

***THE EFFECT OF COMPENSATION AND REWARD ON
EMPLOYEE PERFORMANCE: THE CASE OF
MANAGEMENT SCIENCES FOR HEALTH - ETHIOPIA***

BY

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SGS7/0318/2006B

SUBMITTED TO

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY SCHOOL OF GRADUATE
STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA)**

May, 2017

ADDIS ABABA, ETHIOPIA

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

| | |
|---------|--|
| COMU | Country Operations Management Operations Unit |
| HEAL TB | Help Ethiopia Address the Low TB Performance |
| HRH | Ethiopia Human Resources for Health |
| INGO | International Non-Governmental Organization |
| LMG | Leadership, Management and Governance Project |
| MSH | Management Science for Health |
| MSH- E | Management Science for Health - Ethiopia |
| NGO | Non-Governmental Organization |
| PEPFAR | President's Emergency Plan for AIDS Relief |
| PMI | Presidential Malaria Initiative |
| SCMS | Supply Chain Management System |
| SIAPS | Systems for Improved Access to Pharmaceutical and Services Program |
| USAID | United States Agency for International Development |

ACKNOWLEDGEMENTS

I would like to thank God for giving me this chance and help me throughout my study years, for being my strength and courage with his unfailing love and mercy.

I would like to thank Dr. Tesfaye Wolde, my advisor, for his unfailing support and guidance to bring this work to this stage. His valuable and prompt advice, his tolerance, and useful criticisms, constructive corrections, and encouragement throughout the course and in preparing the paper, are highly appreciated.

I would like to take this opportunity to forward my deepest gratitude and love to my parents, Mengesha Agonafer and Abebech Wondimagegnehu for supporting me to grow academically and professionally. I specially thank my Dad for being my tutor and invest in me in every way he could and support me by dedicating his time and money for my education from childhood to this age. I would like also to thank my sisters and brothers who helped me financially and morally to start and finish this study.

I am greatly thankful for my colleagues and classmates Yoseph Wakwoya, Antenane Kora, Tesfaye Seifu, Eskinder Worku, and Ayanos Girma, for their support and encouragement while I am taking classes and working my paper.

I would like to thank all employees of Management Sciences for Health (MSH) who participated in this survey for their time and patience in responding to my questionnaires and giving their time for interview.

ABSTRACT:

Objective: *The main objective of the study is to examine the effect of compensation/reward system on the performance of employees in MSH Ethiopia.*

Methods: *Facility based cross-sectional study was conducted among 100 randomly selected workers from different projects of MSH-Ethiopia and the major approach in the design of the questioner was the use of likert scale -tested for reliability at Cronbach's alpha of ≥ 0.7 . Data were collected by self-administered structured questionnaires for the employees and interviewer administered questionnaires for the senior management staffs; and was analyzed with SPSS software. Several statistical techniques like samples, correlation, regression, mean, and percentages analysis were used for this research study at 95% CI at $P \leq 0.05$ was used to assess associated factors to job satisfaction.*

Result: *This study shows that the overall compensation system/package in MSH-Ethiopia is satisfactory and beyond. 95% of employees at MSH-Ethiopia are generally satisfied and have average satisfaction with the current compensation/reward system of the organization. By saying so we are not meant to say all the staff has equal satisfaction in the system. Some staff has low level of satisfaction with the current compensation system in the organization. Some of the major factors that led to such low level of satisfaction, though not limited to this, are related with lack of transparency from the supervisors in rationally evaluating the subordinates, employee's salary history, supervisor's powerlessness regarding negotiation of salary for their staff, and reduced attention from the HR in implementing MSH's HR policies are frequently mentioned by the respondents.*

Key Words: Salary, Compensation, Reward, Employee satisfaction, Employee Performance

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

A successful strategic employee compensation plan allows a business to compete in the market for the best employees in the existing industry. Compensation plan entails a variety of aspects including pay scales, reward programs, and benefits packages. Employee compensation determines how much we want to pay employees and what type of employees we want to attract.

Good compensation was found to be one of the policies that organizations can adopt to increase their workers performance and thereby increase the organization's productivity. A close look at employee performance of many organizations today reveals that many personnel are not happy with the present compensation scheme in the organization due to the ever changing needs. According to Simon (2000), "the area of acceptance within which the employee will accept authority of any organization depends certainly on the nature of the incentives or bonuses the organization offers." In other word, employee's performance towards the achievement of organization goals depends on the incentives of the organization.

In a world where people have become more and more demanding about their compensation, recognition and reward to cover the high living cost, the compensation system in the organization could be used to motivate employees by satisfying these demands. A close look at employee performance of many organizations today reveals that many personnel are not happy with the present compensation system in an organization due to this change. Ejiofor & Anigho (1984) recognizes the fact that if there is a retrospective dissatisfaction in workers' pay, it makes workers relent in their effort which result into low performance.

1.2. Background of the Organization

Management Sciences for Health (MSH) is a non-profit international public health organization dedicated to saving lives and improving the health of the world's poorest and most vulnerable people by closing the gap between knowledge and action in public health. MSH has been established in 1971 with the broad goal of supporting public health management innovations.

Globally MSH has been operating for more than 45 years and started operating in Ethiopia since 2003. It works with various government and non-government partners throughout Ethiopia in the areas of care, treatment and support to fight against HIV/AIDS; tuberculosis; and malaria. The organization is also working on strengthening of the capacity of the Government of Ethiopia in Pharmaceutical systems strengthening; supply chain management of lifesaving medicines, laboratory reagents and equipment's and also helping the GOV in capacity strengthening in leadership and Management skills.

In Ethiopia, MSH has been implementing various projects within its expertise areas with the support of United States Agency for International Development (USAID), through PEPFAR and President Malaria Initiative (PMI) programs. Currently, MSH has the following programs and projects:-

1. Systems for Improved Access to Pharmaceutical and Services Program (SIAPS),
2. Presidential malaria Initiative (PMI) program, which is implemented under SIAPS,
3. The Supply Chain Management System (SCMS) project,
4. Help Ethiopia Address Low TB Performance (Heal-TB) program,
5. Leadership, Management and Governance Project (LMG),
6. Human Resources for Health (HRH) Program partnering (as a sub) with Jepiego.

Some of the projects are being implemented throughout the country and some are implemented in specific regions. The organization has its main office in Addis Ababa and branch offices in Tigray, Amhara, Dire Dawa and SNNP regions. The projects and branch offices has been supported by the country office which has Country Operations Management Unit (COMU) in Addis Ababa.

The organization has 225 employees under different projects throughout the country during the study. All the projects use Common Operational Management unit (COMU) for administrative issues, i.e. Human Resource, Finance and Audit, Fleet Management, and Operational issues.

1.3 Statement of the problem

During the past three years, MSH is losing qualified workers for better compensation and employment opportunity. The employees think the organization has lower compensation package, especially in regards to salary, when it is compared with similar competitor organizations in the country.

Most of the employees have no clear information on the organization's compensation system in general. In addition to that the organization has no periodic cost of living adjustment even though they have the policy to make market assessment every year. The employees also think it has different compensation policy for different projects in the organization. This assumption created some level of dissatisfaction among employees which has a perceived effect on employee's performance.

This research will try to study the current compensation system in MSH-Ethiopia, and try to see the effect of the organizations compensation system on employees' performance.

1.4. Research Questions

Based on the above employee's assumptions the study tried to answer the following basic research questions.

1. Is the organization compensation plan well studied?
2. Is the organization compensation scheme competitive in the market?
3. Does compensation and reward affect the performance of employees at MSH-Ethiopia?
4. Which reward package do employees think is the most motivating or important?
5. Which type of reward (financial or non-financial) is having an in performance of employees of MSH?
6. What are the bottlenecks for the compensation/reward programs in MSH-Ethiopia?

1.5 Objective of the study

1.5.1 General Objective

The main objective of the study was to examine the effect of compensation/reward system on the performance of employees in MSH-Ethiopia.

1.5.2 Specific objectives

The specific objective of the study was to;

- To assess the effect of compensation/reward package on the performance of employees in MSH-Ethiopia.
- To find out the link between compensation and high employee turnover.
- To identify which reward package employees of MSH find most motivating and important.
- To identify the challenge of compensation/reward packages in MSH Ethiopia.
- To recommend on how to improve the reward system in MSH-Ethiopia and retain staff in this competitive market.

1.6 Significance of the study

The study will help the management of the organization to identify the existing problems/challenges and suggest possible recommendations for improvement. In addition to that the study results can be used as an input for MSH Ethiopia compensation plan amendment for the future.

1.7 Scope and limitation of the study

The study was conducted on MSH-Ethiopia Addis Ababa main office employees only. It would have been good if the questioner could be distributed to all the regional office of MSH Ethiopia which is located in Amhara, Tigray, Oromia and SNNP regions. But due to budget and geographical reasons, the study is limited only to the staff members in Addis Ababa.

1.8 Organization of the Paper

This research paper has six chapters. The first chapter will incorporate background of the study and organization, statement of the problem, objective, significance and scope of the study. In the second chapter literatures was reviewed. The third chapter covers research design and methodology. Data analysis was presented on the fourth chapter. The fifth and sixth chapter contains conclusion and recommendation.

CHAPTER TWO

RELATED LITERATURE REVIEW

2.1. Theoretical Literature Review

What is Employee Compensation?

“Employee compensation refers to all the rewards given to workers for their services. Compensation plays a useful role in the relationship between an employer and employee. While the employees have knowledge, skills, attitude, experience and qualification at their disposal, the employers on the other hand have at their disposal pay, benefits and incentives” (Ax et al, 2006).

“Compensation includes employee wages and salaries, incentives, bonuses and commissions” (Belcourt, 1999). “The reward systems may differ from one organization to the other and may change from time to time. This arguably makes motivating employees the most complex of all management functions (Bowen & Radhakrishna, 1991)”. However, a basic feature of any reward system is that it must cause employees to give their best to the organization.

Compensation and performance are two key concepts for an organization, which impacts the employer’s ability to retain employee as well as get optimum level of performance from them so that it helps to meet the organization’s strategic objective. When the number of unmotivated employees is high, the turnover will also be high which will cost a given organization dearly because the company has incurred a lot of cost in training the employee. Employees always seek for a job that they can work with a high motivation and can satisfy their need. Therefore a proper system and balancing act is required for an organization to compete in this competing world.

2.1.1 Reward philosophy

“Reinforcement theory states that a response followed by a reward is more likely to recur in the future (Thorndike's Law of Effect). The implication for compensation management is that high employee performance followed by a monetary reward will make future high performance more likely. By the same token, high performance not followed by a reward will make it less

likely in the future. The theory emphasizes the importance of a person actually experiencing the reward.

Like reinforcement theory, expectancy theory (Vroom, 1964) focuses on the link between rewards and behaviors (instrumentality perceptions), although it emphasizes expected (rather than experienced) rewards (i.e., incentives). Motivation is also a function of two other factors: expectancy, the perceived link between effort and performance, and valence, the expected value of outcomes (e.g., rewards). Compensation systems differ according to their impact on these motivational components. Generally speaking, pay systems differ most in their impact on instrumentality: the perceived link between behaviors and pay also referred to in the pay literature as "line of sight." Valence of pay outcomes should remain the same under different pay systems. Expectancy perceptions often have more to do with job design and training than pay systems” (Barry, Harvey and Ray, (1995) p 5).

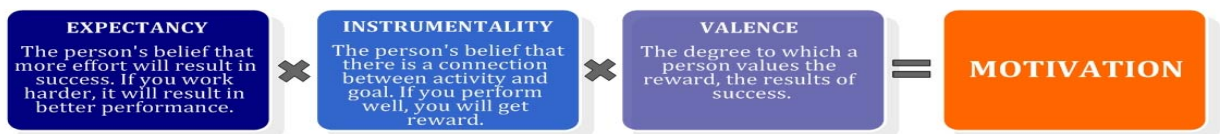


Figure 1.1 Expectancy Theories (Vroom, 1964)

“Equity theory suggests that employee perceptions of what they contribute to the organization, what they get in return, and how their return-contribution ratio compares to others inside and outside the organization, determine how fair they perceive their employment relationship to be (Adams, 1963). Perceptions of inequity are expected to cause employees to take actions to restore equity. Unfortunately, some such actions (e.g., quitting or lack of cooperation) may not be helpful to the organization” (Barry, Harvey and Ray, 1995: p6).

2.1.2 Reward strategy

“Reward strategy defines what an organization wants to do about reward in the next few years and how it intends to do it. It may be a broad brush affair, simply indicating the general direction in which it is thought reward management should go. Additionally or alternatively, reward strategy may set out a list of specific intentions dealing with particular aspects of reward management” (Armstrong, 2014, p. 644).

“Reward strategy should be underpinned by a reward philosophy that represents the views of the organization on how people should be valued. This can be articulated as a set of principles that guide the development of reward strategy, the design, and operation of the reward system” (Armstrong, 2006, p. 644).

2.1.3 Reward system

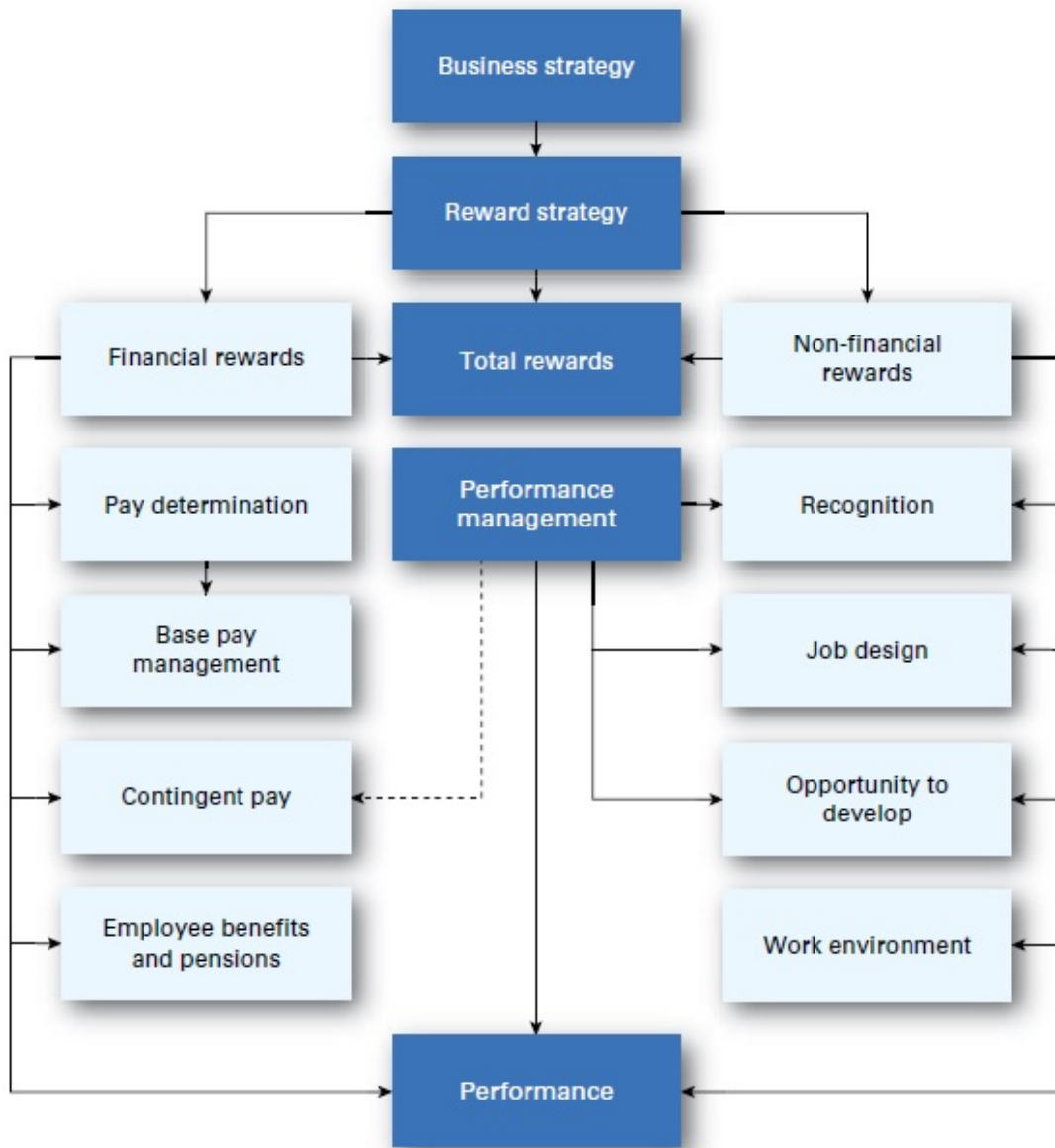
According to various literatures, a reward system consists of the interrelated processes and practices of financial and non-financial rewards that combine into a total rewards approach to ensure that reward management is carried out to the benefit of the organization and the people who work there.

2.1.3.1 Financial rewards

“Financial rewards consist of job-based pay, which provides pay related to the value of the job, and person based pay, which provides rewards that recognize the individual’s contribution. They also include employee benefits and pensions and financial recognition schemes. Non-financial rewards focus on the needs people have to varying degrees for recognition, achievement, personal growth and acceptable working conditions. Employee ‘reward(s)’ may, however, be differentiated between: extrinsic, tangible or ‘transactional’ reward for undertaking work in employment, on the one hand, and intrinsic reward derived from work and employment, on the other hand” (Stephen J Perkins and Geoff White, 2011).

Strategic reward consists interrelated processes and practices that combine to ensure that reward management is carried out effectively to the benefit of the organization and the people who work there. “The system is driven by the business strategy, which in turn drives the reward strategy. As described below, its major components are financial and non-financial rewards, which are combined to form a total reward system. Performance management plays an important part in supporting non-financial rewards and may be used to inform performance or contribution pay decisions. All these components combine to influence levels of performance” (Armstrong, 2014, p. 657).

Figure 1.2 A reward system



Source: (Armstrong, 2014)

2.1.3.2 Non-financial rewards

“In terms of a definition, non-financial recognition can be thought of a non-cash award given in recognition of a high level of accomplishment or performance such as customer care or support to colleagues, which is not dependent on achievement of a pre-determined target.” (Rose 1998).

The most significant part of this definition concerns the term 'noncash'. It is important to be aware that the concept of non-financial recognition does not necessarily mean that the recognition provided should have no financial value; it simply means that whatever is given, it should not be just money. A report by IDS (2002) contends that "it is the act of recognition itself and the esteem it gives to employees that is the heart of the motivation provided by nonfinancial recognition." Moreover, this method of conveying appreciation is also likely to be considerably more memorable than a cash award which is simply subsumed into an employee's salary. Instead, in non-financial recognition schemes, the organization can offer a gift, an experience or the means to purchase material goods of their own choice (Michael, 2004).

The form of non-financial recognition

According to Michael, (2004) there is a wide variety of ways in which non-financial recognition can work in practice. Schemes range from those that are informal and unplanned to more formal structured schemes. For example, in its most basic form, non-financial recognition may be concerned with acknowledging the efforts of employees by:

- the manager saying thank you
- the manager writing formally to record thanks
- a more senior manager in the organization writing to the individual
- public appreciation of the effort in a team meeting, in an organizational newsletter or at a special dinner
- Declaring the individual 'employee of the month or year'.

In other words, there is a hierarchy: recognition becomes more formal and public commensurate with the perceived value of the action. Some organizations would use all these steps, or just a few of them. Alternatively, the employee may be given the chance to enjoy a 'present' of some kind away from the office or factory.

2.1.4 Total rewards

"The concept of total rewards describes an approach to reward management that emphasizes the need to consider all aspects of the work experience of value to employees, not just a few such as pay and employee benefits. It aims to blend the financial and non-financial elements of

reward into a cohesive whole. A total rewards approach, as shown in the below figure, recognizes that it is necessary to get financial rewards (pay and benefits) right. Total rewards are the combination of financial and non-financial rewards made available to employees. The various aspects of reward, namely base pay, contingent pay, employee benefits and non-financial rewards, which include intrinsic rewards from the work itself, are linked together and treated as an integrated and coherent whole.” (Armstrong, 2014).

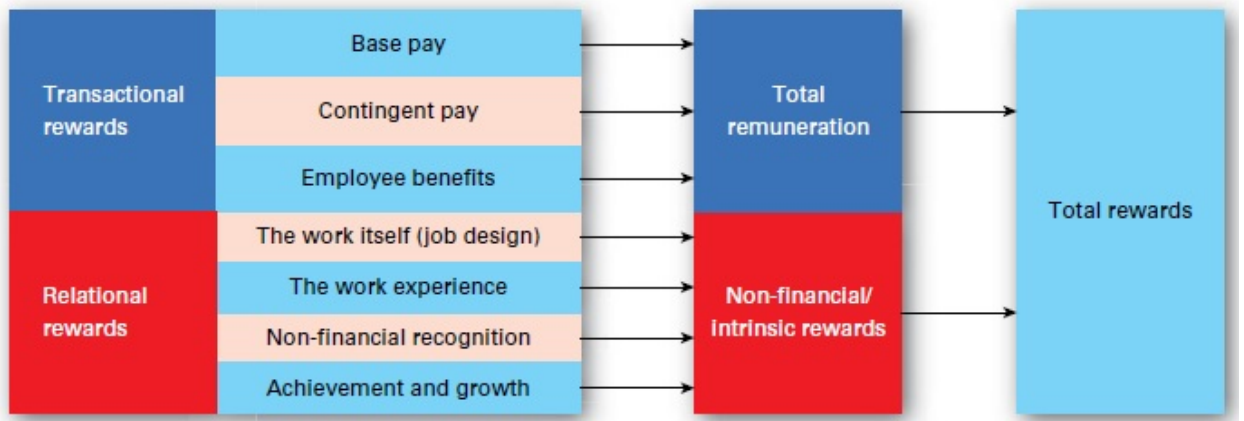


Figure 2.3.1 The element of total reward (Source: Armstrong, 2014).

The theory basis of total reward includes Maslow’s need hierarchy theory, Alderfer’s ERG theory; two-factor theory put forward by divides job-related factors into hygiene factors and motivators, Expectancy Theory, as well as Adams’ Equity Theory. The review of these related literature shows that when total reward strategy is to be adopted, it must assure that employees’ diverse needs must be well considered, and all these theory will help the organization reach its performance expectation (Jiang, Xiao, Qi, Xiao, 2009).

2.1.5 Aims of reward management

As Ghoshal and Bartlett (1995) pointed out, reward management is there to add value to people. It is not just about attaching value to them. Its aims are to:

- Reward people according to the value they create by providing for them to be recognized and paid in accordance with the degree to which they meet or exceed expectations.

- Support the achievement of business goals by helping to ensure that the organization has the talented and engaged people it needs.
- Promote high performance by ensuring that reward system recognizes and encourages it.
- Support and develop the organization’s culture by linking rewards to behavior that is in line with core values.
- Define the right behaviors and outcomes by defining expectations through performance management and merit pay schemes.

2.1.6 The significance of total reward

According to (Armstrong, 2014) essentially, the notion of total reward says that “there is more to rewarding people than throwing money at them”.

For O’Neal (1998), “a total reward strategy is critical to addressing the issues created by recruitment and retention as well as providing a means of influencing behavior: It can help create a work experience that meets the needs of employees and encourages them to contribute extra effort, by developing a deal that addresses a broad range of issues and by spending reward dollars where they will be most effective in addressing workers’ shifting values.”

Perhaps the most powerful argument for a total rewards approach was made by Pfeffer (1998): “Creating a fun, challenging, and empowered work environment in which individuals are able to use their abilities to do meaningful jobs for which they are shown appreciation is likely to be a more certain way to enhance motivation and performance – even though creating such an environment may be more difficult and take more time than simply turning the reward lever”.

2.2 Empirical Review

Various empirical studies have been done on compensation system and effect on employee performance, organizational performance, and job satisfaction. Omoayo Adewale et al. (2014) analyze the impact of compensation system on the job performance of employees and work in only preferred private institutes in Ogun State, South-West Nigeria by using questionnaire. He found that “institutes which have more appropriate compensation packages created positive

effect on employee's performance.” Therefore the turnover of employee become less and they sincere with their job and stay in organization.

Muhammad Riaz (2014) studied the impact of compensation of employee performance on organization commitment on the performance of employee, by using SPSS as a statically tool and concluded that compensation in the form of incentives, salaries will perform an important part to enhance motivation of employee in Local Revenue Management.

Omoayo Adewale et al (2014) analyze the impact of compensation system on the job performance of employees and work on only preferred private institutes in Ogun State, South-West Nigeria by using questionnaire. He found that institutes which have more appropriate compensation packages embed an affirmative effect on employee's performance. Therefore the turnover of employee becomes less and they are sincere with their job and stay in organization. Muhammad Riaz (2014) studied the impact of compensation of employee performance on organization commitment on the performance of employee, by using SPSS as a statically tool and concluded that “Compensation in the form of incentives, salaries will perform an important part to enhance motivation of employee in Local Revenue Management”.

According to the research made by Abdul Hameed et.al, on the impact of compensation on employee performance on the banking sector of Pakistan, it is found from his different results that compensation has positive impact on employee performance. It is proved from correlation analysis that all the independent variables have week or moderate positive relationship to each other. Regression analysis shows that all the independent variables have insignificant and positive impact on employee performance (Abdul Hameed et al. 2014).

In this study on MSH Ethiopia, the researcher has also found out all the independent variables, except year of service and project affiliation, have no significant impact on employee performance. However, unlike the research made by Hameed, compensation is not the only factor which insures better employee performance. We have also observed in this research there are other factors like working environment and professionalism which have major impact on employee performance.

Aktar, Sachu and Ali (2012) did a study on employee performance, intrinsic and extrinsic reward and the result showed that only extrinsic or intrinsic rewards are not sufficient to motivate employee to perform work highly.

Sarin and Mahajan (2001) came up with a few implications on how the rewards structure influence on the team performance. The performance dimensions which are not affected uniformly by the reward structure should encourage the practitioners to reexamine some currently accepted theories and practices. This indicates that suitable reward strategy development is indeed very important to each and every organization. Meanwhile, Lee and Wong (2006) have found that reward does have an impact on the company's innovation performance. In addition, Paul (1981) suggests that a reward strategy can point out the significant areas of an organization, and guiding its future orientation.

Nowadays, a different and more flexible approach is needed in meeting changing lifestyles as well as the needs of today's young professionals (The Star, 2010). Recent trend as reported by Woods (2010) shows that the financial sector has changed the mix of pay, switches their reward focus from short-term incentive schemes to long-term incentives scheme, according to a global survey by Mercer. They are changing to focus more on balanced, risk-adjusted performance measurement and deferral of bonus payouts over a multi-year timeframe. Also, according to a study released by Hay Group (2010), a global management consulting firm based in Philadelphia, the global recession and other macroeconomic trends in the global economy is prompting the businesses to change their reward strategies.

The study on MSH-Ethiopia has also witnessed that there is a difference in preference for compensation or reward type in the organization. The young professionals need benefits like better salary, payment for higher education, international workshop participation, more time for maternity, and school fee for their children, etc... In contrary the older professionals need better pension scheme, better health insurance, and job security.

Researchers have been exploring the relationship between reward and performance (Sarin and Mahajan 2001; Lee and Wong, 2006; Paul, 1981). They are questioning whether the reward strategy applied has positive or negative effects on an organizational performance either financially or non-financially. Performance measurement is one of the strategic management

components which evaluate the results of resources utilization, as well as improvement in the organization performance.

The respondents in this research have strong agreement with this idea. MSH has different reward systems in principle internationally. According to the research, the idea of having a reward system in one hand has a positive effect on employee's performance. Employees will be motivated on their work, knowing that they will be rewarded for their extra effort. This has a positive impact on the organization performance. In contrary, the reward procedure in the organization is vague and open for bias. This has negative effect for some employees and supervisors. According to the employee's response, supervisors' personal bias and lack of proper implementation from the human resource side makes the current MSH reward system unsatisfactory. This has related effect on the organization's performance in general.

2.3 Conceptual Framework

This study is conducted to identify the effect of compensation on employee performance in MSH Ethiopia by using SPSS and gather the result that compensation has significant effects on employee performance. Employee performance is highly affected by the following three important factors, i.e.

1. Compensation (salary, employee benefits such as allowances, medical coverage, insurance coverage etc...)
2. Recognition (Thank you memos, recognition in front of colleagues etc...)
3. Reward (Financial and Non-financial rewards).

In this study, the dependent variable is employee performance and the independent variables are age, sex, educational background, project affiliation and year of service.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The research design that was used for the study is descriptive research. It is selected due to its ability to assess and describe the existing nature of compensation/reward management practice at the organization. This further will enable the study to analyze the existing practice by comparing it with the theoretical aspects.

A questionnaire was designed to collect the data on the factors related to compensation like salary and rewards, and indirect compensation in regards to employee performance within MSH-Ethiopia. Qualitative approaches have been also used in the questionnaire and interview questions to generate a detail viewpoint by using both open ended and multiple choice questions.

3.2 Target population

The target population for this study is all the employees of MSH-Ethiopia Addis Ababa Staff. Currently MSH-Ethiopia has 121 employees in Addis Ababa.

3.3 Source of data

Primary data supported by secondary data was used for the study. The primary data was collected by questionnaire and interviewing MSH employees and the secondary data were obtained from MSH human resource documents and manuals.

3.4 Sample size

Out of 121 MSH Addis Ababa employees, 75 staff was selected using convenience sampling to fill the questionnaire. In addition 10 higher level managers were interviewed.

3.5 Sampling Technique

The sampling technique used in this research is convenience sampling. This technique has been chosen due to budget constraint and geographical limitation.

3.6 Method of Data Collection

Data was collected using primary data gathering tool/ questionnaire and personal interview. Questionnaire that contains multiple choice and open ended questions is prepared and distributed to the staff members. Whereas, management staff were interviewed by the principal investigator.

3.7 Method of Data Analysis

The raw data was interpreted to give solution for the research problem. The method of analysis was both qualitative and quantitative type. Since the data that was collected is more of quantitative in nature; it was presented using descriptive analysis such as graphs and chart. Explanations had also been given for open ended questions of questionnaire and interview. Descriptive statistical techniques like correlation, regression, mean, and percentages analysis were used for this research study. The mean analysis is used to specify the comparative size of proration of items rather than entire size whereas the percentage analysis has been used to indicate the relative size of proportion of items rather than absolute size.

3.8 Ethical Consideration

The ethical issues were considered in the study by getting informed consent from the respondents regarding the background and the importance of the data and issues of confidentiality. Verbal consent from the study groups was obtained. Names or other personal identification were not used on the response to keep the confidentiality of the information. In addition to that all the responses have been kept confidentially.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

In this chapter focus is made on interpretation and analysis of data from data gathered through questionnaire and personal interview. A total of 75 questionnaires were distributed to employees of Management science for health Ethiopia (MSH) in person and through the internet. From the distributed questioners, only 61 were correctly filled and returned. In addition, 10 Project Directors, Deputy Project Directors, Senior Managers, and the HR manager were selected for an interview and gave their responses for the interview questions.

4.1 Respondents' demographic information

4.1.1 Age classification and sex breakdown

Table 4.1.1 indicates that, majority of the employees 47 (86%) are of the ages ranging from 25-45 years, whilst 8 (14%) out of the 61 respondents who returned the paper are above 45 years. Six out of the 61 respondents did not specify their ages. The maximum, minimum and mean ages of the participants are 66, 25 and 37.56 respectively. The Std. deviation is 8.089. The chi-square test of age category and level of satisfaction with current compensation and rewards package of MSH became 0.216 (p-value of 0.05) which means there is no significant difference among different age groups of MSH employees regarding the level of satisfaction.

Table 4.1.1: Background Characteristics of respondents

| Background Characteristics | Category | Frequency | Percent (%) |
|----------------------------|---------------|-----------|-------------|
| Current Age | 25-34 | 19 | 31.14% |
| | 35-44 | 26 | 42.62% |
| | 45 and above | 10 | 16.39 |
| | Not specified | 6 | 9.83 |
| | Average age | 37 | 63.79 |
| Sex | Male | 34 | 55.73 |
| | Female | 27 | 44.26 |
| Level of education | Diploma | 7 | 11.48 |
| | BA/BSC | 23 | 37.70 |
| | MA/MSC | 29 | 47.54 |
| | others | 2 | 3.27 |
| Project affiliation | Heal TB | 7 | 11.47 |
| | SIAPS | 23 | 37.70 |

| | | | |
|----------------------------|--------------|----|-------|
| | SCMS | 18 | 29.50 |
| | LMG | 7 | 11.48 |
| | COMU | 6 | 9.83 |
| Years of experience at MSH | < 5 years | 15 | 24.59 |
| | 5-8 years | 40 | 65.57 |
| | Over 8 years | 6 | 9.83 |
| | Average | | 6.22 |
| Current position at MSH | Junior Level | 5 | 8.19 |
| | Middle Level | 41 | 67.21 |
| | Senior Level | 15 | 24.59 |

Source: Data collected

Table 4.1.3: Sex classification breakdown and its influence on level of satisfaction

| Cross tabulation of "Sex category" with "How satisfied are you with your present reward package?" | | | | | | | | |
|---|--------|---|----------------|-----------------|----------------|------------------|-------|-----|
| | | How satisfied are you with your present reward package? | | | | | Total | % |
| | | Very Satisfied | Satisfied | Average | Unsatisfied | Very Unsatisfied | | |
| Sex | Male | 0 _a | 8 _a | 17 _a | 8 _a | 1 _a | 34 | 59 |
| | Female | 1 _a | 8 _a | 9 _a | 6 _a | 0 _a | 24 | 41 |
| Total | | 1 | 16 | 26 | 14 | 1 | 58 | 100 |
| % | | 2 | 28 | 45 | 24 | 2 | 100 | |

Each subscript letter denotes a subset of "How satisfied are you with your present reward package?" categories whose column proportions do **not differ significantly from** each other at the .05 level.

| Chi-Square Tests | | | | |
|------------------------------|--------------------|----|-----------------------|--|
| Test | Value | df | Asymp. Sig. (2-sided) | Interpretation at the .05 level |
| Pearson Chi-Square | 3.116 ^a | 4 | 0.539 | Sex has no significant effect on employee satisfaction |
| Likelihood Ratio | 3.828 | 4 | 0.430 | |
| Linear-by-Linear Association | 1.075 | 1 | 0.300 | |
| N of Valid Cases | 58 | | | |

Source: Data collected

The sex category (see Table 4.1.2) of the respondents is such that 41% are females and the rest 59% being males where nearly half of employees are females which may indicate the existence of best practice of giving gender equality for job opportunities at MSH-Ethiopia. But the chi-square test of sex category and level of satisfaction with current rewards package of MSH became 0.539 (p-value of 0.05). This shows that there is no significant difference between male and female employees on the level of satisfaction.

4.1.2 Level of Education and MSH Project Employment Status

Table 4.1.2.1 illustrates out of the 61 respondents, 28 (48%) have MA/MSc and 22 (38%) have BA/BSc degree while 6 (10%) of the employees have diploma and 2 (3.3%) others. The data show that about half of the respondents have MA/MSc degree. Even though the academic

background has no significant effect on employee satisfaction, it affects the kind of reward packages that MSH must design.

Table 4.1.2.1: Highest level of education and its influence on level of satisfaction

| Cross tabulation of "What is your highest level of education?" with "How satisfied are you with your present reward package?" | | | | | | | | |
|---|---------|---|-----------|---------|-------------|------------------|-------|-----|
| | | How satisfied are you with your present reward package? | | | | | Total | % |
| | | Very Satisfied | Satisfied | Average | Unsatisfied | Very Unsatisfied | | |
| What is your highest level of education? | Diploma | 0 | 1 | 2 | 3 | 0 | 6 | 10 |
| | BA/BSC | 0 | 6 | 8 | 8 | 0 | 22 | 38 |
| | MA/MSC | 1 | 9 | 14 | 3 | 1 | 28 | 48 |
| | others | 0 | 0 | 2 | 0 | 0 | 2 | 3 |
| Total | | 1 | 16 | 26 | 14 | 1 | 58 | 100 |
| % | | 2 | 28 | 45 | 24 | 2 | 100 | |

Source: Data collected

Table 4.1.2.2 MSH project employment, the respondents, and its influence on level of satisfaction

| Cross tabulation of "Which project do you work for?" with "How satisfied are you with your present reward package?" | | | | | | | | |
|---|---------|---|-----------|---------|-------------|------------------|-------|-----|
| | | How satisfied are you with your present reward package? | | | | | Total | % |
| | | Very Satisfied | Satisfied | Average | Unsatisfied | Very Unsatisfied | | |
| Which project do you work for? | Heal TB | 1 | 0 | 1 | 3 | 1 | 6 | 10 |
| | SIAPS | 0 | 8 | 11 | 4 | 0 | 23 | 40 |
| | SCMS | 0 | 6 | 10 | 1 | 0 | 17 | 29 |
| | LMG | 0 | 1 | 2 | 3 | 0 | 6 | 10 |
| | COMU | 0 | 1 | 2 | 3 | 0 | 6 | 10 |
| Total | | 1 | 16 | 26 | 14 | 1 | 58 | 100 |
| % | | 2 | 28 | 45 | 24 | 2 | 100 | |

Each subscript letter denotes a subset of How satisfied are you with your present reward package? Categories whose column proportions do not differ significantly from each other at the .05 level.

Chi-Square Tests

| Test | Value | df | Asymp. Sig. (2-sided) | Interpretation at the .05 level |
|------------------------------|-----------------------|----|-----------------------|---|
| Pearson Chi-Square | 30.278 ^{a,b} | 16 | 0.017 | Type of MSH project has significant effect on employee satisfaction |
| Likelihood Ratio | 23.897 | 16 | 0.092 | |
| Linear-by-Linear Association | .453 | 1 | 0.501 | |
| N of Valid Cases | 58 | | | |

Source: Data collected

MSH project employing the respondents is indicated in Table 4.1.2.2. In the table, one can see that majority of the respondents are SIAPS staffs (40%) followed by that of SCMS(29 %). The

chi-square test of 0.017 (p-value =0.05) indicated there is significant difference in the level of satisfaction. This means that the reward package of MSH varies based on the type of MSH-project employing the staffs. This may also means that some staffs feel some projects of MSH-Ethiopia pay better than the rest. Among respondents, 30 out of 57 (53%) who responded, agree that there is no uniform compensation application between similar job levels in different projects.

4.1.3 Years of experience and current position at MSH

Table 4.1.3.1 Work Experience of Employees at MSH and Its Influence on Level of Satisfaction

| | | How satisfied are you with your present reward package? | | | | | Total | % |
|---|------------------------------|---|-----------|-----------------------|-------------|---|-------|-----|
| | | Very Satisfied | Satisfied | Average | Unsatisfied | Very Unsatisfied | | |
| How many years of experience do you have with MSH? | 1 | 1 | 1 | 1 | 0 | 0 | 3 | 6 |
| | 2 | 0 | 0 | 0 | 1 | 0 | 1 | 2 |
| | 3 | 0 | 1 | 0 | 0 | 1 | 2 | 4 |
| | 4 | 0 | 0 | 2 | 0 | 0 | 2 | 4 |
| | 5 | 0 | 0 | 0 | 7 | 0 | 7 | 13 |
| | 6 | 0 | 1 | 2 | 0 | 0 | 3 | 6 |
| | 7 | 0 | 0 | 3 | 2 | 0 | 5 | 10 |
| | 8 | 0 | 8 | 11 | 2 | 0 | 21 | 40 |
| | 9 | 0 | 1 | 0 | 0 | 0 | 1 | 2 |
| | 10 | 0 | 2 | 3 | 0 | 0 | 5 | 10 |
| Total | | 1 | 14 | 22 | 12 | 1 | 50 | 100 |
| % | | 2 | 25 | 48 | 23 | 2 | 100 | |
| How satisfied are you with your present reward package? Categories whose column proportions do not differ significantly from each other at the .05 level. | | | | | | | | |
| Chi-Square Tests | | | | | | | | |
| | Test | Value | df | Asymp. Sig. (2-sided) | | Interpretation at the .05 level | | |
| | Pearson Chi-Square | 86.425 | 44 | 0.000 | | Years of experience has significant effect on employee satisfaction | | |
| | Likelihood Ratio | 60.174 | 44 | 0.053 | | | | |
| | Linear-by-Linear Association | 1.029 | 1 | 0.310 | | | | |
| | N of Valid Cases | 52 | | | | | | |

Source: Data collected

It is natural to believe that the longer an employee stays at one organization, the more it uses its experience gained there for the benefit of the employer. MSH seems to have staffs serving for

relatively shorter time. This is because only 40% of the respondents served for 8 years (see Table. 4.1.3.1). This may indicate that majority of the employees (49%) have years of experience with MSH from 1 to 7 years. Only 10.9% of the staffs had years of experience from 9 to 10 years which is convergent with the life span of MSH in Ethiopia. The maximum, minimum and mean years of experience of the participants are 10, 1 and 6.30 respectively. The two-sided asymptotic significance of the chi-square statistic is 0, to the displayed precision. Since the significance value of 0 is clearly less than 0.05, it can be conclude that there is a relationship between the number of years an employee has been with their current employer (MSH) and their level of job satisfaction. According to Pamela Akinyi (2015), the length of stay could easily determine the level of patriotism in the organization and the feeling of job security. However according to Thomas Owusu (2012), longer stay at one organization may not necessarily mean proportional acquisition of packages of rewards where Thomas Owusu (2012) in his research found out that majority of the employees did not get reward they were entitled to (loan in his case) and have not received motivational packages in one way or the other in spite of longer duration of service.

Table 4.1.3.2: Current positions of the respondents at MSH and its influence on level of satisfaction

| Cross tabulation of "what is your current position" with "How satisfied are you with your present reward package?" | | | | | | | | |
|---|--------------------|---|-----------------------|-----------------|-----------------|--|-------|-----|
| | | How satisfied are you with your present reward package? | | | | | | |
| | | Very Satisfied | Satisfied | Average | Unsatisfied | Very Unsatisfied | Total | % |
| What is your current position? | Junior Level | 0 _a | 0 _a | 1 _a | 2 _a | 0 _a | 3 | 5 |
| | Middle Level | 1 _a | 10 _a | 16 _a | 11 _a | 1 _a | 39 | 70 |
| | Senior Level | 0 _a | 6 _a | 7 _a | 1 _a | 0 _a | 14 | 25 |
| Total | | 1 | 16 | 24 | 14 | 1 | 56 | 100 |
| % | | 2 | 29 | 43 | 25 | 2 | 100 | |
| Each subscript letter denotes a subset of How satisfied are you with your present reward package? Categories whose column proportions do not differ significantly from each other at the .05 level. | | | | | | | | |
| Chi-Square Tests | | | | | | | | |
| Test | Value | df | Asymp. Sig. (2-sided) | | | Interpretation at the .05 level | | |
| Pearson Chi-Square | 7.136 ^a | 8 | 0.522 | | | Current position of employees has no significant effect on their satisfactions | | |
| Likelihood Ratio | 8.478 | 8 | 0.388 | | | | | |
| Linear-by-Linear Association | 4.266 | 1 | 0.039 | | | | | |
| N of Valid Cases | 56 | | | | | | | |

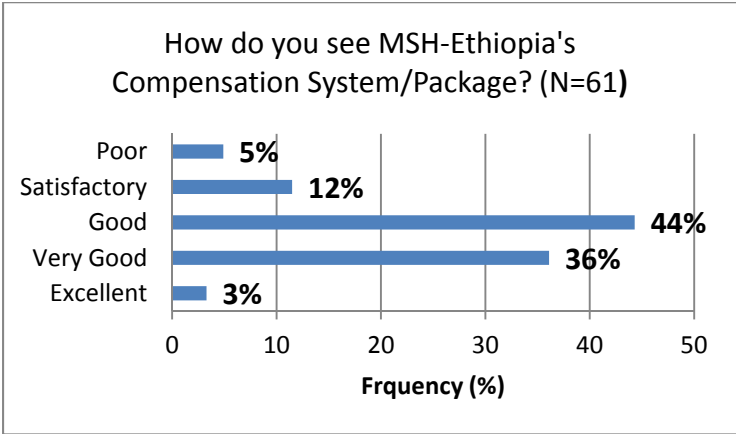
Source: Data collected

The chi-square test of current position in MSH and level of satisfaction with current compensation/reward package of MSH became 0.522 (p-value of 0.05) which means there is no significant difference among different position holders of MSH employees.

Akram Ahmadloo et al (2013), found out that the demographic elements like age, gender, marital status, job position, work experience and education level do not have any relationship with the performance and in fact, they do not change the performance levels in a significant manner. In other words, different demographic categories make no difference in the performance levels. For example, genders are shown to have the same performance; and it is true for other socio-demographic variables.

4.2. Perception on MSH-Ethiopia’s Compensation System/Package

It is expected that employees perception of compensation package of NGOs like MSH is to be one of the best (very good to excellent) as compared to governmental employees. This assessment indicated that only 5% of staffs rate MSH's compensation as poor (*see Fig. 4.2*). The rest of the respondents rate MSH’s compensation as good 44%, Very good 36% satisfactory 12% and Excellent 3% i.e. most of the respondents (95%) of the respondents rate MSH compensation as Satisfactory as indicated in 4.2. The findings suggested that the overall mean perception level of employees tilts towards the satisfactory side.



Source: Data collected

Figure 4.2 MSH -Ethiopia's compensation package rated

Respondents do not feel personally compensated well for their contribution in MSH as nearly half of them - 30 among the 58 (52%) said they don't feel compensated well, in response to the yes/no question to this issue. Among the 61 participants, 31 (50.8%) have put down the reasons for the unsatisfactory compensation at MSH. Funding levels of respective projects and the market value of the expertise contribute less to the reason/s for the unsatisfactory compensation at MSH Ethiopia. As indicated in *Table 4.2.1*, level of satisfaction with impact of compensation rate on performance have correlated where low level of satisfaction unsatisfied and very unsatisfied added together = 26%) matched with 26 out of the 30 (87%) "No" responses (unsatisfactory compensation). As expected, this assessment clearly showed that MSH-Ethiopia compensation plan has influence on employee attitudes and behavior as 48 among 54 (88.9%) unveiled the reality of the negative effect of poor compensation system on the attitude and behavior of employees. Only six among the 54 (11.1%) believe that their attitudes have not been affected by the unsatisfactory compensatory system. The consequence of this is that reduced performance of an employee where 44 among the 61 (72.1%) support the fact that poor compensation system at MSH has influenced their performance. Looking at *Table 4.2.2*, regarding level of satisfaction with reward and its effect on performance, 51% of respondents with low satisfaction (average to very unsatisfied added together) underscore that MSH-Ethiopia compensation plan has influence on their employee performances.

This research unveiled that employees of MSH with similar status at different projects of MSH earn similar compensations according to 52.6% respondents, where 27 among 57 (47.4%) said they do not earn similar compensations or there is lack of uniformity. Some of the core explanations forwarded by those who said there is lack of uniformity of compensation include reasons like lack of standardized salary scale for different projects do have their own salary scale at the beginning during recruitment. The respondents reiterated that MSH does not have uniform compensation system for similar job and that there is also lack transparency. For example, the overtime fee is not manage properly for some MSH projects pay better while others not. They say that MSH gives more attention to higher positions. Projects negotiation ability being weak is one contributor according to the participants.

There are ample literature evidence that there is direct relationship between pay and the employee's performance in which conclusions were made that pay is a significant factor which

impacts the employee’s motivation. Other studies concluded on the motivating role of pay as a monetary reward. These literatures confirmed that when the employee does his/her tasks well, this type of reward is very important and has a high impact on their performance.

Table 4.2.1: Satisfaction Affected by Unsatisfactory Compensation

| | | How satisfied are you with your present reward package? | | | | | Total | % |
|--|-----|---|-----------|---------|-------------|------------------|-------|------|
| | | Very Satisfied | Satisfied | Average | Unsatisfied | Very Unsatisfied | | |
| Do you feel personally you are compensated well for your contribution in the organization? | Yes | 1 | 12 | 10 | 5 | 0 | 28 | 48% |
| | No | 0 | 4 | 16 | 9 | 1 | 30 | 52% |
| Total | | 1 | 16 | 26 | 14 | 1 | 58 | 100% |
| % | | 2% | 28% | 45% | 24% | 2% | 100% | |

Source: Data collected

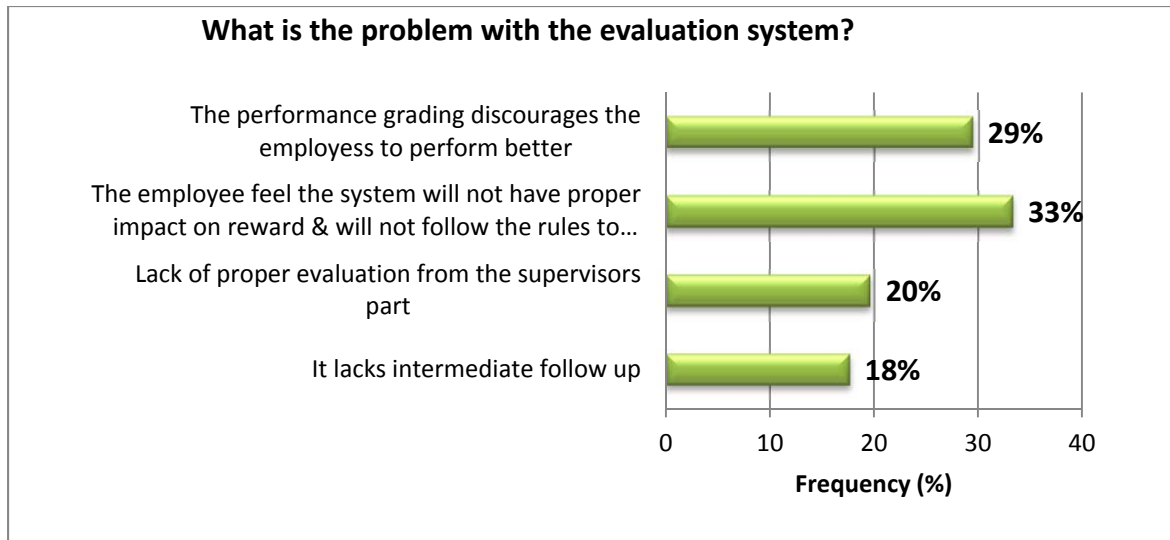
Table 4.2.2: Low satisfaction rated to affect employees' performance

| | | How satisfied are you with your present reward package? | | | | | Total |
|--|-----|---|-----------|------------|-------------|------------------|------------|
| | | Very Satisfied | Satisfied | Average | Unsatisfied | Very Unsatisfied | |
| Do you think MSH-Ethiopia compensation plan has influence on employee performance? | Yes | 2% | 19% | 33% | 16% | 2% | 72% |
| | No | 0% | 9% | 12% | 9% | 0% | 30% |

Source: Data collected

4.3 Perception on performance evaluation mechanism

Concerning awareness of the respondents on the availability of performance evaluation mechanism in MSH, 59 (96.7%) know the existing system, while the rest 2 (3.3%) said they don’t know. Though the knowledge about its existence is excellent, majority 30 (48.3%) doubt that the performance evaluation system properly evaluates employee performance. The reasons for lack of trust in the performance evaluation of MSH have been enumerated by the respondents. Some of these, if not limited to, are like it adds everything in one category and tries everybody to fit there. The evaluation tool has variables that force one to evaluate the employee subjectively and as such lacks objectivity; it is open for bias, favoritism and personal interest.



Source: Data collected

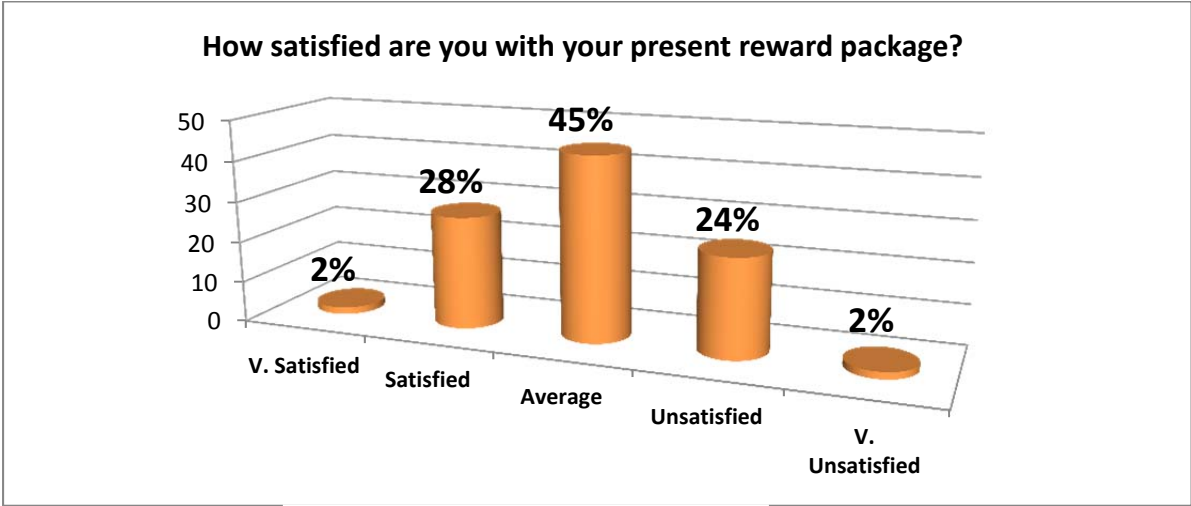
Figure 4.3. Summary of problems with performance evaluation of MSH

4.4 Perception on Reward and Recognition System for Best Performers

The respondents of this assessment confirmed that MSH has a reward and recognition system for best performers where 54 among the 61 (88.5%) responded the aforementioned system is present. Those who said there is no such a system were 5(8.2%) while 2 (5%) of them said nothing. Asked how satisfied they were with the present reward package of MSH- Ethiopia, the proportion satisfied are only 27% which is drastically low. Combined with the very satisfied 2% group, the "satisfied side" becomes 29%. The dominant average satisfaction is 45%, and the remaining group including unsatisfied with 24% record and the very unsatisfied group with 2% all added together become 26% (see Fig. 4.4.1). This in a nutshell reflected that more than 2/3rd of employees of MSH -Ethiopia have average and less satisfaction.

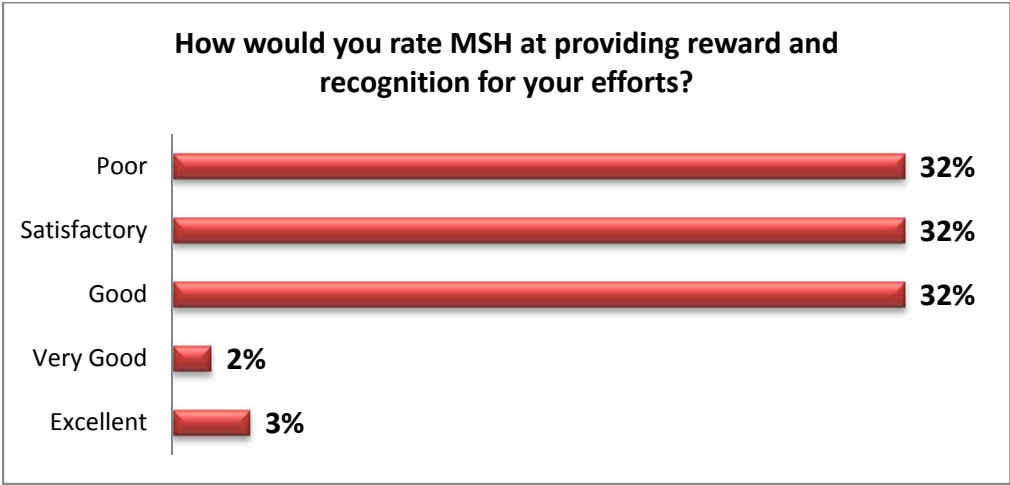
Regarding the transparency of the selection system for reward, 31 among 56 (55.4%) respondents said that it is not transparent. According to this assessment, employees of MSH-Ethiopia in majority (66%) believe that reward for their efforts are recognized to less than satisfactory level as the mean value is 3.87 ± 0.999 calculated on 5 point scale (see Fig. 4.4.2). The reason for the employees to believe that their efforts are recognized to the lesser extent is either due to implementation problem of policy or combination of lack of policy and its implementation. Among the 21 who responded, 9 attributed the failure of recognition of employees' effort to lack of policy and 10 to lack of policy and its implementation. The

interviewees were also given chance to evaluate MSH supervisors at giving specific and timely praise and recognition for job well-done. The outcome of the evaluation of supervisors was really encouraging where the results obtained skewed in favor of good, very good and excellent for more than 2/3rd or 67.1% (see Fig. 4.4.3).



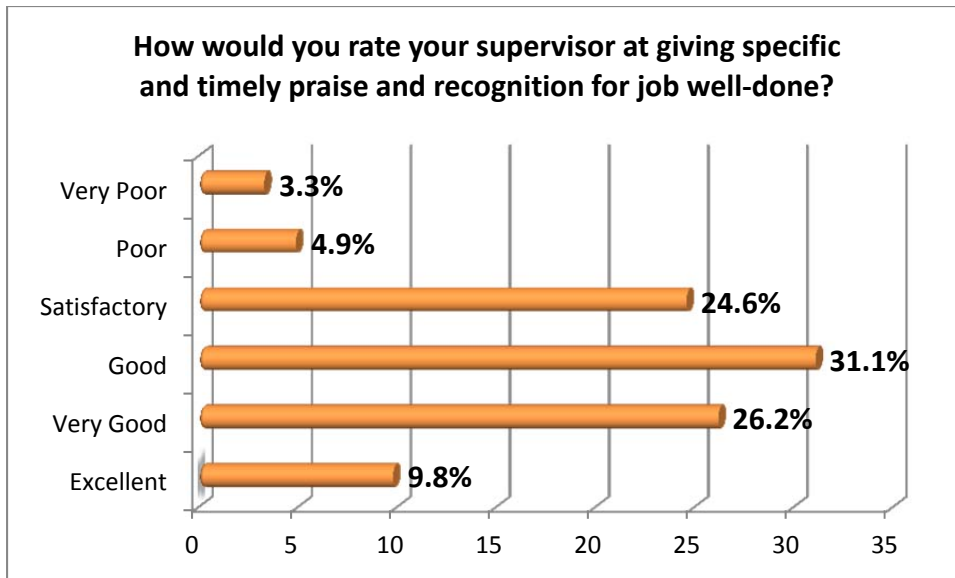
Source: Data collected

Figure 4.4.1 Level of satisfaction with the current reward and recognition package of MSH-Ethiopia.



Source: Data collected

Figure 4.4.2 Rating of MSH at Providing Reward and Recognition for employees effort



Source: Data collected

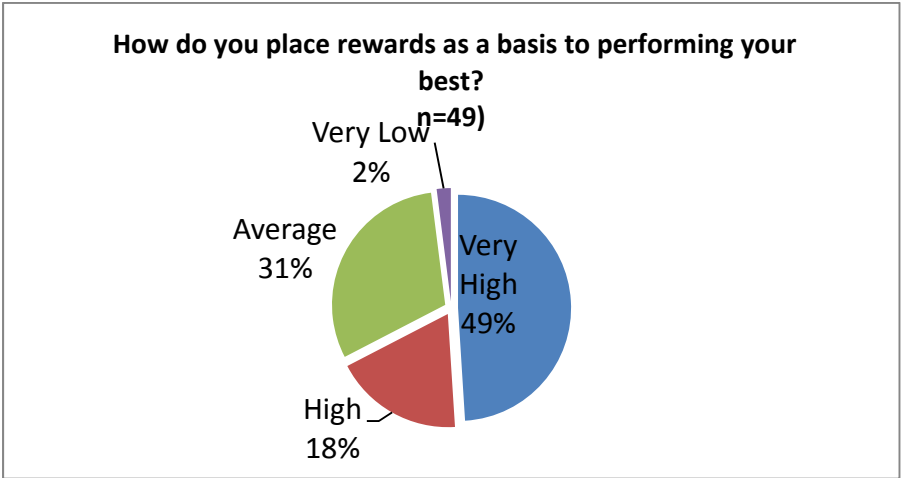
4.4.3 Rating of supervisor at giving specific and timely praise and recognition for job well-done

Respondents of this research have revealed the supervisor's rate at giving specific and timely praise and recognition for the job well done. Most of the respondents (91.7%) responded it is excellent (9.8%), Very Good (26.2%), Good (31.1%) and Satisfactory (24.6%). Only 8.2 % of the respondents said it is poor and very poor. Based on this we cannot say supervisors did not know the recognition system in the organization. But we can say they are reluctant to use it appropriately and all the time.

4.5 Influence of Reward and Its Type on Staff Performance

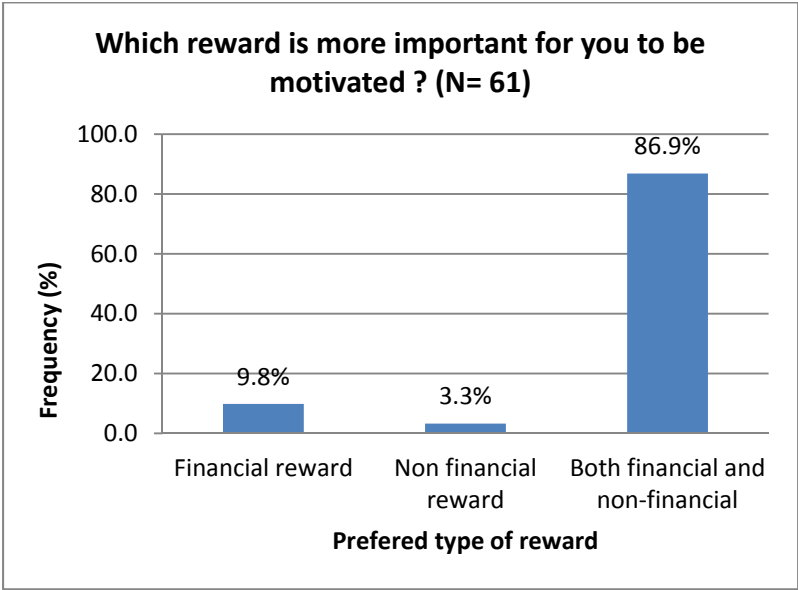
Respondents of this assessment rated reward as greater motivator for better performance. This evidence is supported by the fact that 24 (49%) among the 49 who responded rated reward as the very high motivator for a better performance. The 'high' and 'very high' ratings combined together become 67% which may imply that majority of MSH employees perceive reward as an essential drive for a better performance (see Fig.4.5.1 for details). Table 4.5.1 illustrates that 18(29.5%) claim that their level of performance is affected by the type of reward whilst 29(47.5%) declare that this is only to a certain degree. As matter related with the preference of the type of award, 86.9% responded both financial and non-financial rewards are the type of reward preferred as depicted in Fig.4.5.2. Anyhow, referring to Fig. 4.5.3, one can see that

63.9% believe that non-financial reward can make them do better compared to the 49.2% who say that financial reward is a better motivator for a better performance. On the other hand, referring again to the same figure (Fig. 4.5.3), 37.7% and 23% are not sure neither non-financial nor financial reward respectively can be a tool for one to perform better.



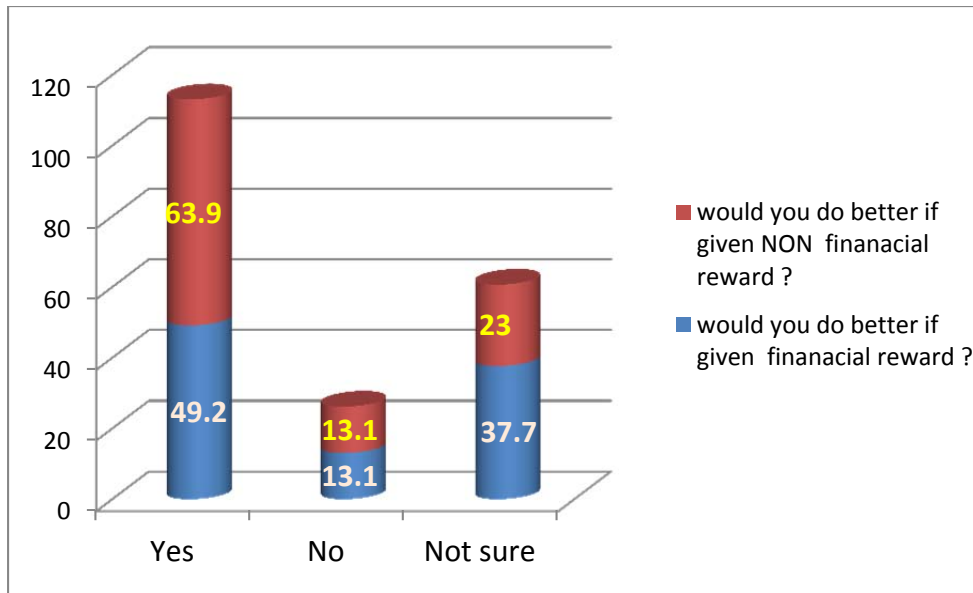
Source: Data collected

Fig. 4.5.1 Rating of reward as a basis to performing best



Source: Data collected

Fig. 4.5.2 Rating of preference of financial vs. nonfinancial rewards as a basis to performing best



Source: Data collected

Fig. 4.5.3 Rating of the type of the type reward on degree of performance

Table 4.5.1 Level of performance affected by type of reward

| Is the level of your performance affected by the type of reward you get? | | |
|--|-----------|---------|
| Response | Frequency | Percent |
| Yes | 18 | 29.5 |
| No | 14 | 23.0 |
| Sometimes/ to some extent | 29 | 47.5 |
| Total | 61 | 100.00 |

Source: Data collected

The interviewees were asked to rate their preference on the type of different non-financial rewards in MSH and their effect on performance (see Table 4.5.2), preference on the type of performance based rewards (see Table 4.5.3), preference on types of rewards given by MSH (see Table 4.5.4), preference on types of base for giving an award at MSH (see Table 4.5.5) and bottlenecks in the reward programs of MSH (see Table 4.5.6). Accordingly, employees' inclination for the 7 categories of non-financial rewards listed in Table 4.5.2 is towards the "strongly agree" to "agree" in greater part. The category that deviated away from the "strongly agree/agree" response is the special lunch or dinner with the supervisors. This assessment has tried to shade light on the types of compensation/rewards ever received while working in MSH as enumerated. Among the 8 MSH performance based rewards shown in Table 4.5.3, the reward mostly provided by MSH for its employees is the merit increase where 36 (59%) agreed that they always received the stated inducement. Other than the merit increase, the rest 7 types of performance based rewards of MSH do be given rarely. For instance, almost all the

respondents unanimously unveiled that President’s award, Technical innovation award, Entrepreneurship award, Tao of leadership award and One MSH award have never been received by most of MSH Ethiopia employees. According to data in Table 4.5.4, out of the types of rewards given by MSH, 22% find special recognition payment most motivating followed by the 18% who say merit increase and the 14% who believe salary increase with job level increase are better motivators if received regularly. The findings in Table 4.5.5 indicated that significant proportion of the respondents favor the basis of the MSH reward provision to be majority of the parameters such the annual performance appraisal, team performance, achievement of organizational goals and individual specific tasked accomplished. The views of respondents to use availability of donor fund and issue of giving rewards to all employees at least once a year as a basis of reward provision is neutral.

Table 4.5.2 Preference on the type of non-financial rewards in MSH and their effect on performance

| S. No | Express your level of agreement with the statements below focusing on different non-financial rewards in MSH and their effect on performance (Cronbach's alpha for reliability test = 0.682 (greater than literature value of 0.7)which makes it reliable/consistent) | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree | Total |
|---------|--|----------------|-------|---------|----------|-------------------|-------|
| 1 | A personal verbal “thank you” for “good job” from your supervisor motivates you and makes perform better | 32 | 28 | 1 | 0 | 0 | 61 |
| 2 | Special recognition payment will motivate you to perform better. | 25 | 31 | 3 | 2 | 0 | 61 |
| 3 | Receiving formal written recognition from your supervisor for your makes you perform better at your work | 43 | 16 | 2 | 0 | 0 | 61 |
| 4 | Appreciation from a manager in front of your colleagues makes you feel valued affecting my performance | 13 | 30 | 13 | 4 | 0 | 60 |
| 5 | Special lunch or dinner with your supervisor motivates you to perform better | 3 | 13 | 20 | 16 | 9 | 61 |
| 6 | When I’m recognized by my peers, it makes me perform better in the future | 15 | 28 | 15 | 3 | 0 | 61 |
| 7 | Recognition on a team or department event boosts your moral and encourages you to perform better | 12 | 42 | 5 | 1 | 0 | 60 |
| Average | | 20 | 27 | 8 | 4 | 1 | 61 |

Table 4.5.3 Preference on the type of performance based rewards

| SNo | Types of performance based rewards (Cronbach's alpha for reliability test = 0.711(greater than literature value of 0.7) which makes it reliable/consistent) | Never | Rarely | Sometimes | Mostly | Always |
|---------|--|-------|--------|-----------|--------|--------|
| 1. | Salary Increase with job level increase | 15 | 9 | 15 | 12 | 9 |
| 2. | Thank you award | 32 | 9 | 10 | 7 | 2 |
| 3. | President's award | 57 | 0 | 0 | 2 | 1 |
| 4. | Technical innovation award | 59 | 1 | 0 | 0 | 0 |
| 5. | Entrepreneurship award | 55 | 3 | 0 | 1 | 1 |
| 6. | Tao of leadership award | 55 | 2 | 2 | 1 | 0 |
| 7. | One MSH award | 52 | 1 | 2 | 3 | 2 |
| 8. | Special recognition payment | 33 | 10 | 7 | 5 | 5 |
| 9. | Merit increase | 7 | 2 | 4 | 11 | 36 |
| Average | | 41 | 4 | 4 | 5 | 6 |

Source: Data collected

Table 4.5.4 Preference on types of rewards given by MSH

| S. No | Out of the types of rewards given by MSH, which one do you find most motivating: (More than one answer is possible) | Frequency | Percent (%) |
|-------|---|-----------|-------------|
| 1. | Special recognition payment | 22 | 29 |
| 2. | Merit increase | 18 | 24 |
| 3. | Salary Increase with job level increase | 14 | 18 |
| 4. | Thank you award | 10 | 13 |
| 5. | All | 6 | 8 |
| 6. | Technical innovation award | 2 | 3 |
| 7. | President's award | 2 | 3 |
| 8. | Tao of leadership award/ One MSH award | 1 | 1 |
| 9. | Entrepreneurship award | 1 | 1 |

Source: Data collected

Table 4.5.5 Preference on types of base for giving an award at MSH

| S.No | Express your level of agreement with the below statements which focuses on base for giving an award (Cronbach's alpha for reliability test = 0.608 (greater than literature value of 0.7) which makes it reliable/consistent) | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree | Total |
|---------|--|----------------|-------|---------|----------|-------------------|-------|
| 1 | Rewarded should be given based on individual annual performance appraisal | 27 | 28 | 3 | 0 | 1 | 59 |
| 2 | Reward should be given based on team performance | 14 | 31 | 13 | 3 | 0 | 61 |
| 3 | Reward should be given based on achievement of organizational goals | 14 | 39 | 7 | 0 | 1 | 61 |
| 4 | Reward should be given based on securing new donor funding | 11 | 16 | 26 | 5 | 2 | 60 |
| 5 | Reward such as bonus should be given to all employee at least once a year | 12 | 21 | 17 | 7 | 4 | 61 |
| 6 | Reward should be given based on an individual specific tasked accomplished even if it is a praise or thank you | 21 | 33 | 4 | 2 | 1 | 61 |
| Average | | 17 | 28 | 12 | 3 | 2 | 61 |

Source: Data collected

4.6 Bottlenecks Hindering Implementation of Reward

As was observed under the previous sections of chapter four, the reward system of MSH-Ethiopia for its employees is not to the expectations. Most findings under the earlier sections of chapter four regarding rewards are skewed towards the unsatisfactory side. The bottle necks in the reward system of MSH that might have contributed to the unsatisfactory level of staff satisfaction have been evaluated using the 10 variables listed under *Table 4.5.6*. Looking at *Table 4.5.6*, the results obtained for the bottles necks in the reward system indicated that staffs feel that most of the variables mentioned there have contributed to reduction of their satisfaction. Among the bottle necks, only 23 (38%) staffs agree that the lack of knowledge/awareness on the formal reward and recognition types and program of MSH is a substantial contributor. Likewise, only 24 (40%) of staffs agree that supervisors know the formal reward and recognition types and policy of MSH which in other word means that 60% of supervisors had problem on clearly understanding and implementation of MSH reward policy. Similar explanations can be held for the rest of assessment parameters under *Table 4.5.6*.

Table 4.5.6 Bottlenecks in the Reward Programs of MSH

| S. No | Bottlenecks in the Reward Programs (Cronbach's alpha for reliability test = 0.685 (greater than literature value of 0.7) which makes it reliable/consistent) | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree | Total |
|---------|---|----------------|-------|---------|----------|-------------------|-------|
| 1 | You know the formal reward and recognition types and program of MSH | 5 | 23 | 21 | 12 | 0 | 61 |
| 2 | Your supervisor knows the formal reward and recognition types and policy of MSH | 6 | 24 | 24 | 6 | 0 | 60 |
| 3 | The MSH reward policy and procedures are clear and disseminated to all employees | 7 | 21 | 15 | 14 | 4 | 61 |
| 4 | Your supervisor implements the formal reward and recognition policy of MSH | 5 | 14 | 21 | 20 | 1 | 61 |
| 5 | Your supervisor uses informal reward or recognition like praise and thank you | 4 | 15 | 29 | 10 | 2 | 60 |
| 6 | The formal reward and recognition package of MSH is efficiently used by supervisors | 3 | 12 | 26 | 13 | 6 | 60 |
| 7 | HR should make sure that supervisors or managers effectively rewards and recognizes employees for their performance | 19 | 20 | 17 | 1 | 3 | 60 |
| 8 | The reward package used by MSH Ethiopia is the same as all MSH Offices all over the world; it should be contextualized to the local context as it is difficult to apply the requirements in Ethiopia. | 16 | 12 | 25 | 3 | 4 | 60 |
| 9 | Evaluation for a reward should be done at the country level | 19 | 21 | 14 | 6 | 0 | 60 |
| 10 | Evaluation for a reward should be done at the international level | 3 | 5 | 27 | 10 | 14 | 59 |
| Average | | 9 | 17 | 22 | 10 | 3 | 61 |

Source: Data collected

Respondents were asked to express their views on some of the major bottlenecks hindering the provision of better reward program at MSH Ethiopia. Fund availability is one among the reasons put down. Lack of awareness on the reward system of MSH and capable human resource to manage them are others examples of setbacks to effectively execute reward systems at MSH-E. Although there is policy, implementation problem is a big issue. Lack of follow-up from the HR has been mentioned here and there as a major contributor to problems of implementation of reward policy at MSH. The HR unit does not do market analysis and its unwillingness makes it very difficult to properly manage and implement the reward policy. Emphasis is not given by the supervisors for such reward program say the respondents. The system is centralized to COMU and it should rather have been decentralized to project level because lack of authority by project directors to determine salary is a common place at MSH-E. The salary scale determination lacks uniformity across the projects. The absence of clear and transparent criteria for the rewarding of employees and timely communication of these to

all employees has its place in hindering reward management at MSH-E. Some of them ask why donor funding and salary history of employees become criteria for rewarding. There is no best tool to measure the performance of the employees and to make the matter worse the lack of proper evaluation from the supervisor side is precipitating the problems of mismanagement of employee's motivation packages. Respondents underscore that supervisors are reluctant to reward their staffs. The reward system is more dependent on the international MSH Policy & unable to make it contextual to the Ethiopian situation and activities done by employees. According to respondents, MSH job leveling and salary grading is not appropriate and well-studied. Organizational policy and job leveling do not represent well the performance and level of effort (LOE) of employees. The benefit is not comparable in context of other countries reward (benefit). Home office influence on performance rating system should be stopped recommend most of the respondents. It is what we created in country that limited employee's benefit says the respondents.

4.7 Comparison of the Management Response with the Employee's Response

MSH Ethiopia has 14 (fourteen) country leadership team members, composed of the Country Representative, Project Directors and their Deputies, Common Operational Management Unit (COMU) Director and Managers, and the Country Office staff members. Out of the 14 management team 10 of them have been interviewed with structured interview question.

Q1. What do you think about MSH compensation system? Do you think it is fair?

Regarding the fairness of MSH compensation system some management team members said it was fair when the organization starts its operation in Ethiopia some 8-10 years ago. But most of the management believes it is not fair at this time. This is because it is not adjusted when situations change or cost of living increased. Some believes it is not competitive with its level NGO's. Even though an assessment has been conducted, compensations are not adjusted on time. This will make it unfair. Even the recent market study is outdated since it has been conducted a long time ago. But most of them have agreed that existing philosophy is fair and ok if we can use it properly. Some believed that the salary is ok; but the benefits are not. For some small groups the benefit is low. In contrary most employees indicated on their response

the compensation is not fair, or they do not feel personally compensated well for their contribution in MSH. As nearly half of them - 30 among the 58 (52%) said there is no fair compensation at MSH in response to the yes/no question to this issue. Among the 61 participants, 31 (50.8%) have put down the reasons for the unsatisfactory compensation at MSH. Majority (41% among the 31) blamed this on unacceptable level of MSH's compensation/reward system.

Q2. Do you think MSH compensation system is well studied?

When we ask whether the compensation system is well studied or not, most of them agreed it has been studied some time ago. But the problem is it is not studied very well. The benchmarks taken during the study were not the competitors identified when the organization prepares its strategic road map. The factored in organizations are banks, insurances and others rather than our competitors. In addition to this the factored in is not only the local context, but also MSH international institutional bands are also factored. This has a huge problem in tailoring the compensation system in Ethiopia. The other reason for saying it is not studied very well, as per most of the respondents have witnessed the range between job levels is wide and not flexible, the levels are not even enough. The most significant gap in the system is, unless there is big professional change there is no room for improvement to the next level. As per the respondents, the other big problem is even though we say it is studied it is not implemented as per the findings, since there is confrontation from the board of the organization at HQ. The board didn't give the mandate to the country leadership team to make the adjustment as per the study conducted and consensus reached.

Q3. Can you tell us the effect of MSH compensation system on your employee's performance and contribution towards the organizational goal?

Unlike the employee's response regarding the effect of MSH compensation system on employee performance, *"i.e. 88.9% unveiled the reality of the negative effect of compensation system on the attitude and behavior of employees"*, most of the management team responded that the compensation system didn't affect the employee's performance. According to their view, this is because the staff gives more value to professionalism and positive contribution to the national health system. This shows there is a misconception by the management regarding the connection between the compensation and employee performance. There is one fact which

can be seen in both sides. MSH staff is highly professional, who feels MSH is the best organization to satisfy professional needs and contribution towards the country's needs on the health system strengthening. Regardless of this feeling, some valuable staff has resigned from the organization, for better job opportunity and compensation package.

Q4. Is there transparency in HR regarding Compensation?

The majority of the management believes there is no transparency in human resource regarding compensation. Some says there is some transparency now a days but it is not enough like other NGO's experience. One of them responded that "No there is no transparency in my view. When I work for other NGO's they notify the salary scale." In MSH Employees have problem in getting information from HR regarding their band, salary scale and most of the time they don't know in what level they are within their grade i.e. lower, middle or higher unless there comes an issue regarding passing the ceiling.

Q5. Is there compensation difference between projects?

Similar to the employees response regarding this question, i.e. "*employees of MSH with similar status at different projects of MSH do not earn similar compensations where 27 among 57 (47.4%) support this finding though 52.6% responded that there is uniformity of compensation among employees of different projects under MSH.*", most of the management agreed there was a difference on compensation for different projects in same positions some five years ago. This difference was due to individuals pay history and scarcity of a professionals for some specific posts. The other reason for difference is created for some posts is in the earlier years of the organization projects pay was not standardized so there was discrepancy. That discrepancy continues even after adjustment. The other reason for discrepancy as per one of the respondents is that, "because positions are created by project directors and those directors might create that position with a little difference or exaggeration there exist different compensation in terms of salary. But now there is no difference or the organization tried to narrow the gap created through internal equity adjustment. There is job level and grading which is used across projects. MSH has one operational platform i.e. COMU which manages the HR and other functional departments. This unit keeps the job grading and level for all projects. Internal equity is well kept among projects. The system considers the internal equity and pay history for salary demarcation. Apart from salary there is no other difference in other

compensations like life and medical insurance, transportation allowance, provident fund/pension, mobile phone card etc.

Q6. Do you think the performance evaluation system in the organization will measure performance of an employee properly?

Most of the management believes the Performance Plan and Review Development (PPRD) system and the tool is good and it can measure/evaluate employee's performance. It shows the accountability area and objective. The problem is proper usage of the tool. The staff and the supervisors are not using it properly. Most of the respondents have agreed there is implementation problem. The PPRD is not taken seriously except it is a formality. There is also a problem on the colleague feedback side which needs modification. PPRD process system is good and well-designed but it will not evaluate people performance due to subjectivity and favoritism.

Q7. Is there a recognition system for high performers?

All of the respondents have agreed that there is a recognition system in MSH Global which is not widely used by the field offices properly. There is no country specific recognition system. Most supervisors are not using it due to little or no attention. In addition to this, most supervisors didn't join as a manager so they may not know about the recognition system and may not use it properly. Even the few managers, who are using the platform, are biased to specific employees since the parameter is subjective rather than objective. Sometimes supervisors are not willing to nominate their staff because they didn't want to differentiate between their staff. Above all the major problem is the competition is global and there is presentation problem. This is due to lack of proper guidance and follow-up from MSH-Ethiopia HR side, it lacks transparency on how to select nominees in the first place.

CHAPTER FIVE

FINDINGS, CONCLUSION AND RECOMENDATIONS

5.1 Key Findings

- This study shows that the overall compensation system/package in MSH-Ethiopia is satisfactory and beyond. 95% of employees at MSH-Ethiopia have average satisfaction with the current compensation/reward system of the organization. Some staff has low level of satisfaction with the current compensation system in the organization. Some of the major factors that led to such low level of satisfaction, though not limited to this, are related with lack of transparency from the supervisors in rationally evaluating the subordinates, employee's salary history, supervisor's powerlessness regarding negotiation of salary for their staff, and reduced attention from the HR in implementing MSH's HR policies are frequently mentioned by the respondents.
- Regarding uniformity of compensation for similar jobs among projects in the organization, the study shows that there was a difference on compensation before, and there is difference to some extent even now. But this problem emanates from the previous years of employment where there was no standardized, systematic, and clear job leveling/grading in the organization. The organization has solved this problem with the recent internal equity and job level adjustment.
- When the study tries to find out the link between MSH-Ethiopia compensation and employee turnover, the turnover is not linked to compensation; rather it is linked to aspiration of higher positions in other organizations and for international employment. This shows that the organization's position structure or salary ladder blocks is not well organized in order to accommodate band level change since the band ladder is organized in connection with job title.

- Regarding competitiveness in the market, most of the respondents said that it was competitive and even better than other similar NGO's some years back. But now there are other organizations who periodically adjusted their salary with the cost of living changes and it is possible for MSH to be less payer. This can be shown with the employees who left the organization and get better salary payment in other organizations.

- Concerning to the reward system for the best performers in the organization, there is an awareness problem of the employees and even the supervisors on how to use the different kinds of rewards in the organization. Most of the supervisors know only the merit based reward system which depends on the annual Performance Plan and Review Development (PPRD) system. There rest is not well used or advocated both by HR and the management. According to the respondents, even the PPRD system which exists to evaluate and recognize staff; the majority 48.3% doubts that the system properly evaluates employee's performance.

- Finally, according to the study, MSH compensation system is not "well studied" but more or less studied by the organization even though it has its own limitations. The limitations are:-
 - The factored in variables, for the comparison made and lack of contextualization of the country's economic, social, and policy implementations.
 - Lack of immediate action from the HR side on findings of the market assessment made every year by external assessors regarding compensation and reward. This assessment is being made by the headquarters and they are not active to implement it on time. Even the recent assessment is outdated before the organization materialized it.
 - Lack of decision making power of the field office regarding salaries and job levels and employee salary negotiation. Even though the HQ says power has been delegated to the field offices, they want to interfere with most of the employment cases and pay determination. The board at the

HQ come up with different decentralization models every year major issues but could not enforce it with the field offices including the minor HR cases.

- Last but not the list, the information gap from the human resource side regarding job grading/leveling, salary allocation, proper follow-up of the staff and supervisors to work on the award systems, and supervisor's biasedness for some employees, are major areas of dissatisfaction for the employees.

5.2 Conclusions

In general the study found out that MSH–Ethiopia has good compensation package in principle and to some extent in practice too. The unsatisfactory part of this compensation package is lack of proper implementation in the organization and the information gap between employees and the Human Resource. In addition to this, even though the leadership believes MSH compensation/reward system did not affect that much the employee's performance the study showed that the system has affected the employee's performance to some extent.

5.3 Recommendations

- MSH-Ethiopia country leadership team should review the compensation package periodically. The bench mark for the study should be the competitors identified when the organization prepares its strategic road map.
- Benefits like fuel allowance for higher levels, endowment insurance, provision of educational fee, research fee and provision of vehicle for hire level managers should be revised with comparison to other competitors. In addition to this the findings of the market assessment should be implemented on time.
- To bridge the information gap (lack of transparency), the researcher recommends that salary negotiation and administration, from the HR side should be transparent.
- Salary difference for same positions in different projects should be adjusted.
- The existing job leveling and grading should be reorganized to make a room for the lower level staff to move up on the carrier and salary ladder. This will make the staff to be motivated to achieve to the next level in the same organization.

- The headquarters should give authority for the field offices to determine salary and positions as long as they follow the existing international job grading/ leveling set by MSH. Salaries should be negotiated in context of the country only.
- Most of MSH staff is highly motivated by the professionalism, and their contribution towards the aim of the organization rather than salary and other compensations. To motivate this portion of the staff with different motivational methods, like non-monetary or partial monetary incentives to make them fruitful. For example, giving recognitions, international positions, international workshop participation, and international travel and sponsorship for employee's continuing education like masters and PhD level.
- Formal in-country reward system has to be developed to award staff in projects/country level.
- In regards to the Performance Plan Review and Development (PPRD), MSH needs to modify it to reflect the objectivity and create better mechanism to evaluate staff. In addition to that the existing colleague feedback format should be modified to show evidence based evaluation.

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APPENDIX

Questionnaire

The Effect of Compensation and Reward on Employee Performance

Dear Respondent:

My name is Bruktawit Mengesha. I am here today to collect data on compensation and reward to study its effect on employee performance for the partial fulfillment of my Master of Business Administration (MBA) degree. The information requested is purely for academic purpose only, and was confidential. Your genuine answer to the questions can make the study achieve its goals. The questionnaire will take from 15-20 min. I assure you that the information you provide me is surely confidential, thus writing your name is not needed. Are you willing to participate in the interview/research?

Yes! Go to the next page.

No! Thank them and interrupt the interview.

Name of interviewer-----

sign-----

Part I – Respondents Personal Information (please circle your responses)

1. Sex:
 1. Male
 2. Female
2. What is your current age? _____ Years
3. What is your highest level of education?
 1. Diploma
 2. BA/BSC
 3. MA/MSc
 4. PhD
 5. Others _____
4. Which Project do you work with?
 1. Heal TB
 2. SIAPS
 3. SCMS
 4. LMG
 5. HRH
 6. COMU
5. How many years of experience do you have with MSH? ____ Years
6. What is your current position?
 1. Entry level
 2. Junior Level
 3. Middle level
 4. Senior Level

Part II – General Information

7. How do you see MSH-Ethiopia Compensation System/Package?
 1. Excellent
 2. Very Good
 3. Good
 4. Satisfactory
 5. Poor
8. Do you feel personally you are compensated well for your contribution in the organization?
 1. Yes
 2. No
9. If your answer is No for Question no. 8 what do you think the reason for unsatisfactory compensation.
 1. The market value of your expertise
 2. The organization's compensation/reward system
 3. The funding level of your project
 4. Other (please explain)_____
10. In your view do you think MSH-Ethiopia compensation plan has influence on employee attitudes and behavior?
 1. Yes
 2. No
11. Do you think MSH-Ethiopia compensation plan has influence on employee performance?
 1. Yes
 2. No
12. Do you think there is uniform compensation application between similar job levels in different projects?
 1. Yes
 2. No

22. How would you rate your supervisor at giving specific and timely praise and recognition for job well-done?
 1. Excellent
 2. Very Good
 3. Good
 4. Satisfactory
 5. Poor
 6. Very poor

23. How do you place rewards as a basis to performing your best?
 1. Very high
 2. High
 3. Average
 4. Low
 5. Very Low

24. Which reward is more important for you to be motivated
 1. Financial rewards
 2. Non-financial rewards
 3. Both

25. Is the level of your performance affected by the type of reward you get?
 1. Yes
 2. No
 3. Sometimes/to some extent

26. Would you perform better if you were given more financial incentives?
 1. Yes
 2. No
 3. Not sure

27. Would you perform better if you were given more non-financial incentives?
 1. Yes
 2. No
 3. Not sure

28. Express your level of agreement with the statements below focusing on different non-financial rewards in MSH and their effect on performance

| No. | Questions | Strongly Agree | Agree | Neutral | Strongly Disagree | Disagree |
|-----|---|----------------|-------|---------|-------------------|----------|
| 1 | A personal verbal “thank you” or “good job” from your supervisor motivates you and makes perform better | | | | | |
| 2. | Special recognition payment will motivate you to perform better. | | | | | |
| 3 | Receiving formal written recognition from your supervisor for your work makes you perform better at your work | | | | | |
| 4 | Appreciation from a manager in front of your colleagues makes you feel valued affecting my performance | | | | | |
| 5 | Special lunch or dinner with your supervisor motivates you to perform better | | | | | |
| 6 | When I’m recognized by my peers, it makes me perform better in the future | | | | | |
| 7 | Recognition on a team or department event boosts your moral and encourages you to perform better | | | | | |

29. Which types of compensation/rewards have you received while you are working in MSH?

1=Never 2=Rarely 3=Sometimes 4=Mostly 5=Always

| No. | Types of Performance based Rewards | 1 | 2 | 3 | 4 | 5 |
|-----|---|---|---|---|---|---|
| 1. | Salary Increase with job level increase | | | | | |
| 2 | Thank you award | | | | | |
| 3 | President’s award | | | | | |
| 4 | Technical innovation award | | | | | |
| 5 | Entrepreneurship award | | | | | |
| 6 | Tao of leadership award | | | | | |
| 6 | One MSH award | | | | | |
| 7 | Special recognition payment | | | | | |
| 8 | Merit increase | | | | | |

30. Out the types of rewards given by MSH that are listed above, which one do you find most motivating: (More than one answer is possible)

31. Express your level of agreement with the below statements which focuses on base for giving an award

| No. | Basis for Awards | Strongly Agree | Agree | Neutral | Strongly Disagree | Disagree |
|-----|--|----------------|-------|---------|-------------------|----------|
| 1 | Rewarded should be given based on individual annual performance appraisal | | | | | |
| 2 | Reward should be given based on team performance | | | | | |
| 3 | Reward should be given based on achievement of organizational goals | | | | | |
| 4 | Reward should be given based on securing new donor funding | | | | | |
| 5 | Reward such as bonus should be given to all employee at least once a year | | | | | |
| 6 | Reward should be given based on an individual specific tasked accomplished even if it is a praise or thank you | | | | | |

32. Express your level of agreement with the below statements which focuses on the bottlenecks in the area of reward programs in MSH Ethiopia

| No. | Bottlenecks in the Reward Programs | Strongly Agree | Agree | Neutral | Strongly Disagree | Disagree |
|-----|---|----------------|-------|---------|-------------------|----------|
| 1 | You know the formal reward and recognition types and program of MSH | | | | | |
| 2 | Your supervisor knows the formal reward and recognition types and policy of MSH | | | | | |
| 3 | The MSH reward policy and procedures are clear and disseminated to all employees | | | | | |
| 4 | Your supervisor implements the formal reward and recognition policy of MSH | | | | | |
| 5 | Your supervisor uses informal reward or recognition like praise and thank you | | | | | |
| 6 | The formal reward and recognition package of MSH is efficiently used by supervisors | | | | | |
| 7 | HR should make sure that supervisors or managers effectively rewards and recognizes employees for their performance | | | | | |

| | | | | | | |
|----|---|--|--|--|--|--|
| 8 | The reward package used by MSH Ethiopia is the same as all MSH Offices all over the world; it should be contextualized to the local context as it is difficult to apply the requirements in Ethiopia. | | | | | |
| 9 | Evaluation for a reward should be done at the country level | | | | | |
| 10 | Evaluation for a reward should be done at the international level | | | | | |

Part IV - The following questions should be answered in your own opinion using the space provided.

33. What do you think is the bottle neck for a better reward program at MSH Ethiopia?

34. What could be done better on the policy or implementation of reward in MSH Ethiopia?

35. Finally, is there anything that you would wish to add?

Thank You

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Tesfaye Wolde. All sources of 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 institutions for the purpose of earning any degree.

Name

Signature

St. Mary's University, Addis Ababa, May, 2017

ENDORSEMENT

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

Dr. Tesfaye Wolde

Advisor

Signature

St. Mary's University, Addis Ababa, May 2017