE PROGRAM IN GENERAL MANAGEMENT

INTERVIEW QUESTIONS

Dear Respondent!

These interview questions are designed to assess practice and challenge of reward management in Mama Milk Processing S. Co. The research output is mainly to fulfill the partial requirement of **Masters of Business Administration in General Management**. The information gathered will be used fully and with due attention for academic purpose only. I therefore, would like to assure you that the data collected will not be misused in anyway. Therefore, your genuine, honest, and prompt response is a valuable input for the quality and successful completion of the paper.

Thank you in advance

1. What is Mama Milk Processing Share company vision and Mission statement?,
   What is the objective of the company reward management practice?
2. Kindly list all challenges of reward management practice of Mama Milk Processing Share Company?
3. Did Mama Milk Processing Share Company considered employee participation during the design of reward management practice? Process? Policy? Procedure?
4. Did Mama Milk Processing Share company conducted a survey with the employee about their feeling or attitude toward reward management practice and how significant for them? If they do how often?
5. How does the Mama Milk Processing Share Company determine salary, benefit, pay raise?
6. Are the Mama Milk Processing Share company employees aware about reward?
7. Do you think the overall reward policy developed by Mama Milk Processing Share company lead employee to Perform in a certain way as the company wants them?
8. Do you think the reward policy and practice of the company encourage/ inspire the employees to support the company goal?
9. How are the reward management in the company affecting the employee success?

10. Does your company revise/ look back its reward policy? How often?

11. Do you think that employees have a procedure for pursuing their grievances and having them addressed objectively?

12. How far the system of reward policies and management system of your organization enables to maintain and promote its employees

13. What kind of evaluation criteria (form) do you use in your organization to reward and compensate you as an employee?

14. And do you recommend some additional statement that included in the form?

ቅድስት ማሪያም ዩኒቨርሲቲ

ጠቅላላ አስተዳደር ትምህርት ፕሮግራም

ክፍል አንድ፤ የተጠያቂዉ መለጃ/ **መመሪያ**: እባክዎትን እርስዎትን የሚገልፀዎትን በማክበብ ይግለፁልኝ

1	ዕድሜ	1= ከ30 በታች	2=ከ31 እስከ 45 ዓመት
		3=ከ 45 እስከ 60 ዓመት	4= ከ 60 በላይ
2	ፆታ	1= ወንድ	2= ሴት
3	የጋብቻ ሁኔታ	1= ያገባ/ች	2= ያላገባ/ች
		3=የፈታ/ች	4= በሞት ትዳሩን/ሯን ያጣ/ች
4	የትምህርት ደረጃ	1=መሃይም	2 = መፃፍ ማንበብ
		3= የመጀመሪያ ደረጃ	4=ሁለተኛ ደረጃ ያጠናቀቁ/ች
		5= ቲቪቲ / ዲፕሎማ	6= ዲግሪ እና ከዚያ በላይ
5	በድርጅቱ የቆዩበት ጊዜ	1= ከ 2 ዓመት በታች	2=ከ2 እስከ 4 ዓመት
		3=ከ4 እስከ 6 ዓመት	4= ከ 6 ዓመት በላይ
6	የደመዎዝ መጠን	1=ከ 2,500 ብር በታች	2= ከ2,501 እስከ 6,001 ብር
		3= ከ6,001 እስከ 10,000 ብር	4=ከ10, 000 ብር በላይ

ክፍል ሁለት፦ ልኬት ማሳያ

1= በጣም እስማማለሁ 2= እስማማለሁ 3= መካከለኛ 4= አልስማማም 5= በጣም አልስማማም

	1	2	3	4	5
A-የሽልማት ፖሊሲ					
የድርጅቱን የማበረታቻ ፖሊሲ ተረድቸዋለሁ					
የሰራተኞች ክፍያ የድርጅቱን አላማ መሰረት ያደረገ ነው					
ኩባንያው ለስኬቶች እውቅና እንዲሰጥ ያደርጋል					
በእያንዳንዱ ስትራቴጂክ አላማ ማበረታቻ ሽልማት አለው					
የሰራተኞች ማበረታቻ ሊደረስበት በሚችል ግብ አለዉ					
የስራ ክፍፍሎች በሙያ ተመሳሳይነት የተመሰረተ ነዉ					
የስራ እድገት በሰራተኛዉ ብቃት እና የሥራ ልምድ ላይ የተመሰረተ ነዉ					
በተለያዩ የስራ ክፍሎች መካከል ክፍተኛ የክፍያ ልዩነት አለ					
ድርጅቱ ምርታማነትን መሰረት ያደረገ ጉርሻ አለዉ					
ድርጅቱ ለሰራተኞች ማበረታቻ አለዉ					
ድርጅቱ ለሰራተኞቸ ተጨማሪ ጥቅማጥቅም ይሰጣል					
የድርጅቱ ማበረታቻ ፖሊሲ ተቀዳሚ አላማ የሰራተኞችን ደመወዝ ማሻሻያና እድገት ላይ ዉሳኔ ለመስጠት ነዉ					
የድርጅቱ ማበረታቻ ፖሊሲ ተቀዳሚ አላማ የስራ ጥራትን ማሳደግ ላይ ነዉ					
የድርጅቱ ማበረታቻ አሰራር በሰራተኞቸ እዉነተኛ ፍላጎት ላይ ያተኮረ ነዉ					
B- የሽልማት አተገባበር					
ጥሩ ስራ የሰሩ ሰራተኞቸ ወዲያዉኑ ማበረታቻ ያገኛሉ					
የድርጅቱ ማበረታቻ ፍትሀዊ ክፍፍል አለዉ					
የድርጅቱ ማበረታቻ ፍትሀዊ ክፍፍል በስራ ላይ ካለኝ ጥረት ጋር ተዛማጅነት አለዉ					
ጥሩ የሰሩ ሰራተኞች ወዲያዉኑ ማበረታቻ ሲያገኙ ጥሩ ስቸዉን ደጋግመዉ ይፈጽሙታል					
በድርጅቱ ዉስጥ እድገት ሳይዘገይ አገኛለሁ					
በድርጅቱ ዉስጥ የደመወዝ ጭማሪ ሳይዘገይ አገኛለሁ					
በድርጅቱ ዉስጥ ስልጠና ሳይዘገይ አገኛለሁ					

66

በድርጅቱ ዉስጥ ማበረታቻ ሳይዘገይ አገኛለሁ					
የድርጅቱ ግብ ሲታቀድ እሳተፋለሁ፤፤					
የድርጅቱ የማበረታቻ አካሄድ በተጠናከረ ሁኔታ የተዘጋጀ ነዉ					
የድርጅቱ የማበረታቻ አካሄድ በአድሎ እና በማበላለጥ የተሞላ ነዉ					
የድርጅቱ የማበረታቻ አካሄድ ጊዜ ያለፈበት እና የማይጠቅም ነዉ					
የድርጅቱ ግብ ለሰራተኛዉ እና በአጠቃላይ መመታት የሚችል ነዉ					
C- የሠራተኛዉ እርካታ					
የድርጅቱ አለማ ለማሳካት የማበረታቻ አካሄድ በተጠናከረ ሁኔታ የተሰራ ነዉ					
ድርጅቴ በስራዬ ራሴን እንዳሳድግ እድል ይሰጠኛል					
ስኬቴ ራሴን እንዳከብር ያደርገኛል					
በድርጅቱ ማበረታቻ አግባብነት ፤ የአሰራር እና የክፍፍል ፍትሃዊነት ደስተኛ ነኝ					
የሚከፈለኝ ክፍያ ከሌሎች ድርጅቶች ጋር ሲወዳደር ፍትሃዊ ነዉ					
ራሴን በድርጅቱ ዉስጥ ትርጉም ያለዉ ስራ አካል አድርጌ አያለሁ					
ድርጅቱ የበለጠ እንድሰራ ያነሳሳኛል					
የሚከፈለኝ ከምሰራዉ እና ካለኝ የስራ ልምድ ጋር ተመጣጣኝ ነዉ					
የሚከፈለኝ በድርጅቱ ክሌሎች ተመሳሳይ ስራ ከሚሰሩ ጋር ተመጣጣኝ ነዉ					
D- የድርጅቱ ዉጤታማነት/ስኬታማነት					
ለድርጅቱ ታማኝነት እና የኔነት ስሜት አለኝ					
በድርጅቱ አቅሜን አውጥቼ እንድሰራ እና ችሎታዬን እንዳሳድግ እበረታታለሁ					
በድርጅቱ ዉስጥ ላለኝ ስራ ቁርጠኛ ስሜት አለኝ					
በአጠቃላይ በድርጅቱ ደስተኛ ነኝ					
የድርጅቱ አስተዳደር ሰራተኞች ድርጅቱን ለቀዉ እንዳይሄዱ የተቻላቸዉን ሁሉ ያደርጋሉ					
የሚከፈለኝ ክፍያ ከሌሎች ድርጅቶች ጋር ሲወዳደር ፍትሃዊ ነዉ					
ድርጅቱን ለቅቄ መሄድ ብዙም አስቤ አላዉቅም					
እድሉን ሳገኝ ጥሩ ጥሩ ነገሮችን ስለድርጅቴ ለሌሎች አወራለሁ					
የሚከፈለኝ ከምሰራዉ እና ካለኝ የስራ ልምድ ጋር ተመጣጣኝ ነዉ					
የሚከፈለኝ በድርጅቱ ክሌሎች ተመሳሳይ ስራ ከሚሰሩ ጋር ተመጣጣኝ ነዉ					

እባክዎትን ማንኛውም ዓይነት አስተያየት ካለዎት ይጠይቁኝ

ቅድስት ማሪያም ዩኒቨርሲቲ

ጠቅላላ አስተዳደር ትምህርት ፕሮግራም

ቃለ -መጠይቅ

1. የማማ ወተት ማቀናበሪያ ኢ.ማ. ራዕይ እና ተልዕኮ ምንድን ነው?

2. የድርጅቱ ማበረታቻ ፖሊሲ አስተዳደር አተገባበር ዓላማዉ ምንድነው?

3. የማማ ወተት ማቀናሪያ አክስዮን ማህበር የማበረታቻ አስተዳደር ተግዳሮቶችን ዘርዝረው ያስረዱኝ?

4. ማማ ወተት ማቀናሪያ ኢ.ማ. የማበረታቻ ፖሊሲዉ፣ አስተዳደር አሰራሩን፣ አካሄዱን ሲቀርጽ ሰራተኞቹን አሳትፎዋል?

5. የማማ ወተት ማቀናሪያ ኢ.ማ. ሰራተኞች ላይ ስለ ማበረታቻ ማኔጅመንት አተገባበር ላይ ያላቸውን አመለካከት ወይም ስሜትን አስመልክቶ ጥናት ተደርጎያዉቃል? ከሆነ በየስንት ጊዜው?

6. የማማ ወተት ማቀናሪያ ኢ.ማ. ደሞወዝ ፤ ጥቅማጥቅም ፤ ደሞወዝ ጫማሪ የሚወሰነዉ እንዴት ነዉ?

7. የማማ ወተት ማቀናሪያ ኢ.ማ. ሰራተኞች የማበረታቻ ፖሊሲዉን በደንብ ያዉቁታል?

8. የማማ ወተት ማቀናሪያ አክስዮን ማህበር የማበረታቻ ፖሊሲ ሰራተኞችን ድርጅቱ በሚፈልገዉ መንገድ ስራቸዉን እንዲያከናዉኑ በሚያደርግ መልኩ የተዘጋጀ ይመስልዎታል?

9. የድርጅቱ ማበረታቻ ፖሊሲ እና አሰራር ሰራተኞቹን ድርጅቱን ግቡን እንዲመታ እንዲደግፉ ያበረታታቸዋል?

10. በድርጅቱ ውስጥ ያለዉ ማበረታቻ ፖሊሲ በሰራተኞች ስኬታማነት ያለዉ ተጽእኖ ምን ይመስላል?

11. በድርጅቱ ውስጥ ያለዉ ማበረታቻ ፖሊሲ ማሻሻያ ተደርጎበት ያዉቃል? ከሆነ በየስንት ጊዜዉ?

12. ሰራተኞች ቅሬታዎቻቸዉን የሚያመለክቱበት ፤ የሚከታተሉበት እና መፍትሄ እንዲ ያገኙ የሚያስችል የአሰራር ሂደት አለ ብለዉ ያምናሉ?

13. የድርጅቱ የማበረታቻ ፖሊሲ አሠራር እና አመራር ሰራተኞችን ለመንከባከብ እና ለማበረታት ምንያህል ያለመ ነዉ?

14. ድርጅቱ ሰራተኞቹን ለማበረታታት እና ጥቅማጥቅም ለመስጠት ምን ዓይነት የምዘና መስፈርት (ፎርማት) ይጠቀማል? በቅጹ ላይ ያልተካተቱ ተጫማሪ መስፈርቶች ካሉ?

68

DECLARATION

I, the undersigned, declare that this thesis is my original work; prepared under the guidance of Busha Temesgen (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.

Girma Alebachew Gelaw _____

    Name   Signature& Date

ENDORSEMENT

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

Busha Temesgen (PhD)   _____

       Advisor   Signature& Date