ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

FACULTY OF BUSSINESS

ASSESSMENT OF REWAD MANAGEMENT PRACTICE IN ETHIO TELECOM

By

MARTHA MEKONEN

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ADDIS ABABA

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DECLARATION

I, the undersigned declared that this work entitled "**Assessment of a Reward Management Practice in Ethio Telecom**" is my original work, prepared under the guidance of Dr. Abraraw Chane. All sources of the material 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 or the purpose of earning any degree.

Martha Mekonen

Signature _____

Date _____

St. Mary's University, Addis Ababa

ENDORSEMENT

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

Name   **Signature and Date**

Dr. Abraraw Chane (PhD)   _____

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ABBRIVATION/ACRONYMS

ETA- Ethiopian Telecommunications Authority

ETC- Ethiopian Telecommunications Cooperation

HR-   Human Resource

HRM- Human Resource Management

ITU-   International Telecommunications Union

MP-   Management Policy

PM-   Procedure Manual

PRP- Performance Related Pay

PTT-   Post, Telephone & Telegraph

ABSTRACT

Various organizations in this competitive business period are struggling to create an equitable balance between the employee's contribution to the organization and the organization's contribution to their employees. In order to establish this balance between their needs and retain their competent employees, organizations are supposed to design a reward system which is competent and favored by employees. The major aim of this study is to assess the reward management practices of Ethio Telecom. In this regard, the pay, promotion, and benefit practices of the company are assessed from varied reward management dimensions. In doing this, transparency, equity, fairness, compliance, contextual fitness and some other aspects of the existing reward practices are valued based on employees' opinion. . In this study, descriptive research design was employed as it focused on identifying present conditions and finding facts. For this purpose, from the total 1325 population a sample of 265 employees were selected through 10 departments by using stratified quota sampling techniques. Self-administrative questionnaires, interview and document analysis were used to gather data. Data obtained through questionnaire were analyzed with descriptive statics (mean, percentage and frequency). The result of the research work revealed that many aspects of the reward management practices of Ethio Telecom are exercised poorly except some aspects in relation to benefit administration and promotion. Due to this, so many of the respondents testify that, the existing practices of Ethio Telecom fail to satisfy the needs of the employees. This makes them less motivated and a cause of employee turnover in the Ethio Telecom.

CHAPTER ONE

1. Introduction

1.1   Background of the Study

Reward management is one of the strategies used by Human Resource Managers for attracting and retaining suitable employees as well as facilitating them to improve their performance through motivation and to comply with employment legislation and regulation.

Many organizations found in different parts of the world use varied types of rewards to enhance the Since 1960's, the interest of managers, consultants, and academic writers to use reward systems as a means of achieving organizational objectives has increased steadily. This is resulted from the retreat from collective bargaining as the dominant method of payment determination in the UK, first at the national level and latterly within organizations generally. This has coincided with the rise of an approach of the management of people, now we call it HRM, which gives employment practices a central role in the achievement of competitive advantage (Thorpe and Homan, 2000).

One of the means that organizations can use to enhance employee motivation and performance is to provide performance-related compensation (Huselid, 1995).   Under such type of reward scheme there is a strong relationship between employees' performance and the amount of reward they receive. Profit-related payment, employee share- ownership plans, profit-sharing schemes, and group performance-related schemes are reward schemes categorized under performance related pay. In addition to this promotion, recognition, and benefits are also part of reward scheme.

The need for organizations to develop a performance enhancing reward system capable of facilitating the best management and development of their employees, and increasing their competitiveness, has made the links between HRM and organizational performance an important agenda item in the field of HRM. Across the core areas of HR practices, the association between rewards and performance is one of the most studied subjects in the management literature. It is

commonly believed that if rewards are used effectively, they can motivate individuals to perform and thus can have a positive effect on organizational performance (Thorpe and Homan, 2000).

Organizations are supposed to develop and reinforce a reward practice so as to attain their organizational overall performance. At present, so many organizations in private and public sector adopt varied types of reward practices (Zakaria et al, 2011). In order to enhance the overall organizational performance motivating the existing employees have a great impact. In general, employees' performance can be uplifted by having a well-developed performance appraisal, reward and bonus system. This will enable the employer to divert employees' attitude and effort towards the desired direction.

The main intention this paper is designed is to assess the current reward management practices of

Ethio Telecom. It is also intended to evaluate employees' perception towards the existing reward management system based on varied reward management dimensions such as transparency, equity, and some others.

1.2 Background of the Study Area

Telecommunications service was introduced in Ethiopia by Emperor Menelik II in 1894 when the construction of the telephone line from Harar to the capital city, Addis Ababa, was commenced. Then the interurban network was continued to expand satisfactorily in all other directions from the capital. Many important centers in the Empire were interconnected by lines, thus facilitating long distance communication with the assistants or operators at intermediate stations frequently acting as verbal human repeaters between the distant calling parties. Available records of the time have shown that by early 1930's a total route distance of about 7,000 kms of inter urban network was existed and no less than 170 towns and villages were connected to the network.

Later, in 1932, Ethiopia became a member of the ITU immediately before the Italian invasion of 1935) and radio communication was introduced following the establishment of radio circuit links with Djibouti, Aden, Cairo and London.

The telecommunications sector was restructured and two separate and independent entities namely the ETA and ETC were established by Proclamation No. 49/1996 on November 1996.

As a continuation of the last five-year plan and after concentrating its efforts on education, health and agriculture, the Ethiopian government has decided to focus on the improvement of telecommunication services, considering them as a key lever in the development of Ethiopia. Ethio Telecom is born, on Monday 29th November 2010, from this ambition of supporting the steady growth of our country.

1.3 Statement of the Problem

An organization's reward practice is an essential tool to enhance the overall organizational performance hence it reinforces and motivates individual employees towards the organizational goals. Employees with great performance will expect recognition and appreciation from their employers for their contribution.

Many organizations in private and public sectors adopt their own reward practices. However, the existence of the reward system by itself does not guarantee the effectiveness of their reward practices rather it highly demotivates employees if it is practiced poorly. Researchers like Zekaria (2011) stated that there is a need of transparent, competitive and aligned reward practices. The need of transparent reward system involves the preferences towards having a clear communication of how the reward is distributed. The employees also need to understand the connection between the company's business objectives, how they contribute, and how they are rewarded. In addition to this, the reward provided should be distributed equitably among employees depending on their performance. As Brian (2005) says the failure to ensure equity or fairness will result compensatory damage on the organizational performance.

According to Ethio Telecom (2010 E.C) unpublished reward assessment study, employee commitment, belongingness and loyalty for the cooperation are some of the reasons behind the company good performance.   However serious weaknesses like ineffectiveness in the performance management, lack of accountability, lack of linkage between the reward system and performance, poor communication etc… are shown currently. In relation to the reward practices, many employees complain that the , there is no carefully planned & consistent reward system,

which considers employees aspiration & expectation and reward program of the corporation is not satisfying their needs rather it is being a reason for employees de-motivation and turnover.

Ethio Telecom is supposed to design and made practical a reward program which best fit with the strategies of the organization. As Galbraith (1973) claims, the reward system should be aligned to motivate employees' performance that is consistent with the firm's strategy to attract and retain people with the knowledge, skills, and abilities required to realize the firm's strategic goals, and create a supportive culture and structure. In addition, an effective reward practices supposed to be transparent, fair distribution of rewards, consistency, well communicated, ensure equity, and involve flexibility with changes.

Therefore, this research work assessed the reward management practices of Ethio telecom and in order to give the possible solution for the reward management problems.

1.4 Research Question

This research work shows the researchers most endeavor towards responding the following fundamental research questions which are responded at the end of this research project.

1. What is the level of employees' satisfaction towards the major reward practices currently provided by Ethio Telecom?

2. Is there consistency of reward among employees?

3. Is their equitable, fairness distribution of reward among employees?

4. What is employees' perception about the transparency of rewards among employees?

1.5 Objective of the Study
1.5.1 General Objective

The major objective of this study is assessing the reward management practices adopted by Ethio Telecom mainly those related to pay, promotion and benefit provision.

1.5.2 Specific Objective

The study also have following specific objectives

1. To evaluate the transparency of rewards in Ethio Telecom.

2. To evaluate fair distribution of rewards in Ethio Telecom.

3. To evaluate the consistency of reward in Ethio Telecom.

4. To assess employees' satisfaction towards the major reward practices provide by Ethio Telecom.

5. To make necessary suggestion and recommendation based on the findings of the research Work.

1.6 Significance of the Study

This study investigates the reward practices of Ethio Telecom. Reward issues become one of the major concerns of many organizations these days. In the researcher's opinion, the findings of the study are important for both the organization and other people who are interested. From the organization's side, the output of the research work can give clear picture of how the existing reward management practices function. It also shows the organization how effective the existing reward practices in enhancing employees' motivation. This can also give a clue for future amendment of the existing reward practices. Furthermore, the study may serve as a reference and base for future researchers who want to conduct detailed research on the issue.

1.7 Scope the Study

The study Examines to assess the reward management practices of Ethio Telecom and assess employees' attitude towards the existing reward practice, Conceptually, The assessment delimited on reward practices of pay, promotion and benefit administration. Hence it is difficult to assess the attitude of the whole employees of Ethio Telecom due to time and budget constraint, the scope of the study has limited particularly the Head office.

1.8 Limitation of the Study

As a limitation, the researcher faced a great difficulty in data collection process hence some employees were afraid to share their opinion towards the existing reward practices organization The other limitation were the staffs of Ethio telecom being usually very busy and therefore they were a lot of time to fill the questionnaires and to collect data from interview and also Due to the very limited time to collect important data, the study limited in its scope and size. However, a possible effort were exerted to overcome the above constraints and accomplish the desired work successful

1.9 Organization of the Study

The paper is organized into five chapters .The first chapter presents the introduction part of study that includes background of the study, background of the study area, statement of the problem, objective of the study, significance of the study ,scope of the study and organization of the study. The second chapter contained review of related literature on the topic of the study. The third chapter is about methodology that highlight the methods used to conduct the research. In chapter four, data presentation, analysis and interpretation have been done. While in chapter five the summary, conclusion and recommendations drawn from the study depending upon the finding of the study presented.

CHAPTER TWO

2. Review of Related Literature

Reward management is a key function in HRM systems in modern enterprises, playing an important role in attracting, retaining and motivating employees. It 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. In the below sections, varied reviewed literatures related to reward management are presented.

2.1 Reward Management Meanings and Concept

Meaning:

Reward management, also known as wage and salary administration, remuneration management, compensation management, is concerned with designing and implementing total compensation package. The traditional concept of wage and salary administration emphasized on only determination of wage and salary structures in organizational settings. However, over the passage of time, many more forms of compensation entered the business field which necessitated to take wage and salary administration in comprehensive way with a suitable change in its structure (Beach, 1975) (cited by Henderson 1984).

Concept

In human resource management, reward is referred to money and other benefits given to an employee for providing services to his employer. Money and benefits received may be in different forms-base pay in money form and various benefits, which may be associated with employee's service to the employer like provident fund, gratuity, insurance scheme, and any other payment which the employee receives or benefits he/she enjoys in lieu of such payment. Cascio (2003) has defined compensation as follows: "Reward includes direct cash payments, indirect payments in the form of employee benefits and incentives to motivate employees to strive for higher levels of productivity."

According to reward management scholars (Armstrong and Murlis, 2005), reward management is all about the development, implementation, maintenance, communication and evaluation of the reward process. The processes deal with the assessment of relative job values, the design and management of pay structures, performance management, paying for performance, competence or skill (contingent pay), the provision of employee benefits and pensions, and the management of reward procedures.

2.1.1 Reward Philosophy

Reward strategy is founded based on company's reward philosophy. It expresses what the organization believes the basis upon which people are valued and rewarded. Patricia & Jay (2000, p. 15) described that a company's total reward philosophy defines the basic principles and parameters for designing rewards throughout the company. According to anonymous writer (pp. 418-419), there are two basic reward philosophies. These are entitlement oriented philosophy and performance-oriented philosophy.

2.1.1.1 Entitlement Orientation

The entitlement philosophy can be seen in many organizations that traditionally have given automatic increases to their employees every year. Further, most of those employees receive the same or nearly the same percentage increase each year. Employees and managers who subscribe to the entitlement philosophy believe that individuals who have worked another year are entitled to a raise in base pay, and that all incentives and benefit programs should continue and be increased, regardless of changing industry or economic conditions. Commonly, in organizations following an entitlement philosophy, pay increases are referred to as cost-of living raises, whether or not they are tied specifically to economic indicators. Following an entitlement philosophy ultimately means that as employees continue their employment lives, employer costs increase, regardless of employee performance or other organizational competitive pressures.

Market comparisons tend to be made within an industry, rather than more broadly considering compensation in firms of all types. Bonuses in many entitlement-oriented organizations are determined very paternalistically and often do not reflect operating results. Instead, the CEO or owner acts as Santa Claus at the end of the year, passing out bonus checks that generally do not

vary from year to year. Therefore employees expect to receive the bonuses as another form of entitlement.

2.1.1.2 Performance Orientation

Where a performance-oriented philosophy is followed, no one is guaranteed compensation just for adding another year to organizational service. Instead, pay and incentives are based on performance differences among employees. Employees who perform well get larger compensation increases; those who do not perform satisfactorily receive little or no increase in compensation. Thus, employees who perform satisfactorily should keep up or advance in relation to a broad view of the labor market for their jobs, whereas poor or marginal performers should fall behind. Bonuses are paid based on individual, group, and/or organizational performance results.

2.1.2 Objectives of Reward Management

The basic objective of reward management can be briefly termed as meeting the needs of both employees and the organization. Since both these needs emerge from different sources, often, there is a conflict between the two. This conflict can be understood by agency theory which explains relationship between employees and employers. The theory suggests that employers and employees are two main stakeholders in a business unit, the former assuming the role of principals and the latter assuming the role of agents. Armstrong et al (2005) outline the following as aims of reward management:

- Promote continuous development Support the achievement of the organization's strategic and shorter term objectives by helping to ensure that it has the skilled, competent, motivated and committed work force it needs.

- Help to communicate the organizations values and performance expectations.

- Encourage value added performance by focusing performance pay and gain-sharing schemes on areas where the maximum added value can be achieved.

- Support culture management and change by matching pay culture to organization's culture and ensuring that reward management underpins the existing and desired organization culture and helps the organization respond to change. But pay itself can't derive change or lead to the change process. It can't define what the change should be. It can't establish value or effective leadership.

- Motivate all members of the organization from the shop-floor to the board room through the judicious use of a combination of financial and non-financial rewards.

2.1.3   Dimensions of Reward Management Practices

To achieve the aims of reward management, the reward management strategies, policies, processes, and practices should rely on certain principles. Armstrong (2007), mentioned that all the reward management policies and practices supposed to 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. A brief description on these principles will be made in the next paragraph.

Strategic Alignment/Fit

To be effective, the reward practices of an organization supposed to be aligned with the business strategy of the organization. According to Armstrong, the strategic alignment of reward practices ensures that reward initiatives are planned by reference to the requirements of the business strategy and are designed to support the achievement of business goals.

Competitiveness

Competitiveness refers to pay comparisons with competitors. This is related to "how much do we wish to pay in comparison to what other employers pay"? It is also called external competitiveness. In addition to pay aspects, competitiveness also incorporates questions such as "what mix of pay forms such as base, incentives, stock, benefits, etc do our competitors use in comparison to the pay mix we use"?

Fairness

It is one of the fundamental objectives of pay system. Some scholars define it as ensuring fair treatment and recognize personal and family well being. It can be categorized in to Distributive Justice and Procedural Justice.

Distributive Justice

Distributive justice refers to how rewards are provided to people. Employees will feel that they have been treated justly if they believe that the rewards have been distributed in accordance with the value of their contribution, that they receive what was promised to them and that they get what they need.

Procedural Justice

Procedural justice refers to the ways in which managerial decisions are made and reward policies are put into practice. The five factors that affect perceptions of procedural justice as identified by Tichy et al (1982):

The viewpoint of employees is given proper consideration.

- Personal bias towards employees is suppressed.

- The criteria for decisions are applied consistently to all employees.

- Employees are provided with early feedback about the outcome of decisions.

- Employees are provided with adequate explanations of why decisions have been made.

Compliance

Compliance of pay objective refers the conformity of federal and state compensation laws and regulations. If laws are changed, the pay system of the organization needs to be changed in order to ensure its continued compliance with the existing declaration. In case of multinational companies, company pay practices must comply with the existing laws of the country they built their subsidiary.

Transparency

Transparency exists when people understand how reward processes function and how they are affected by them. The reasons for pay decisions are explained at the time they are made. The need for a transparent system, according to Gibbons (1998), involves the preferences towards having a clear communication of how the reward are distributed and offered and also the concerns on the understanding of the methodologies, measures and targets used while introducing any rewards. The employees need to understand the connection between the company's business objectives, how they contribute, and how they are rewarded. Perceived uncertainty decreases the effectiveness of incentive compensation. Employees also have a voice in the development of reward policies and practices. Ivana et al (2009) founds that reward practice must satisfied a full and open transparency regarding awards, the communication of the availability of the rewards, the criteria to be satisfied, and the identification of the award recipients.

Equity

Equity is achieved when people are rewarded appropriately in relation to others within the organization. Equitable reward processes ensure that relativities between jobs are measured as objectively as possible and that equal pay is provided for work of equal value.

Contextual and Cultural Fit

This is mainly concerned with the fit between the characteristics of the organization, its business strategy and the type of employees the organization has with that of the organization's culture. This perspective advocate best fit is more important than best practice. Contemporary strategic human resource management scholars like Armstrong (2007) argued that best fit is more important than best practice. According to this scholar, context determines the strategy rather than best practices taken from somewhere else.

Flexibility

Currently organizations are realizing the need to be sensitive to tailor-make the benefits to suit the needs of individual employees rather than offer a common, standard package. Typically in a

flexible reward package, the total pay package is decided or negotiated and the employee is given option to distribute it under different items like pay, house rent, club membership, etc. The major purpose of flexibility is to minimize the adverse effect of taxation and provide a higher value for a diversified group of employees.

2.2 The Reward System

The reward system of an organization incorporates the organization's reward strategies, policies, practices, processes and procedures. These components dealt with varied issues such as what is the organization intends to do in the long run, how decision making is made, how grade and pay structures are formed, how policies are implemented and practices are carried out, and what procedures supposed to be maintained in the system in order to operate the system efficiently and flexibly.

The reward system has varied elements which are interrelated to each other. The system begins from the business strategy, which is a base for the reward strategies and policies and goes through varied steps up to the development of total reward packages. The whole process can be visualized with the help of the below diagram.
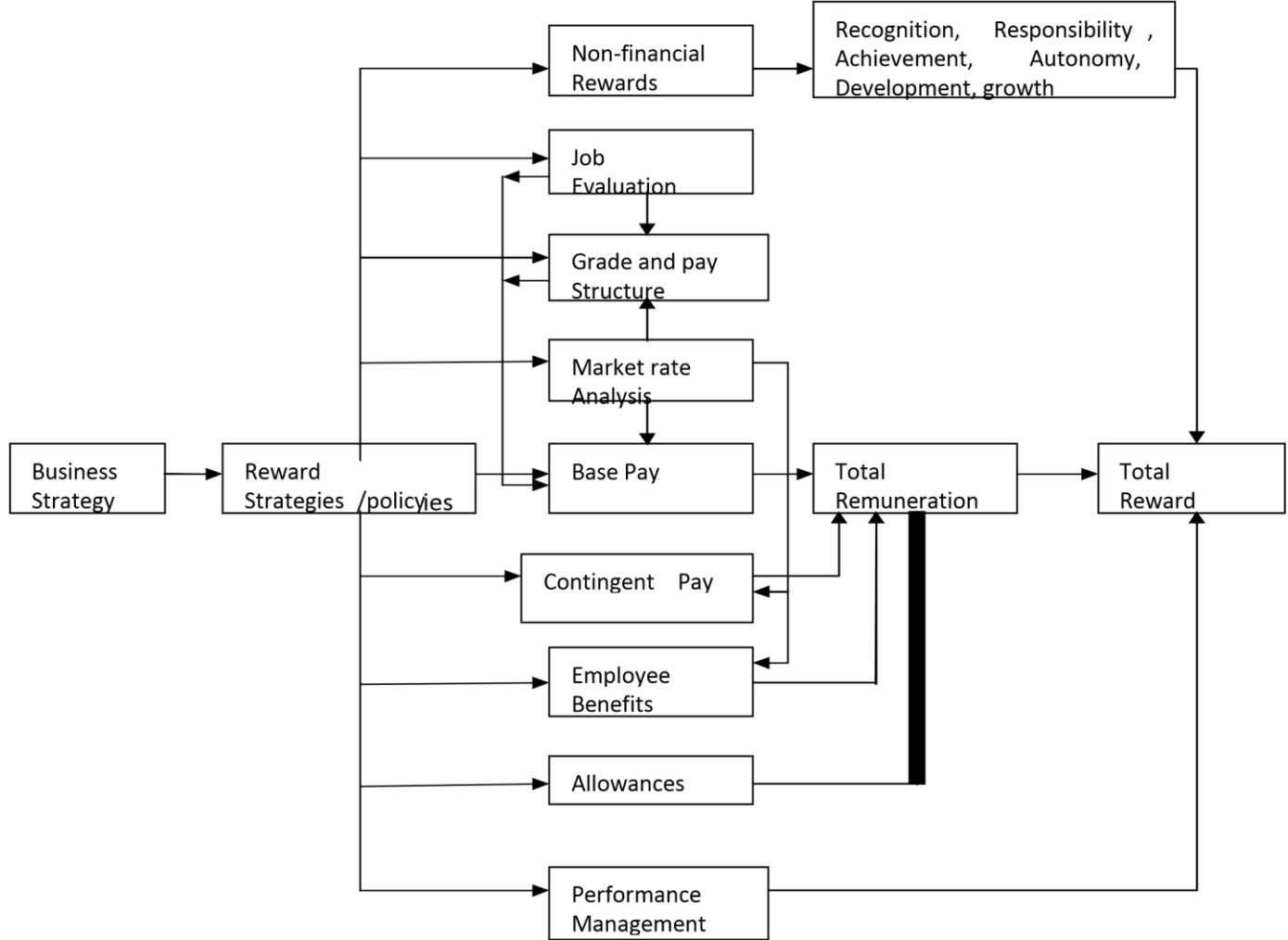
Figure 2.2-1 Elements of reward system and its interrelationships (source Armstrong, 2007)

2.2.1 Elements of a Reward System

The reward system is allocation of compensation and benefits to employees that follow the standards, rules and procedures established according to the second edition of Law Dictionary, (2002).

Business Strategy

This is the starting point in the design of a reward system. Here the organization's mission, vision and goals to be attained will be stated. is the major guiding strategy that determines how the business supposed to be function. All the organization's strategies and policies such as human capital management, reward management, etc evolves from this strategy. Strategies of one organization may vary from another organization. However, there are some common items

included in the strategy including attaining high performance, profitability, productivity, innovation, customer service, quality, price/cost leadership and the need to satisfy stakeholders.

Reward Strategy/policies

The reward strategy flows from an analysis of the business drivers. The question is: How can it be 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 adopting a total reward approach. Reward policy will cover such matters as levels of pay, achieving equal pay, approaches to contingent pay, the use of job evaluation and market surveys and flexing benefits.

Basic Pay

This refers base wage and/or salary an employer pays for the work performed by employees. Base wage reflect the value of the work or skill and generally ignore attributes to individual employees. It is paid on the basis of fixed period of time and normally not associated with productivity of an employee at a particular time. Some pay systems set base pay wages as a function of the skill or education an employee possesses. It is highly affected by internal and external relativities. Internal relativities refer the relative value of jobs within an organization whereas external relativities are assessed by tracking market rates. Base pay may sometime include contingent pay provided to employees (Armstrong, 2007).

Contingent pay

It is also sometimes called variable pay. Such type of pay refers additional financial rewards provided to employees based on performance, competence, contribution, skill or experience. As it is mentioned above, it may be given added on base pay (consolidated) or separately as a variable pay (non-consolidated).

Employee Benefits

Benefit provided to employees can be categorized in to three: Income Protection, Allowances, and Work/Life Balance. Income protection incorporate medical insurance, retirement programs, life insurance, and savings plan. Some forms of income protection such as retirement program

are legally required. The other form of benefit called work life balance will help employees better integrate their work and life responsibilities. These include time away from work (paid vacation and jury duty), access to meet services to meet specific needs (counseling, financial planning, and referrals for child and elder care), and flexible work. Allowance is also the other form of benefit. This may be home, transportation, etc (Armstrong and Murlis, 2005).

Allowances

Allowances are paid in addition to basic pay for special circumstances such as work place assignment, work out of normal working hours, etc. The major types of allowances are location allowances, overtime payments, shift payments, working conditions allowances and stand-by or callout allowances made to those who have to be available to come in to work when required. The amount of allowance is determined by the organization alone or with negotiation with the existing employee association.

Total Earnings

It incorporates the summation of all cash payments such as base pay, variable pay, and allowances which are paid in terms of money.

Total Remuneration

Total remuneration incorporate the total earnings an employee acquire plus the value of benefit the employee received from the organization.

Job Evaluation

Job evaluation is the means by which many organizations establish the internally acceptable rank order. It is a process by which judgments about the relative merits of one job versus another can be made in a logical manner against predetermined criteria (Thorpe and Homan, 2000). It does not determine the level of pay directly. Job evaluation can be analytical or non-analytical. It is based on the analysis of jobs or roles, which leads to the production of job descriptions or role profiles.

Market Rate Analysis

This is also part of the reward system elements used to analyze the relative worth of a given job by comparing with jobs in the external labor market. Such analysis help to determine the structure of pay and level of pay supposed to be given for that particular job. Armstrong (2007) stated that a policy decision may be made on how internal rates of pay should compare with external rates.

Grade and Pay Structures

Jobs are allocated to job grades on the bases of an assessment of their relative size. All jobs allocated to a grade are treated in the same for pay purposes. This grade structure consists of a sequence of hierarchy of grades, bands or levels in to which groups of jobs that are broadly comparable in size are placed. In a graded structure, pay is influenced by market rates, and thee pay ranges attached to grades provide scope for pay progression based on performance, competence, contribution or service (Armstrong and Murlis, 2005).

Performance Management

Performance management is a strategic and integrated process that delivers sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of individual contributors and teams. It can be used as means to motivate individual employees and may also inform contingent pay decisions.

Non-financial rewards

These are types of rewards that do not involve any direct monetary payments and usually arise from the work an individual employee performs. It may be expressed in terms of achievement, recognition, scope to use and develop skills, training, career development opportunities, and high quality leadership.

Total reward

This is also an element of reward system. Total reward incorporates the summation of financial and non-financial rewards provided to individual employees.

2.2.2 Components of Rewards

The reward system of an organization includes anything an employee may value and desire that the employer is capable or willing to offer in exchange for employee contribution. Different authors classified reward types differently from different perspectives. Henderson (2004) classified reward in to two: Compensation and Non compensation rewards. According to his classification, compensation system incorporate current spendable income, disability income, deferred income, pay for time not worked, etc whereas under non compensation rewards nonmonetary psychological rewards are incorporated. Other scholars like Manus and Graham classified total reward in to indirect as well as direct, intrinsic as well as extrinsic rewards. According to Osterloh and Frey (2000), extrinsic rewards (motivators) are indirect rewards hence they satisfy employees needs indirectly (through monetary reward) where as intrinsic rewards fill the need of employees directly. Armstrong and Murlis (2005) also classified reward in to two: financial rewards and benefits, and non-financial rewards. Even if there is no universal classification, for the sake of this study, the classification utilized by Armstrong and Murlis is reviewed and presented as follows.

Financial Rewards and Benefits

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

Base pay

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

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

Contingent pay/Cost of Living Adjustment

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

Variable pay

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

Incentives

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

Benefits

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

Non-Financial Rewards

These types of rewards do not involve any direct payments and often arise from the work itself. They can be focused on the needs most people have. Recognition, responsibility, work autonomy, influence and personal growth are some of the rewards incorporated under the non-financial types of rewards.

Recognition

Recognition of work is the essence of securing good work. It is one of the most powerful motivators. Efficient people would naturally like to get recognition for their skill and excellence in their work. Such recognition can do many things that what a cash reward can do. Armstrong and Murlis (2005), underlined on the point that, recognition is supposed to be given judiciously. That is, it must be related to real achievements of employees. The recognition given will have a great impact if it is followed by provision of achievement bonuses awards. Organization can also give other forms of recognitions such as long service awards, status symbols of one kind or another, sabbaticals and work related trips abroad.

Achievement

The other type of non-financial reward is recognition. It is defined as the need for competitive success measured against a personal standard of excellence. This is one of the three major needs of employees at managerial position: achievement, power, and affiliation. Employees'

achievement motivation can be raised by organizations through processes such as job design, performance management, and skill or competency-related pay schemes.

Promotion

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

Personal growth

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

2.3 Strategic Reward System Design and its Elements

The pay design is one of the central issues raised in the design of strategic reward system. Theory on the role of pay and, more importantly, how rewards, recognition, and benefits should be configured in a way that aligns the thoughts and actions of employees with business strategy was a comparatively barren area until recently (Thorpe and Homan, 2000). The design of pay scheme requires the designer's clarity about the organization's circumstances at first. In doing this, the designers supposed to identify what objective the payment system should have and the behaviors the organization needs to reward.

2.3.1 Purpose of Pay Structure

The purpose of pay structure is many, however, some of the major purposes, as stated by Thorpe et al (2000), are mentioned below.

- Improve customer service and output quality.

- Create internal equity.

- Reinforce vision and values.

- Reward performance, skill, and competence.

- Support lateral movement and team working.

- Accommodate market rates.

- Attract and retain employees.

- Balance interests of stakeholders.

- Control costs

2.3.2   Factors Affecting Employees Pay Level

There are so many factors that affect the rate of pay in a given organization. Casio (2003) mentioned the below factors as some of the major factors that affect pay level.

Demand for and Supply of labor

Demand and supply conditions of labor have considerable influence on the determination of pay rates. If there is a short supply of labor, the pay may be high whereas if there is no shortage of labor, the wages tend to be low.

Labor unions

Union influence on benefit and wage aspects commenced in 1940 in USA at the time of World War II. At that time many government organizations were under strict wage and price control. However, they were freed to bargain on the benefit they are offered with their employers. Such a practice developed through time and union becomes one of the factors that influence wage and benefit issues of employees (Milkovich et al, 2009). If the laborers are well organized into strong trade unions, their bargaining power would be high and they can demand higher rates of pay. On the other hand, if the laborers are not organized, the management may fix low pay rates.

Cost of living

The cost of living of workers also has a strong influence on the rate of wages. If this factor is not considered, the laborers may not be in a position to make both ends meet and this will affect their efficiency.

Prevailing wage rates

Prevailing wages in a particular industry are also taken into account by the employers while deciding wage levels for their employees. By considering the prevailing wage level, employers will come reasonable close to the wage level of competitors, and this will enable them to retain and attract qualified workers to the organizations.

Ability to pay

The level of pay, to a large extent, is determined by the ability of the enterprise to pay its workers. The ability to pay in turn is determined by the profit-earning capacity of the enterprise.

Job requirements

Job requirements are also an important factor that can affect employees pay rate. Jobs requiring specialized knowledge or involving much mental or manual effort are priced higher than those which are light or which do not need any specialized knowledge.

State regulation

State regulation is another important factor influencing pay rates. As the State assumes responsibility for safeguarding the interest of citizens, it has to step in to regulate the wage rates of laborers through legislative measures.

Increment system

In some organizations wages automatically increase annually at a prescribed rate without any relation to workers' performance. In some other organizations annual increases based on merit. Thus, the prevailing system of granting increments also affects wages.

2.4 Debates in Reward Management Practices

Like the debates of scholars in many fields, scholars of reward management has been arguing in varied aspects of the field. Two of the major areas of their debate are: the best fit versus best practice approach of reward management and expectancy theory versus performance related pay aspects of reward management. A brief discussion on these two debates will be made in the below section.

2.4.1   Best Fit Versus Best Practice

Here the division of opinion is between those who take the view that different HR policies are appropriate in different circumstances (the best fit school), and those who believe it is possible to identify approaches which have universal value in terms of their capacity to induce the achievement of competitive advantage (the best practice approach) (Thorpe and Homan, 2000).

Scholars like Huselid (1995) favor that the adoption of best practice approaches like high performance work practices have a positive correlation with that of low employee turnover, high productivity and high organizational financial performance. Advocators of this approach mention some perspectives to back their approach. According to these scholars, organizations who pay higher wages are often more productive than their competitors who pay considerably less. The other point they raise to favor their stand is that, best practice in reward is concerned with the type of incentive payments that employees make with wage structures and with methods of wage determination.

On the other hand, scholars like Lawler (1990) were arguing against the best practice approach. According to this scholar, it may well be the case that greater generosity leads to a more satisfied, loyal and creative staff. However, in many business environments this is likely to lead to lower overall competitiveness hence higher costs of production are passed on to consumers.

2.4.2 Expectancy Theory Versus Performance Related Pay

The debate occurred in this regard has long story and also involve many scholars. Advocators of Expectancy theory hold that money is a significant motivator for most, and that we will usually alter our behavior, either by increasing effort or directing it in specific directions in order to secure high base salary or some type of bonus payment. Those who favor this theory argue that money is important, not simply for its own sake, but because it is a means to the achievement of other ends.

However, advocators of PRP system like Armstrong and Murlis (2005) advocate that, instead of what the expectancy theory PRP plays a great role in motivating individual employees towards higher performance. According to advocators of this theory, PRP system has the following advantages:

- Helps to attract and retain good performers.

- Improving individual and corporate performance.

- Improving motivation.

- Clarifying job roles and duties.

2.5 Reward Management and Employee Motivation Theories

The effectiveness of skilled employees is likely to be limited if they are not motivated to perform. One of the means that organizations can use to enhance employee motivation and performance is to provide performance-related compensation (Huselid, 1995). A reward and compensation system is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive that there is a strong link between their performance and the reward they receive. In other words, the compensation system (e.g. profit sharing) contributes to performance by linking the interests of employees to those of the team and the organization, thereby enhancing effort and performance.

Motivation is a factor that exerts a driving force on our actions and work. According to Baron (1983), motivation is an accumulation of different processes which influence and direct our

behavior to achieve some specific goal. It is such a dynamic in today's environment that explicitly creates and encompasses a positive impact on job. Within an organization, the best performance is feasible with most committed employees that can only be achieved through employee motivation.

There is no definitive motivation technique or a reliable and effective method that works for everyone in every situation rather it should be adapted to fit the circumstances (Bradley, 2003). Motivation can be influenced by personal or situational factors and it can change with changes in personal, social, or other factors. Scholars divide motivation theories in to two: Content theories of motivation and Process theories of motivation. The content theories of motivation emphasize the reasons for motivated behavior or what causes it. These theories specify the correlates of motivated behavior that is states, feelings or attitudes associated with motivated behavior, and help to represent physiological or psychological deficiencies that an individual feels some compulsion to eliminate. Content theories of motivation incorporate Maslow's Hierarchy of Needs theory, Alderfer's ERG theory, Frederick Herzberg's Hygiene theory, and McClelland's learned needs theory. On the other hand, the process theory of motivation hold Victor Vroom's Expectancy Theory, Equity Theory , Gary Latham and Edwin Locke's goal setting theory ,and B. F. Skinner's Reinforcement Theory. Under the next sub sections some of the major content and process theories will be briefly discussed.

2.5.1   Content Theories of Motivation

Behavioral science researchers were, by the early 1920s, able to identify variables which are basic to human survival. Cuase was able to identify the bare essentials which all individuals in all countries at all times want to require. These basic requirements cab certainly be considered as variables that initiate, direct, modify, and stop human behavior. By the late 1930s other researchers led by Henry A. Murry at the Harvard Psychological clinic performed an in-depth research on personality characteristics. According to them needs classified in to two: primary and secondary needs. Per their study findings primary needs are those needs related to physical satisfaction whereas secondary needs are related to mental and emotional satisfaction (Henderson, 1984).

2.5.1.1 Hierarchy of Needs Theory

One model of motivation that has gained a lot of attention, but not complete acceptance, has been put forward by Abraham Maslow in the year 1943. Maslow's theory stated that individuals are motivated to satisfy a number of different kinds of needs, some of which are more powerful than others. Maslow argues that until these most pressing needs are satisfied, other needs have little effect on an individual's behavior. In other words, we satisfy the most proponent needs first and then progress to the less pressing ones. As one need becomes satisfied, and therefore less important to us, other needs loom up and become motivators of our behavior (Stuart, 2011).

Maslow represents this prepotency of needs as a hierarchy. The most proponent needs are shown at the bottom of the ladder, with prepotency decreasing as one progress upwards. Maslow's five levels of hierarchy of needs from the top to the bottom are mentioned below.

- Self-Actualization – reaching your maximum potential, doing you own best thing

- Esteem – respect from others, self-respect, recognition

- Social Needs (Belonging) – affiliation, acceptance, being part of something

- Security (Safety) Needs – physical safety, psychological security Physiological Needs – hunger, thirst, sex, rest

According to Maslow (as cited by Zaidi 2011), the first needs that anyone must satisfy are physiological. As Maslow says:"Undoubtedly these physiological needs are the most proponents of all needs. What this means specifically is that in the human being who is missing everything in life in an extreme fashion, it is most likely that the major motivation would be the physiological needs rather than any others. A person who is lacking food, safety, love and esteem would probably hunger for food more strongly than anything else".

In general, as each of these needs become substantially satisfied, the next need becomes dominant and the individual moves up the hierarchy.

2.5.1.2 Frederick Herzberg's Motivation-Hygiene Theory

This is the most controversial of all theories developed to explain employee workplace behavior. It is also called two factor theory of motivation. According to Herzberg (1959) (cited by Henderson 1984), this theory suggests that two separate sets of factors influence the attitudes and behaviors of workers. He identified those factors that lead to high levels of job satisfaction and goal oriented behavior as Motivators and those that prevent job dissatisfaction as Hygiene factors.

The factors that lead to job satisfaction (the motivators) are: achievement, recognition, work itself, responsibility, and advancement. Motivators are things that allow for psychological growth and development on the job. They are closely related to the concept of self-actualization, involving a challenge, an opportunity to extend oneself to the fullest, to taste the pleasure of accomplishment, and to be recognized as having done something worthwhile. On the other hand, factors that may prevent workplace dissatisfaction (hygiene factors) incorporate company policy and administration, working conditions, supervision, interpersonal relations, and money. Hygiene, if applied effectively, can prevent dissatisfaction where as if it is applied poorly, they can result in negative feelings about the job.

Henderson continues his explanation on the theory and demonstrates that understanding the relationship between the hygiene and motivator factors is critical. This can be known by understanding employee behavior and rewards provided by employers. Such rewards are intrinsic in their nature and provide employees satisfaction. That means, workers gain a sense of accomplishment, a feeling of being important, or of making a contribution from their job performance. On the other hand, the hygiene or extrinsic motivators provide rewards originating outside the worker. Since these rewards are not internally generated, they have to be replenished more often and don't have the lasting effect of the motivators. The hygiene factors will direct worker behavior in the short run, but, according to Herzberg, long-run behavioral changes require the use of the motivators.

2.5.2 Process Theory of Motivation

The process theory of motivation incorporate Victor Vroom's Expectancy Theory, Equity Theory, Gary Latham and Edwin Locke's goal setting theory ,and B. F. Skinner's Reinforcement Theory.

Among these theories, the expectancy and equity theories of motivation will be presented as follows.

2.5.2.1 Expectancy Theory of Motivation

The expectancy theory of motivation provides an explanation as to why an individual chooses to act out a specific behavior as opposed to another. This cognitive process evaluates the motivational force (MF) of the different behavioral options based on the individual's own perception of the probability of attaining his desired outcome. Thus, the motivational force can be summarized by the following equation:

$$MF = \text{Expectancy X Instrumentality X} \sum (\text{Valence(s)}$$

Expectancy (E)

Expectancy refers to the "effort-performance" relation. Thus, the perception of the individual is that the effort that he or she will put forward will actually result in the attainment of the "performance". This cognitive evaluation is heavily weighted by an individual's past experiences, personality, self-confidence and emotional state

The Instrumentality (I)

Instrumentality refers to the "performance-reward" relation. The individual evaluates the likelihood or probability that achieving the performance level will actually result in the attainment of the reward.

Valance (V)

Valance is the value that the individual associates with the outcome (reward). A positive valance indicates that the individual has a preference for getting the reward as opposed to, vice-versa, a negative valance that is indicative that the individual, based on his perception evaluated that the reward doesn't fill a need or personal goal, thus he or she doesn't place any value towards its attainment.

As the Motivational Force (MF) is the multiplication of the expectancy by the instrumentality it is then by the valence that any of the perception having a value of zero or the individual's feeling that "it's not going to happen", will result in a motivational force of zero.

2.5.2.2 Equity theory of Motivation

Equity theory states that employees perceive what they get from a job situation(outcome) in relation to what they put into it (inputs) and then compare their inputs − outcomes ratios with inputs − outcome of relevant others. If an employee perceives his/her ratio to be equal to those of relevant others, a state of equity exists. In other words, he/she perceives that his/her situation is fair − that justice prevails. However, if the ratio is unequal, in equity exists and he/she views his/herself as under rewarded or over rewarded. Employees, up on the receipt of inequity, they will act to correct the situation. The result might be higher or lower productivity, improved or reduced quality of output, increased absenteeism, or voluntary resignation.

Inequity has both structural and specific components (Ukaegbu, 2000). Structural inequity refers to a belief by workers that a general discrepancy exists between the amount of effort they commit to their work and the rewards offered by the organization. By contrast, specific inequity refers to situations where employers reward specific workers on the basis of criteria unrelated to employers reward specific workers on the basis of criteria unrelated to employee performance and productivity. Some of the particularistic criteria include blood relationship, friendship or gossip.

CHAPETR THREE

3. Methodology

Methodology refers to the material and method of study that is the variables (materials) over which the study data collected, data analysis, sampling and interpretation. The study was used employees of Ethio Telecom who are currently working at the head office as the research population

3.1 Research Design

This research work is a descriptive type of research that shows the reward management practices of Ethio Telecom and explored employees attitude towards the current practices. As the main purpose of the study is to assess Reward management Practices of Ethio Telecom at Head Office, the study design includes both quantitative and qualitative type. Hence, Yin (2003) shown that, in situations where two strategies might be considered attractive, it is possible to use multiple strategies in a given study. Therefore, survey with both quantitative and qualitative study design will applied. The quantitative analysis gathered by using semi-structured questionnaire whereas the qualitative information collected by using in interview of human resource managers and document analysis methods.

3.2 Sample Size

The total population of the study is 1325 employees. As Ethio Telecom has different Departments, the most appropriate method to conduct this study is stratified quota sampling technique in order to get equal representation of Departments As stated by Singh, Y. K. (2006). "descriptive research typically uses larger samples; it is sometimes suggested that one should select 10-20 per cent of the accessible population for the sample." Accordingly, this study has utilized the maximum which is 20% of the population size. Therefore, the study sample size of 265 is fair enough to represent the population.

Table 3.2.1. Sampling size

No	Departments	Number Of Employee	Percentage (%)	Number Of strata
1	Human Resource Management	144	20%	29
2	CEO	61	20%	12
3	Finance	145	20%	29
4	Internal Audit	56	20%	11
5	Legal	35	20%	7
6	Networking	49	20%	10
7	Quality and process	73	20%	15
8	Security	24	20%	5
9	Sourcing and facilities	721	20%	144
10	PEP project office	17	20%	3
	T O T A L	**1325**	**20%**	**265**

3.3 Sources of Data

On the basis of the study objectives, both primary and secondary data sources were used to assess the reward management practice in Ethio telecom.

3.3.1 Primary Sources

The primary sources of data collected from the selected sample of population using both questionnaires and interviews.

3.3.2 Secondary Sources

Secondary data were gathered from relevant books, thesis and electronic data from confirmed sources. Documents such as reputable journal articles, annual reports, policies, human resource manuals, organizational broaches, publications and website information used as secondary data sources for the study.

3.4 Data Collection Instruments

The researcher used Questionnaires, Interview and Document analysis to collect data. According to Cohen and Manion, (1994), use of combination of methods is suggested as having advantages to correct some of the deficiencies of any one source of data. Therefore, the data gathering processes considers the below mentioned instruments.

3.4.1 Questionnaire

Questionnaire developed based on the reviewed literatures to collect relevant and reliable information from the respondent's to answer the basic question raised. According to Ary, Jacobs and Asghar Razavien, (1990:385); Best and Khan, (2005:300), questionnaire allow and make possible an economy of time and expenses and provides a high amount of usable responses.

3.4.2 Interview

An interview implies some form of verbal discourse. In this case, the participants provide the researcher with information through verbal interchange; and in turn the researcher can understand the feelings, meanings and interpretations of the participants to their interaction in the study area. Thus in this study semi structured interview with other data collection instruments was employed. In this respect, Hancock (2002) stated that; Semi structured interviews involve a series of opens ended questions on the topic areas in which the researcher wants to cover. If the interviewee has difficulty in answering a question or provides only a brief response, the interviewer can use cues or prompts to encourage the interviewee to consider the question further.

3.4.3 Document Analysis

Another option for data collection used in the study is document and record review which is essential for data triangulation. Documents and records give the researcher access to the necessary background information and insights into the research problems. Thus, policy documents, bulletins, journals, published or unpublished documents, magazines', etc were used as important sources for the study.

3.5 Data Analysis Methods

As discussed earlier, questionnaire was designed and distributed to 265 employees who are currently working in Addis Ababa Head office and 10 departments list of which is attached as appendix C. Accordingly, 219 questionnaires were returned which is about 82.64% of the total distributed questionnaires. The response rate is fair enough to represent the sample.

3.6 Ethical Considerations

To undertake the research, the necessary approval and permission letter was written and obtained from the University and requested to the study area that is Ethio Telecom and other concerned bodies. All sample of target population were treated in ethical manner. Further, brief description about the title, purposes and objectives of the study were made clear to the target population during data collection. Moreover, they were informed about their valuable and genuine responses contributions for the achievements of the study. Moreover, participants were participated on voluntary basis and were treated with respect, and instrument design was made as relevant as possible.

CHAPTER FOUR

4. Data Analysis and Interpretation

As discussed earlier, questionnaire was designed and distributed to 265 employees of Ethio telecom who are currently working in Addis Ababa Head office and 10 departments. Accordingly, 229 questionnaires were returned, which is about 86.41% of the total distributed questionnaires.

The response rate is fair enough to represent the sample.

4.1 Demographic Characteristics of Respondents

In this section demographic information of the participant employees is presented under table 4.1 and using figure 4.1 and 4.2. This part of the questionnaire requested a limited amount of information related to personal and professional demographic characteristics of respondents. The variables summarized incorporate sex, age, marital status, educational qualification, and tenure of participants

Table 4.1 Biographical Information

Item	Scale	Frequency	Percent
Sex	*Male*	160	69.87
	Female	69	30.13
Total		229	100.0
Marital Status	*Single*	150	65.5
	Married	79	34.5
Total		229	100.0

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As described in the previous chapter, the total number of employees of Ethio Telecom currently has about 1325. However, only 265 employees are taken as a sample from the ten major departments considered in this research work and among this 229 employees return the questionnaire distributed by filling properly. As shown in the Table **4.1**, employees' gender

composition shows 160 of the respondents are male and 69 of them are female. This shows 69.87% of them are males where as 30.13% of the respondents are females. The number of female respondents is lower hence in some of the departments which are incorporated in the study. With regard to respondents' marital status, as shown in the above table, 150 of the employees about 65.5% of the respondents are bachelor and the rest 79 around 34.5% are married.
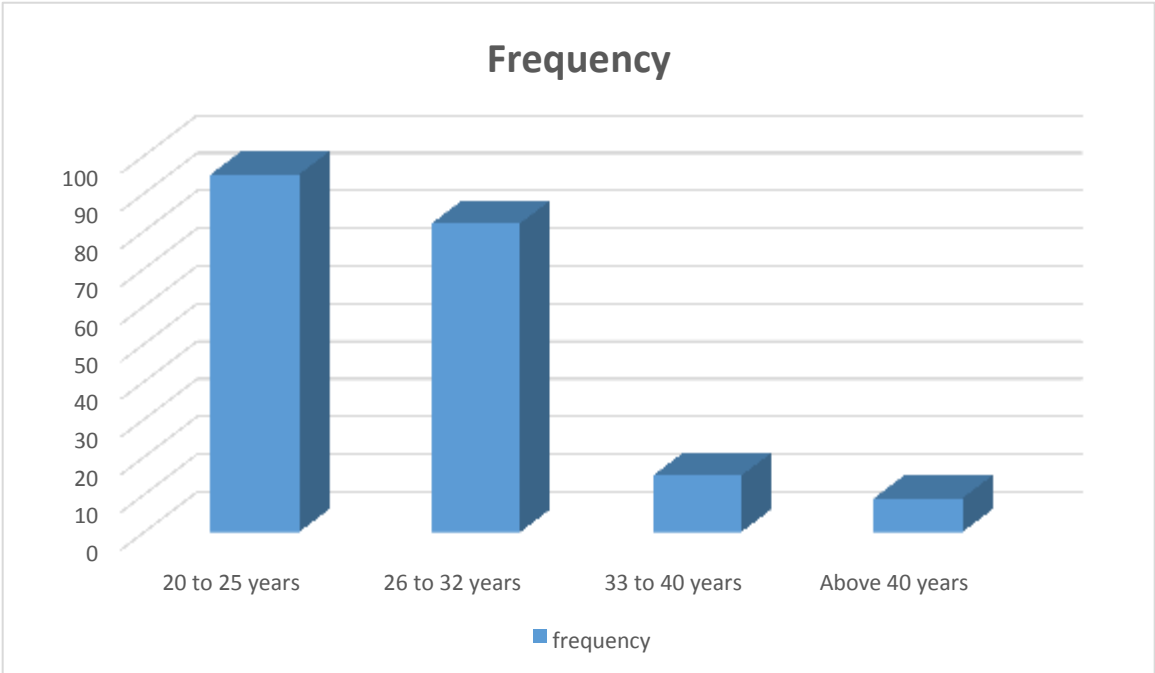
Figure 4.2 Age category of respondents.

The above figure shows the age category of employees who are incorporated in the research work. As shown in the graph, 95 employees that hold 41.5% of the respondents fail under the age between 20to25 years where as 110 those who fail in the age category of 26 to 32 years constitute almost 48% of the respondents. However, the number of respondent between the age 33 to 40 years and those who are above 40 are 15 and 9 respectively. From this it is possible to infer that the workforce composition of the respondent are young.

percentage

- Degree
- Diploma
- Masters

6.55%

30.13%
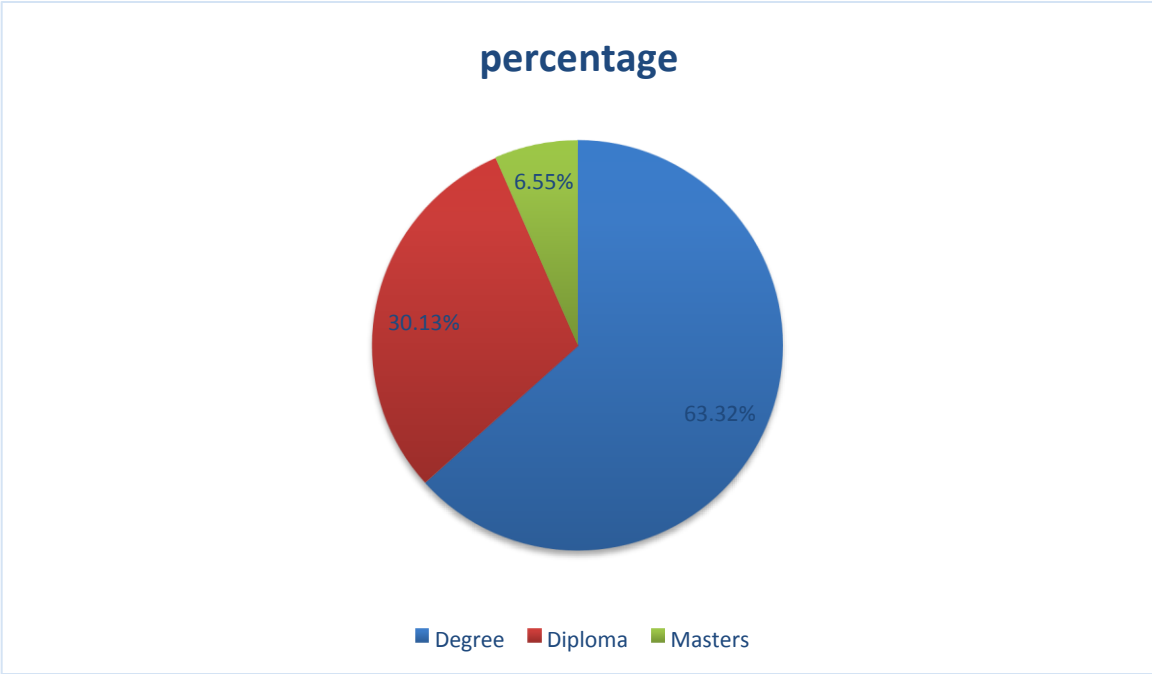
63.32%

Figure 4.3 Educational characteristics of respondents.

In relation to employee level of qualification, the above pie chart clearly shows that majority of the work force (145 employees) 63.32 acquired their first degree. However, there are also a significant number of employees at diploma level that constitutes 30.13 percent of the total respondents or 69 employees and the rest of 15 respondents 6.55% of the total respondents acquired their master's degree
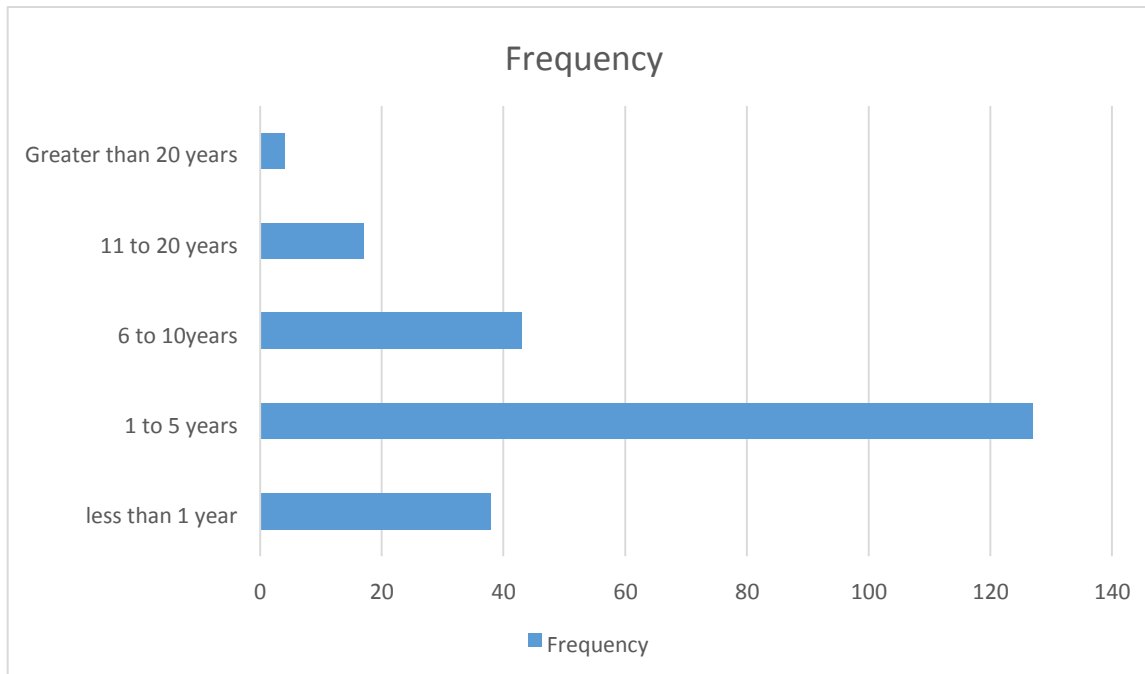
Figure 4.4 Tenure of respondents in the organization.

As shown in the above bar graph, the organization has a great number of workforces that works between 1upto5 years. Out of the employees who responded the questionnaire distributed 127 of them (about 55.4%) are failing in this category. On the other hand, the numbers of employees who work 6to10 years are 43 which constitute about 18.8 percent of the respondents. The numbers of employees who work for the organization for about 11to20 years are 17 which constitute about 7.4 percent of the respondents and greater than 20 years incorporated in this study are 4. The high number of employees who serve between 1upto 5 years shows that there is extensive recruitment of new employees to compensate the high turnover in these ten departments. According to the information gathered through interview and document analysis, turnover rate of skilled employees shows the highest rate and that makes Ethio Telecom to consider skilled labor turnover is one of the major traits Ethio Telecom faced currently.

4.1 Employees Opinion towards the Existing Reward Management Practices

4.1.1 Employees Ratings of the Overall Reward Practices

In this section, employees' ratings of reward management practices of Ethio Telecom are presented. The below table shows employees attitude towards some of the major reward practices currently provided by Ethio Telecom. This incorporates pay, benefit, incentive, allowance, promotion and recognition practices.

Table 4.2 Employees ratings of overall Reward Management Practices

Item		Measure						
		Very poor	*Poor*	*Average*	*Good*	*Very good*	*Total*	*Mean scale*
Pay	*Frequency*	65	82	48	34	0	229	2.2
	Percent	28.4	35.8	21	14.8	0.0	100.0	
Benefit	*Frequency*	21	52	56	75	25	229	3.1
	Percent	9.2	22.7	24.4	32.7	11	100.0	
Incentive	*Frequency*	51	88	45	27	18	229	2.4
	Percent	22.3	38.4	19.6	11.8	7.9	100.0	
Bonus	*Frequency*	81	101	30	17	0	229	2
	Percent	35.4	44 .1	13.1	7.4	0.0	100.0	
Promotion	*Frequency*	22	43	55	70	39	229	3.3
	Percent	9.6	18.8	24	30.6	17	100.0	
Recognition	*Frequency*	96	79	31	23	0	229	1.9
	Percent	42	34.5	13.5	10	0.0	100.0	

As shown in the above table, employees were asked to rate varied types of reward practices provided by Ethio Telecom using a five Likert scale. In this regard employees are asked to indicate their opinion by choosing one of the five alternatives given: very poor, poor, average, good, and very good. Based on this, the first question presented to employees was to express their opinion with regard to pay practices of Ethio Telecom and 65 employees said the pay

practice is very poor and some other 82 respondents said poor. The mean scale for the pay ratings is 2.2 which show the employees' response is tilted towards the scale poor. Therefore, the overall response shows that the pay practice of Ethio Telecom is poor.

With regard to the benefit packages provided, 100 employees (around 43.7% of the total respondents) feel that the existing benefit provision practice is good whereas 73 or 27.9% of the respondents testify that the practice is poor. However, the overall response distribution of the employees do not show what the employees overall attitude towards the practice hence the calculated mean scale for benefit is 3.1 which is between average and good.

The other reward practice employees were requested to rate was incentive. As shown in the above table 62.4% (143 employees) rate that, the existing incentive practice is poor and 7.9% (18 employees) of the respondents say the incentive package provided is very good to them. In general, many of the employees rate the incentive provision practice of Ethio Telecom is poor and the mean scale is 2.4 which is around the scale poor.

In relation to bonus, 81 employees (35.4%) said that there is a very poor bonus practice whereas 101 employees (44.1%) of the respondents rate bonus practice as poor. The mean scale for bonus is 2 and this shows how employees' rate bonus practice of Ethio Telecom between poor and very poor. Based on the interview made with HR personnel, there is no frequent bonus practice in Ethio Telecom.

The other practice valued by employees is the promotion practice of Ethio Telecom. In this regard, 30.6% of the respondents claim that the practice is good and other 39 said it is very good. However, the overall ratings, as the mean scale is 3.3, shows that employees rate promotion practice as more than average or a bit good practice.

The last practice presented for respondents to rate was the recognition practice of Ethio Telecom. As shown on the table above, significant number of the respondents rate the practice as very poor or poor (96 employees and 79 employees or 42% and 34.5% of the total respondents respectively. Therefore, overall rating of the recognition practice is 1.7 that indicates how poor the recognition practice in Ethio Telecom.

Table 4.3-Employees perception towards the overall pay practice

Items	Measure		
		Frequency	*Percent*
Do you think Ethio Telecom has pay scale which consider market value of each profession?	*Yes*	69	30.1
	No	160	69.9
Total		229	100
The existing pay grades of Ethio Telecom consider differences of skills acquired and level of responsibility required from employees?	*Yes*	60	26.2
	No	169	73.8
Total		229	100.0

The next questions posed to employees were assessment of their perception towards the overall pay practices of Ethio Telecom. As shown in the above table, the first question assesses employees' perception whether they believe the existing pay practice considers market value of each profession. According to their response, 69.9% of the respondents or 160 employees believe that Ethio Telecom pay scale do not consider the market value of professions whereas the rest 69 employees (30.1%) said the existing scale consider the market value of professional employees.

But the overall response showed that the pay scale don't consider market value of each profession.

The other question forwarded to employees were to express their perception towards whether they believe the existing pay grades of Ethio Telecom consider differences of skills and level of responsibility required from employees. As shown in the table 4.3, significant number of employees, 169 employees or 73.8 % of the respondents said that the existing pay grade do not consider the skill required and level of responsibility individual employees are supposed to have. Such a practice can be one of the reasons that make employees of Ethio Telecom being less

responsible as the study conducted by Ethio Telecom shows one of the major weaknesses currently shown towards employees is lack of accountability.

One of the issues the researcher wants to investigate was issues related to performance appraisal hence it is one of the means used to reward employees based on their performance.

Table 4.4 –Employees opinion towards the Performance Appraisal practices

Item	Measure	Frequency	Percent
Have you ever been rewarded based on your performance appraisal result?	*Yes*	77	33.6
	No	152	66.4
Total		161	100.0

The Above table, table **4.4** shows employees response of whether they got a reward based on the results of their performance appraisal result and 152 employees (66.4% of the respondents) respond that they had never got a reward based on their performance appraisal result whereas the rest 77 employees (33.6%) said they got some type of reward such as training opportunity or variable pay or both based on their performance appraisal result. Based on the interview made with HR personnel, there is a performance appraisal practice conducted by Ethio Telecom which is made biannually. Previously results of the performance appraisal results were utilized to determine a variable pay supposed to be given to individual employees however currently there is no variable pay practice and the outcome of the performance appraisal practice is used to provide training opportunities in some departments.

4.1.1 Transparency of Reward Management Practices

Table **4.5** shows assessment of employees' perception towards the transparency of the reward Management practices of Ethio Telecom.

Table 4.5 Employees perception towards the Transparency of reward management practices

Item		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total	Mean scale
Employees are kept Informed about how the reward system functions.	*Frequency*	0	36	27	64	102	229	4.1
	Percent	0.0	15.7	11.8	28	44.5	100.0	
The existing pay Practice is simple to understand that enables employees understand how their pay is calculated.	*Frequency*	32	111	26	36	24	229	2.5
	Percent	14	48.5	11.3	15.7	10.5	100.0	
Employees clearly know the criteria of get promoted.	*Frequency*	24	118	23	34	30	229	2.7
	Percent	10.5	51.5	10.1	14.8	13.1	100.0	
Employees well aware About the total benefit packages provided by Ethio Telecom.	*Frequency*	25	40	27	85	52	229	3.4
	Percent	10.9	17.5	11.8	37.1	22.7	100.0	

As shown in table **4.5**, employees were primarily asked whether they are informed by the concerned units of the organization about how the existing reward management functions. This implies how certain reward such as the reason for a certain pay decision is made or how employees get recognized for their good performance. The number of employees who say agree are 36 (15.7%) even if no one say he/she is strongly agree with the statement. In contrary, the

number of employees who said disagree and strongly disagree are 64 and102. This constitutes 28% and 44.5% of the total respondents respectively. In general, to this the mean scale of employees response distribution is 4.1 which shows that employees are not timely informed about how the existing reward system function. However, as per the interview from both HR and employee benefit units, there is an attempt currently made by Ethio Telecom Employee Communication unit to inform employees about how a given benefit package affect employees and how it is delivered.

The other question that was posed to employees was whether the existing pay system is simple to understand by employees and can make them to know how their pay is calculated. In this regard, 143 employees (62.4% of the respondents) believe that the pay system is simple to understand and they are knowledgeable about how their pay is calculated. The overall response distribution is 2.5 which imply that the overall respondents express their strong agreement of the existing pay practice is simple to understand.

Employees were also requested if they are clearly aware by Ethio Telecom about the criteria of how they get promoted. As per the response gathered from respondents, many of the employees said that they are well aware about the criteria of get promoted. The number of respondents that respond agree and strongly agree are 118 and 24 respectively. However, the distribution of employees' response is 2.7 that indicates the overall employees response failed between the opinions of agree and being neutral. However, the HR department personnel said that the criteria and procedures related to promotion can be referred from the organization's MP & PM and can be accessible from the organization's intranet.

The last question employees were requested in relation to the transparency of the reward system is whether employees are aware about the total benefit package provided by Ethio Telecom. In this regard, a significant number of employees expressed their disagreement. The number of employees who said they are disagreeing and strongly disagree are 85 and 52 respectively and this constitute 37.1% and 22.7 % of the total respondents. The calculated mean scale is 3.4 and this shows the employees overall opinion that they are not well aware about the total benefit packages provided.

4.1.2 Equity Issues of Reward Management Practices Ethio Telecom

Table **4.7** presents employees attitude towards the equity of reward distribution among employees.

Table 4.6 Employees opinion towards the Equity aspects of reward management practices

Item		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total	Mean scale
		Measure						
Employees who Perform the same type of task/work get equal pay.	*Frequency*	20	41	33	88	47	229	3.5
	Percent	8.7	18	14.4	38.4	20.5	100.0	
The Ethio Telecom promotion practice treats all candidates equally.	*Frequency*	27	72	39	66	25	229	3
	Percent	11.8	31.4	17	28.8	11	100.0	
Employees at Similar position or who serve at Ethio Telecom the same number of years provided with the same amount of benefit.	*Frequency*	34	78	31	44	42	229	3
	Percent	14.9	34.1	13.5	19.2	18.3	100.0	

One of the questions posed for the research participants was whether there is equal payment practice for employees who perform the same type of work. More than 73% of the respondents respond their disagreement with this statement. As the mean scale of their response 3.5 shows, the overall response of the employees tilted to the scale disagree. As per the information gathered through interview and referred secondary data, employees are paid based on their job grade. However, the existing job/task distribution do not imply the seniority of individual employees

and in many cases both the junior and senior employee are given the same assignment however there is a significant difference in their pay level.

For the question whether the promotion practice treats all candidates equally. That is whether employees get equal promotion opportunity if they have the qualification to compete for the position. In this regard, many employees show their agreement and strong agreement (31.4% and 11.8% of the respondents) of the provision of equal chance. However, the overall response of employees do not imply whether employees advocate or against the practice of equal treatment.

In addition to the above equity related questions, another question was posed to employees to assess whether employees at similar position or who serve at Ethio Telecom the same number of years provided with the same amount of benefit or not. Like that of the previous question, many of the employees express their agreement. About 34.1% of the respondents or 78 employees said they are agreed. However, the mean scale 3 shows that employees' opinion does not clearly show their total agreement or disagreement. According to supervisor of benefit administration unit, many of the benefit packages are provided based on the level of employee seniority.

4.1.3 Fairness and Reward Management Practices

Table 4.7 Employees opinion towards the Fairness of reward distribution from distributive justice aspect.

Item		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total	Mean scale
		Measure						
Employees are Rewarded as per their individual contribution to the performance of the organization.	Frequency	0	29	37	63	100	229	4
	Percent	0.0	12.7	16.1	27.5	43.7	100.0	
Employees always rewarded what is promised to be reward.	Frequency	0	0	45	94	90	229	4.1
	Percent	0.0	0.0	19.6	41.1	39.3	100.0	

The table shown above, table **4.7**, shows employees assessment results in relation to fairness of the reward practices provided by Ethio Telecom. There were five questions raised for employees on the issue of fairness. The first question forwarded to employees was to express their opinion of whether employees believe they are rewarded as per their individual contribution to the performance of the organization. For this question, 29 employees (12.7%) showed their agreement even if no one showed his/her strong agreement about the fairness of the practice. This shows the majority of the participant's disagreement. Among this, 63 employees or 27.5% of the respondents said they disagree and 100 others or 43.7% of the respondents respond they are strongly disagree. The overall response distribution shows that individual employee's pay is not determined fairly based on his/her contribution to the performance of the organization.

The next question employees were asked about whether Ethio Telecom rewards employees what is promised to be rewarded. This is the trend shown in many organizations to promise employees

to make adjustments in their pay or benefit provided if certain extraneous variables are conducive for the organization. The same is true for Ethio Telecom that promise employees to made varied pay and benefit adjustments if factors such as if the performance of the organization continues at the desired level. Based on this, the above question is raised to employees and many of them show their overall disagreement. As shown in the above table, 41.1% of the respondents said they disagree and 39.3% of them said strongly disagree with the statement. These greatly determined the overall employee response and the total response distribution showed employees opinion is fail between the scales disagree and strongly disagree. This shows Ethio Telecom failure to fairy deliver what it promise to be given to its employees.

Table 4.8 Employees opinion towards the Fairness of reward distribution from procedural justice aspect

Item	Measure	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total	Mean scale
Whenever pay Adjustments are made, it is done fairly among varied departments of Ethio Telecom.	Frequency	17	21	33	26	132	229	4
	Percent	7.4	9.2	14.4	11.3	57.7	100.0	
Benefits are distributed among all employees objectively Without Prejudices.	Frequency	20	51	34	64	60	229	3.4
	Percent	8.7	22.3	14.8	28	26.2	100.0	
Employees with a given level of qualification have equal opportunity of get promoted.	Frequency	32	59	45	64	29	229	3.0
	Percent	14	25.8	19.6	28	12.6	100.0	

One of the questions employees were asked to express their opinion if there is a fair distribution of pay among varied departments whenever there is a pay adjustment made by Ethio Telecom.. Majority of the respondents (around 83.4%) said there is no fair distribution of pay among varied departments and the mean scale for this question is 4. this shows employees have strong perception of unfair distribution of pay practice in Ethio Telecom.

The other question that was raised to employees was to express their opinion towards the fairness of benefit distribution among employees objectively without prejudice. Many said they disagree among which 64 employees said they disagree and another 60 employees their strong disagreement. In general, the mean scale for this question is 3.4 which shows employees opinion that there is unfair distribution of benefits among employees.

The last question posed to employees with regard to procedural justice aspect of reward management is concerned with how fairly employees with equal qualification get the opportunity to get promoted. The employees perception towards this question is dispersed and none of the alternatives provided are chosen by majority of the respondents. This makes the mean scale to be 3.0 that shows employees are neither agreed nor disagreed with the idea.

4.1.4   Consistency Issues and Reward Management Practices

A consistent approach to reward management means that decisions on pay do not vary arbitrarily without due cause between different people or at different times. In this section of the questionnaire, employees were asked about the consistency of reward management practices in Ethio Telecom. .

Table 4.9 Employees opinion towards Consistency aspects of reward management practices.

Item		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total	Mean scale
		Measure						
In Ethio Telecom, pa decisions do not Vary arbitrarily between employees.	Frequency	53	82	24	44	26	229	2.5
	Percent	23.1	35.9	10.5	19.2	11.3	100.0	
The criteria used to reward employees are consistently applicable to all employees at varied times unless amended.	Frequency	33	67	22	70	37	229	3
	Percent	14.4	29.2	9.7	30.6	16.1	100.0	
Benefit administration practices shows consistency among varied departments of Ethio Telecom through time.	Frequency	25	38	31	58	77	229	3.5
	Percent	11	16.6	13.5	25.3	33.6	100.0	

As shown in table **4.9** above, employees were asked whether pay decisions vary arbitrarily between employees without tangible reason. In this regard, 59% of the respondents favor that pay decisions do not vary arbitrarily in Ethio Telecom. . In general, the overall mean scale distribution of employees response is 2.5 which imply that the overall respondents express their strong agreement of the absence of arbitrarily made pay decision in Ethio Telecom.

The other question employees were asked about whether the criteria used to reward employees are consistently applicable to all employees at different times unless it is amended. In this regard, more than half of the respondents express their disagreement and said the criteria are not used consistently. On the other hand, significant number of respondents also testifies that the criteria used are consistent enough. However, the overall response distribution shows that employees overall attitude is somewhat neutral in this regard.

The assessment used also request respondents to give their testimony on the consistency of benefit administration among varied departments of Ethio Telecom. As per the opinion gathered, large number of the respondents expresses their disagreement of consistency of benefit administration among varied departments of Ethio Telecom. The number of respondents that express their disagreement and strong disagreement are 58 and 77 respectively. In general, the overall mean scale distribution of employees' response is 3.5 which imply that the overall respondents testify that there is a deviation of benefit administration practices among varied departments of Ethio Telecom. According to the interview made with HR personnel, there is a deviation of benefit provided to varied groups in order to minimize the training cost incurred to varied groups of employees.

4.1.5 Contextual Fitness of Ethio Telecom Reward Management Practices

According to Armstrong (2007), the design of reward processes should be governed by the context (the characteristics of the organization, its business strategy and the type of employees) and the organization's culture (its values and behavioral norms). Based on this idea, the below questions were designed and raised to employees to assess their opinion towards.

Table 4.10 Employees opinion towards Contextual Fit

Item		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total	Mean scale
		Measure						
The existing reward practices best fit with the HR strategies of Ethio Telecom	*Frequency*	0	24	42	100	63	229	3.9
	Percent	0.0	10.5	18.3	43.7	27.5	100.0	
The pay practices are designed by considering the nature of the work force the organization wants to have	*Frequency*	16	19	27	104	63	229	3.8
	Percent	7	8.2	11.8	45.4	27.6	100.0	
The benefit packages provided have a contextual fitness with the nature of the business operation.	*Frequency*	20	47	30	87	45	229	3.4
	Percent	8.7	20.5	13.1	38	19,7	100.0	

The first question posed for employees in this regard was to express their opinion whether the existing reward strategies are best fit with HR strategies of Ethio Telecom. For this question many of the employees express their disagreement. As shown in table **4.10**, the number of employees said disagree and strongly disagree are 100 and 63 that constitute 43.7% and 27.5% of the total respondents. The overall employees' attitude shows employees believe that there is a mismatch between what the HR reward strategy advocate and what actually practiced.

The next question that was presented for employees was what their opinion is with regard to the fit between the design of pay practice and the nature of the work force the organization want to acquire. For this question, 167 employees express their disagreement among which 63 employees (27.5%) of the respondents said they are strongly disagree. The mean scale for the employees opinion is 3.8 which explain that majority of the employees believe the existing pay system is designed poorly and fail to consider the nature of the workforce of Ethio Telecom want to acquire.

The questionnaire also had a question that acquire employees to choose their opinion with regard the fit between the benefit packages provided to employees and the nature of the business operation. That is to request whether the existing benefit provided by Ethio Telecom has a fit with the demands of skilled employees of Ethio Telecom. Like that of the previous question under this section, many of the employees express their disagreement. As shown in table **4.11** 38% of the respondents said they disagree with the statement and another 19.7% of the respondents express their strong disagreement. In general, the overall employees' opinion distribution shows the overall employees disagreement that shows the presence of weak link between the existing benefit packages and what the skilled labor force of the organization demand.

4.1.6 Employees Overall Attitude on the Existing Reward Practices

Many scholars argue that the major function of a reward system supposed to be to motivate employees hence a motivated employee is expected to exert his/her maximum effort towards the organizational goals. The following table shows employees attitude towards the overall reward management practices of Ethio Telecom.

Table 4.11 Employees overall opinion towards the impact of the existing reward management practices on their satisfaction, motivation, and retention.

Item		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total	Mean scale
		Measure						
Satisfy the overall needs of employees.	Frequency	0	21	34	66	108	229	4.1
	Percent	0.0	9.2	14.8	28.9	47.1	100.0	
Enhance employees' Motivation towards their work/activities.	Frequency	0	24	27	79	99	229	4.1
	Percent	0.0	10.5	11.8	34.5	43.2	100.0	
Attract and retain good performing employees	Frequency	0	0	45	105	79	229	4.1
	Percent	0.0	0.0	19.6	45.9	34.5	100.0	

The first question presented to employees was to evaluate whether the existing reward practices satisfy their overall needs. As shown in the above table, 76% of the respondents express their disagreement. Very little number of employees advocates its ability to satisfy their overall needs. In general, the overall response distribution is 4.1 that show employees opinion is between disagree and strongly disagree.

The second question posed to employees was to give their opinion of whether the existing reward system of Ethio Telecom has the potential to enhance employees' motivation towards performing their assigned task. As per their response, 77.7% of the respondents express their disagreement. None of the respondents strongly agree about the motivating potential of the existing reward practices even if 24 respondents said the current practice motivate them towards their activities.

However, the overall response shows the employees' disagreement and the existing pay practice is less functional towards motivating employees work motivation. At last, employees were asked their opinion about the overall potential of the existing reward practice to attract new employees and retain the existing ones. For this question, none of the respondents express their support where as 80.4% of the respondents said the practice lack the potential to attract new applicants and also has little potential to retain the existing work force.

CHAPTER FIVE

5. Summary, Conclusion and Recommendation

5.1 Summary

Based on the analysis and interpretation made in the previous chapter the major findings of the research work are summarized as follows.

➢ The demographic characteristic of respondents shows that the number of male participants accounts 69.87% of the total respondents. Age wise 41.5% of them are found between the age 20to25 years and 65.5% are single. In relation to years of service, out of the employees who are engaged in this research work 55.4% of them serve Ethio Telecom below five years and 63.3 have first degree.

➢ According to employees' ratings of the existing reward practices, pay, incentives, bonus, and recognition are rated around the mean scale 4. This shows employees believed that they are poorly practiced in Ethio Telecom. However the practices of promotion and benefit administration are rated between 3 and 4. This shows most of the participant employees rate both practices between average and good.

➢ In relation to pay practice, 69.9% of participant employees believe that the existing pay practice do not consider market value of each profession. In addition to this, 73.8% of the respondents responded that the existing pay grades don't consider the difference of skill acquired and level of responsibility employees has.

➢ Ethio Telecom has a performance appraisal practice made biannually for all its employees. However, 66.4% of the employees testify that they have never been rewarded based on their performance appraisal results. About 33.6% of the respondents said they have been rewarded based on the result of their performance appraisal and they have been offered variable pay and training opportunity. However, there is no variable pay currently offered and even training opportunity provided based on the output of the performance appraisal in some departments.

➢ Employees also rate transparency aspects of the reward practice. According to the analysis made, 72.5% of the respondents showed their overall disagreement of being kept informed about how the reward system functions. In addition, 59.8% of the respondents also testify their disagreement of their wellness awareness about the existing benefit packages. However, 71.4% of the whole respondents express their agreement of the simplicity of the existing pay system where as 62.4% of the employees know the criteria of get promoted.

➢ In relation to equity aspects, 60% of the respondent employees express their disagreement of equal pay for the same type of work. On the other hand, the equal treatment of employees for promotion and provision of the same amount of benefit for employees at similar position or who serve the same number of years are rated neutral.

➢ From the aspect of distributive justice, employees were requested to rate fairness of reward management practices of Ethio Telecom. For the question whether individual employees are rewarded based on their individual contribution, 71% of the respondents show their disagreement. Employees were also asked to testify whether they are rewarded what is promised to be rewarded and about 80.4% of the respondents express their disagreement. With regard to procedural justice aspects three questions were presented. For the question, whether pay adjustments are made fairly among varied departments, 83.4% of the respondents said they disagree. The same response is provided with regard to distribution of benefit among varied departments where 54.2% of the respondents show their disagreement. However, the fairness of equal opportunity of promotion is rated as neutral by respondent employees.

➢ With regard to consistency of the pay practices, 59% of employees favor that pay decisions do not vary arbitrarily among varied employees at different time intervals without due cause. However, 58.8% of respondents express their disagreement with the consistency aspects of benefit administration between varied departments. In relation to consistency of reward provision criteria, employees overall response do not show their agreement or disagreement.

➢ Finally employees overall perception towards the existing reward practices was assessed. As per the assessment, 76% of the respondents show their disagreement of the potential of the existing reward practice to satisfy their overall needs whereas, 78% testify their disagreement towards the existing reward practice ability to enhance their motivation. Finally, the reward practice potential of attracting and retaining good performers is assessed and it is also rejected by majority of the respondents.

5.2 Conclusion

Based on the findings of the research work, the researcher outlines the following as conclusion of the research work.

➢ The organization has varied types of reward practices such as pay, incentive, reward, bonus, benefit, and recognition practices. However, except promotion and benefit administration practices which are rated as more than average by employees the rest of the practices are practiced poorly in Ethio Telecom. It makes employees reluctant to show their full effort in their work.

➢ With regard to competitiveness of the existing reward practices, the first issue dealt with is the competitiveness of the pay practice of Ethio Telecom with that of its rivals. In this regard, one of the questions posed to employees was to assess employees' perception of whether pay practices of Ethio Telecom Consider the existing market condition. Per employees response the pay practices of Ethio Telecom do not consider market value of each profession, skill differences and level of responsibility provided to employees. This can be a cause for employees' lack of accountability and skilled labor turnover currently shown in Ethio Telecom. The performance appraisal conducted by Ethio Telecom. Serves nothing except in some departments used as a means to provide training opportunity. This makes employee's performance to be lower hence with poor performance appraisal system employees will not get appropriate feedback with regard to their weakness and incentive for their good performance.

➢ Transparency aspects such as being kept informed of how the reward system function and knowledge about the overall benefit packages are testified not clearly communicated to employees. This can cause employee demotivation hence they do not clearly know how the reward system functions and may decide to leave the organization for better reward even if a given reward package is provided by Ethio Telecom.

➢ Equity aspects related to equal pay of employees who is performing the same activity is claimed not applicable in the organization. This incorporates failure of the principle of equal pay for equal work. This can result hostility among employees and less

organizational performance. The same problem is occurred from the aspects of procedural and distributive justice. As per the assessment of employees' opinion distributive justice aspects of pay provision based on contribution and provision of reward as promised are testified not practiced well. There is also a procedural justice problem of distribution of pay and benefit among varied departments fairly. This may make the less favored employees to left the organization for better pay unless proper communication is made on the bases of reward distribution. In addition to this, employees said a reward promised to be given is not given as per the promise made.

➢ As per the assessment, there is a consistency in the pay practice of Ethio Telecom. That is pay do not vary arbitrarily among employees without a reason even if that reason may ensure fairness or not. However, with regard to benefit provision, there is a consistency problem among departments. A pay system that fail to consider the cost of living situation of the country or that do not entertain the demand of employees is not considered as a good reward practice.

➢ The overall ratings of reward practices get employees disagreement. As per the attitude survey, the existing reward practices get failed to satisfy the overall needs of the employees, has low potential to motivate employees towards their activities, and has low potential to attract new candidates and retain the existing qualified employees. Therefore, this is one cause for higher rate of licensed labor force turnover in Ethio Telecom and also a cause for poor performance of individual employees. In addition to all the above, the research work revealed that Ethio Telecom has large number of work force that can be educated and contribute much for the performance of the organization.

5.3 Recommendations

The main reason behind the existence of organizations is to attain the objective behind their establishment through their employees. However, this can be attained when organizations able to motivate their employees and make them to focus towards the goals of their respective organizations. On the other hand, employees have their own demands that are supposed to be fulfilled by their employers. This is the logic behind the establishment of reward programs in many organizations. The major concern of this section is to give recommendation for Ethio Telecom and it is made based on the findings of the whole research work.

One of the major changes supposed to be introduced by Ethio Telecom is provision of appropriate reward for its employees especially for its large number of young workforce. This is because it can be educated and serve for Ethio Telecom for long period of time. This is supposed to be ensured by providing appropriate reward based employees individual and team performance. In addition to this, rewarding employees based on organizational performance will make them to be more loyal and put the organization first at all times.

In order to solve problem related to pay, the organization is supposed to look in to its pay system deeply and provide a competent pay to employees as per the market rate or better. In addition to this, the internal pay structure should also be evaluated and restructured by considering skill differences and responsibility provided to individual employees. In this regard, conducting proper job evaluation can be used as an important instrument to value tasks performed by employees'. In addition to this, employees supposed to be provided a job description that clearly shows tasks expected to be performed at the position the employee currently holds.

To alleviate the problem of transparency, the organization is supposed to introduce a communication channel that can be used to notify employees about how the existing reward system function, how it affect employees, and reason behind each decision made in relation to pay and benefit timely. To solve equity problems, appropriate job evaluation and task distribution is supposed to be made to employees who are at different levels of the job hierarchy. Further to this, the benefit administration unit is expected to ensure the provision of all the benefits designed to be delivered to employees at varied departments.

Fairness problems related to pay distribution can be reduced by conducting a study before deciding the proportion of salary increment. Then all employees need to be informed the proportion of salary increment they will get and the reason behind the provision of a given proportion of increment. In addition to this, a reward promised to be given to employees, say bonus, is supposed to be given timely or if there is any difficulty to keep the promise made, employees supposed to be advised in advance why the promise is not kept. This will help employees to understand the situation and not to feel they are less favored by the organization. In relation to consistency problem in benefit administration, due attention is supposed to be given by the benefit section whether employees of a given section are provided all the benefits allowed to them by the organization.

Hence the impact of the overall reward practices on employees fail to get employees agreement in the aspects of its potential to satisfy the needs of employees, motivate employees and ability to attract and retain potential employees. To solve this, due consideration is supposed to be given by the management to assess major problems behind the existing reward practices. To attain this, the researcher advises the management to make need assessment of the employees and adopt reward policies and practices that can motivate employees for higher performance. In the researcher's opinion, this will enable Ethio Telecom to attract many new qualified applicants and retain the existing qualified employees. This can help the organization to acquire the desired number of employees in the desired quality.

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APPENDIX A

ETHIO TELECOM REWARD PRACTICES ASSESSMENT QUESTIONNAIRE

ST.MARY'S UNIVERSTIY SCHOOL OF GRADUATES

DEGREE OF MASTERS IN BUSINESS ADMINSTARTION (MBA)

Dear respondent:

The main reason behind the development of this questionnaire is to assess your opinion with regard to the reward practices currently utilized by Ethio Telecom.

Directions for filling the questionnaire

❖ There is no right and wrong answer of the options provided. Therefore, you are kindly requested to fill your real opinion regarding each question.

❖ Please put an **"X"** mark on your choice in the space provided.

❖ To make the research work objective and make your response confidential, please don't mention your name or any other identification.

❖ Your response is utilized only for the purpose of this research work.

I would like to appreciate your kind cooperation to fill this questionnaire in advance.

Martha.M.

Biographical Information

A. 1. Gender   Male   ☐   Female   ☐

    2. What is your marital Status?   Single   ☐   Married   ☐

    3. Age Category?

       20 to 25 years   ☐   33 to 40 years   ☐

       26to32years   ☐   above 40 years of age

    4. Your Educational qualification?

       College Diploma   ☐   Masters   ☐

       Degree   ☐   Other (please specify). _____

    5. How many years you work for the Telecom?

       Less than a year   ☐   6 up to 10 years   ☐   More than 20 years   ☐

       1 up to 5 years   ☐   11 up to 20 years   ☐

Reward Management Practices

In this section questions related to reward management practices of the Telecom, are presented. Please put an "X" mark on your choice in the space provided.

B 1**.** How would you rate the company on providing each of the following?

	Very good	*Good*	*Average*	*Poor*	*Very poor*
Pay	☐	☐			
	☐	☐			
Benefit	☐	☐			
	☐	☐			
Incentive	☐	☐			
	☐	☐			
Bonus			☐	☐	☐
			☐	☐	☐
Promotion			☐	☐	☐
			☐	☐	☐
Recognition			☐	☐	☐
			☐	☐	☐

Strongly   Agree   Neutral   Disagree   Strongly

Agree   Disagree

1. Do you think Both financial and non-financial

   Reward types are incorporated in the total   ☐   ☐   ☐   ☐   ☐

   reward system of the company?

2. Have you ever got rewarded based on your performance appraisal result? Yes ☐ No ☐

3. If your response is "yes" for the above question, what type of reward have you ever been received based on your performance appraisal results?

Pay Training ☐

Promotion Benefit ☐

Recognition Others_____

1.1 Please put an "X" mark on your choice among the five options provided under.

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree

C.Dimensions of Reward Management Practices

Employee perception about Transparency of rewards

1. Employees are kept informed about how the current reward system function.	☐	☐	☐	☐	☐
2. There is a clear link between employees extra performance and the amount of pay added for the extra performance.	☐	☐	☐	☐	☐
3. The existing pay practice is simple to understand that enables employees understand how their pay is calculated.	☐	☐	☐	☐	☐
4. Employees clearly know the criteria of get promoted.	☐	☐	☐	☐	☐
5. Employees well aware about the total benefit packages provided.	☐	☐	☐	☐	☐

Equitable distribution of reward

1. Employees who perform the same type of task/work get equal pay

☐   ☐   ☐   ☐   ☐

2. The Telecom promotion practice treats all candidates equally

☐   ☐   ☐   ☐   ☐

3. Employees at similar position or who serve the Telecom the same number of years provided with the same amount of   benefit

☐   ☐   ☐   ☐   ☐

4. Employees are paid as per their individual contribution to   .

   the performance of the organization   ☐   ☐   ☐   ☐   ☐

5. Employees always rewarded what is promised to be reward.   ☐   ☐   ☐   ☐   ☐

6. Whenever pay adjustments are made, it is done fairly among varied departments of the Telecom

☐   ☐   ☐   ☐   ☐

7. Employees with a given level of qualification have equal opportunity of get promoted

☐   ☐   ☐   ☐   ☐

8. Benefits are distributed among all employees objectively

   without Prejudices.   ☐   ☐   ☐   ☐   ☐

Consistency of Reward

1. In the Telecom, pay decisions do not vary arbitrarily between

employees who are at the same level.

2. The criteria used to reward employees are consistently

   applicable to all employees.

3. Benefit administration practices shows consistency among

   varied departments of the Telecom through time.

L. In General, the existing reward management practices of the Telecom has the potential to:

1.   Satisfy the overall needs of employees.

2.   Enhance employees motivation towards their work/ activities

3.   Make the Telecom to retain its employees.

Thank you for completing the questionnaire

APPENDIX B

Interview Questions

1. Is there a reward policy in the organization?

2. What types of mechanisms are designed by the organization to enhance the performance and retain its valuable employees?

3. Do you made performance related pay in Ethio Telecom based on individual, team, and organizational performance?

4. For what purpose the organization utilize results of employee performance appraisal?

5. What factors affect an employee's pay level? Individual performance, etc?

6. Do you have a variable pay practice in your organization?

7. Are you providing bonus to your employees? How frequently you made it and when is the last time you provide bonus to your employees?

APPENDIX C

List of Departments covered in the study

No	Departments
1	Human Resource Management
2	CEO
3	Finance
4	Internal Audit
5	Legal
6	Networking
7	Quality and process
8	Security
9	Sourcing and facilities
10	PEP project office