



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

**EMPLOYEES' PERCEPTION TOWARDS COMPENSATION
AND BENEFIT SCHEME AT MANAGEMENT SCIENCE FOR
HEALTH, INC.**

**BY
BELACHEW HAILEMICHAEL ABETU**

**FEBRUARY 2013
ADDIS ABABA, ETHIOPIA**

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**ST. MARY'S UNIVERSITY COLLEGE
SCHOOL OF GRADUATE STUDIES
FACULTY OF BUSINESS**

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ENDORSEMENT

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

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February 2013

LIST OF ACRONOYMS

HIV/AIDS-- Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome

MSH--Management Sciences for Health, Inc.

NGO--Non-government Organization

TB--Tuberculosis

USAID--United States Agency for International Aid.

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ABSTRACT

The focus of this research is on employee perception of the compensation and benefit scheme of Management Sciences for Health. Management Sciences for Health is an international non-governmental organization with offices in different parts of the world. The scope of this research is however limited to the organization's office in Ethiopia. A questionnaire was distributed to 150 employees of Management Sciences for Health (MSH) stationed in Addis Ababa and response from 120 employees was received. Data was collected using a questionnaire and the data analysis was done using descriptive statistics; number, percentage, and mean rating were used to present the perception of the respondents. Finding showed that the majority of the respondents disagree or strongly disagree with majority of the issues raised. The respondents strongly feel that the compensation and benefit scheme of MSH is not equitable with other similar NGOs, it is not fair, and it does not help to attract and retain competent staff. It is recommended that MSH has to review and revise its compensation and benefit policy to attract and retain competent employees.

CHAPTER ONE

INTRODUCTION

1.1 Background

Management Sciences for Health, Inc. is a US-based non-for-profit non-governmental organization incorporated in the United States of America, state of Massachusetts. According to the Management Sciences for Health's (Hereafter referred to as MSH) official website (www.msh.org) MSH was founded in 1971 by Dr. Ronald O'Connor, who was deeply inspired by the examples of Dr. Noboru Imamura, a Japanese physician with whom Dr. O'Connor—then a young medical student—worked in Nepal. This inspirational Japanese was the only survivor of his high school class from the bomb dropped at Hiroshima. MSH continues to build on Dr. Imamura's inspiration with values of integrity, excellence, vitality, collaboration and empowerment.

Currently, MSH has over 2300 employees from more than 80 nationalities working in 35 locations around the world with the mission to:

Save lives and improve the health of the world's poorest and most vulnerable people by closing the gap between knowledge and action in public health. Together with its partners, MSH is helping managers and leaders in developing countries to create stronger management systems that improve health services for the greatest health impact (www.msh.org/about us).

MSH opened its Ethiopian office in June 2004 with one project and less than 10 employees and gradually developed into multi-project concern. Currently, MSH has seven projects with 405 employees between them. In Ethiopia, MSH works mainly on HIV/AIDS, TB, pharmaceuticals management, drug supply chain management and health leadership and management, and thus, most of its employees are health- professionals mostly medical doctors, pharmacists and health officers and of course, a substantial number of support staff.

The main funder of MSH is the United States Government, through the United States Agency for International Development (USAID), thus, MSH is required to follow the

rules and policies laid by the government of United States. On the other hand, MSH has also to comply with local laws of the country that it is operating. In the Ethiopian case, MSH/Ethiopia has to abide by the labor law of the country as well as regulations and Proclamations issued by government bodies, such as tax laws, regulations by the Charity and Civil Societies Agency, etc.

It is generally acknowledged that compensation is one of the physical needs that influence motivation, which in turn affect the performance of the employee. Compensation has a big effect in attracting and retaining the best talent in the market.

According to Sherman, as cited by Prasetya and Kato (2011), the general purpose of compensation covers:

- 1) Respecting Employees' performance
- 2) Maintaining a competitive labor market conditions
- 3) Maintain justice employee salaries
- 4) Motivating employee performance
- 5) Maintaining budget
- 6) Reduce employee turnover.

When employees are motivated, it is possible to achieve strategic goals for the organization. When the compensation scheme is based on positions or skills that are relevant to the job-classification, an organization will have a better chance to attract, motivate, and retain employees.

Compensation or rewards is of two types: Financial and Non-Financial. Financial compensation is direct compensation such as salary, wages, commissions and bonuses and indirect financial compensation such as insurance, paid vacation, medical care. Non-financial compensation includes recognition, flexible working hours, chances for promotion, and job satisfaction. In order to effectively use these reward schemes however, organizations must clearly know what employees need. As Parthazarathy and Raju (2009) stated:

A worker is basically a human being. He is a person first and then only a worker. Every manager has to understand that a worker cannot be considered a mechanical system. A worker has to be inspired and actuated to accomplish the objectives of an organization. An order issued may not work, but an order accepted will be executed. To accept an order and to execute it with interest and vigor requires an element of actuating or motivating. (p. 152)

Organizations should also clearly understand what motivates employees: As Luthans (2002) stated:

Motivation is a process that starts with a physiological and psychological deficiency or need that activates a behavior or a drive that is aimed at a goal or incentive. Thus, the key to understanding the process of motivation lies in the meaning of, and relationships among needs, drives and incentives (p.249)

Motivation results in creating a favorable work environment within an organization. It adds to the worker the will to work along with the ability to work. Motivation will act as an activator and energizer by directing the behavior of persons towards the accomplishment of goals. (Parthazarathy and Raju, 2009).

Workers should be persuaded, inspired and motivated for contributing their best efforts in achieving the objectives of the organization. To motivate people effectively, managers should prepare certain plans. There are various plans, strategies or theories of motivation and there are different theories of motivation based on content and process.

1.2 Statement of the problem

Researchers and practitioners have been interested in finding out the causes of human behavior. The behavioral scientists want to find out why people behave the way they do. It is assumed that most people are motivated primarily by economic rewards and emphasize the role of compensation and other incentives for increase in productivity. The behavioral approach claim better physical environment and increased economic benefit in themselves were not sufficient motivators in increasing productivity and shifted to psychological and social forces. Argument is going on among practitioners whether man is entirely a social man or an economic man (Chandan, 1995)

Remuneration is one of the most important factors potential job applicants consider when selecting alternative employment opportunities and the amount of total compensation received by employees relative to other opportunities they may have, has a clear effect on attraction and retention (Gomez-Mejia and Balkin, 1992 as cited by Dulebohn and Martocchio, 1998). Attracting and retaining competent employees are becoming a big concern for many organizations like MSH.

The issue of remuneration is of particular importance to Management Sciences for Health, since it is competing with other similar Non-Governmental Organizations (NGOs) to attract the best talents available in the local market. This competition led to a practice by the Human Resource Department to negotiate initial salary with the potential candidate. This approach leads to discrepancies of salary between similar positions since a candidate with a strong negotiating skill or with a better “salary-history” can end up getting a better salary than the rest. One big problem in MSH is therefore, this disparity in pay between similar positions, disparity between “Technical” and “Support” staff although they are of the same educational level which may ultimately de-motivate employees and be a cause of high employee turnover.

1.3 Research Questions

This research is guided by the following questions:

- What is the perception of employees towards compensation and benefit policy of MSH?
- Does MSH update and revise its benefit policy periodically?
- Is the compensation and benefit scheme of MSH adequate, fair, and equitable?

1.4 Objective of the Study

The objective of this study is to know the perception of employees towards the compensation and benefits schemes of Management sciences of health; and based on the assessment and

research findings, suggest ways and means to improve the compensation and benefits policy of the organization.

This study specifically tries to:

- Identify if there are discrepancies of salary between similar positions and suggest means of avoiding these discrepancies.
- Identify if the compensation and benefit is adequate and equitable and submit recommendations to solve the problem.

1.5 Significance of the Study

The result of this study will greatly help the management of the organization to have another look at its compensation and benefit scheme. It will present an alternative approach to the current reward system of MSH. Finally, as the objective of any reward system is to attract and retain the best talent in the market, the outcome of this study may help MSH/Ethiopia to be in a better position to compete and win well talented employees from the market.

1.6 Scope of the Study

This research will only focus on Management Sciences of Health/Ethiopia office although in-house documents of Corporate MSH will be used as source of data. As stated above, only employees of MSH/Ethiopia were participating since it is their opinions and suggestions that will be relevant to the objectives of the study. Since MSH/Ethiopia's activities significantly increased and the number of employees likewise increased since 2007, the research focused on the organization's activities for the period 2007 – 2012.

1.7 Limitations

This research has the following limitations:

- a) Since it is the policy of MSH, it was not possible to include the salary range of employees and compare the discrepancies between similar positions.
- b) It was not possible to get enough data from other NGOs regarding their compensation and benefit policies since they also are not willing to divulge their policies.

- c) Questionnaires were not distributed to MSH employees stationed at various regions since using e-mail would reveal the identity of the respondents and they would not be willing to identify their identity.

1.8 Organization of the Research Report

This research paper was organized in the following way:

- Chapter one is the introduction of the research. It deals with background history of MSH and explains the statement of the problem, the research questions, and significance of the research.
- Chapter two is the chapter that deals with literature review. Theories and researches pertinent to this paper are explained in great detail.
- In chapter three, the research design and methodology is explained in detail
- The collected data are explained, summarized and analyzed on chapter four.
- Finally, the summary of findings, the conclusions drawn from the findings and the recommendations based on the findings are stated in chapter five.

CHAPTER TWO

LITERATURE REVIEW

This chapter will describe and explain the concepts and theories that are relevant in the field of remuneration and motivation necessary to facilitate a comprehensive analysis and understanding of the research question .It may be useful to conceptualize the term financial motivation and what its concepts are. A broader definition of motivation will be introduced.

2.1 Remuneration

Compensation is a financial remuneration given by an organization to its employees in exchange for their work (Griffin, 2012). The compensation scheme has to be such that it will be attractive to attract and retain competent workforce. Today's competitive conditions make it more difficult for organizations to acquire and retain experienced and productive talent. Thus, finding, motivating, developing, and keeping employees has become a strategic function of the human resource departments of most organization. As human resource is now considered as a major investment of an organization, the process of hiring and maintaining the workforce is looked upon as the part of the overall strategy of the organization and the human resource department is looked upon to continuously answer the following questions (Chingos, 2002).

- How can we attract and retain the *right* people?
- How do we motivate and develop employees?
- Do we know what skills, knowledge, experience, and behaviors we actually reward?
- How do we pay for performance?
- Are pay, benefits, and career investments aligned with each other—and with our business strategy?
- How do we measure the return on our investment in people?

Chingos (2002) argues that to attract and retain the right people, applying the right mix of pay, benefits and carrier is important. Some human resource executives believe that offering salary and benefits above the market rate can actually retain employees and reduce the turnover; however, this is not usually true. Chingos mentioned the example of TechCo. This company, which is a high-tec firm that relies on technology professionals, developed a pay package, including a widespread use of stock options, so as to attract the best talent in the market. However this strategy failed because TechCo was "...rewarding autonomy and innovation, whereas its business model required speed, consistency and efficiency." (Chingos, 2002, p. 341) TechCo was attracting the wrong people because manipulating existing technology was not motivating to the kind of people hired thus the turnover increased.

Chingos' reward mix can be summarized in the following table:

PAY	BENEFITS	CAREER
Base Pay	Retirement	Skills enhancement/training/development
Overtime Pay	Health	Career advancement/promotion
Short-term incentives	Paid time-off	Employment stability
Other lump sums	Income protection	Nature of work
Cash profit sharing	Death benefits	
Long-term incentives <ul style="list-style-type: none"> ■ Performance plans ■ Equity 	Work/life programs	
	Other human resource policies	

Compensation is an important and complex part of the organization-employee relationship. Compensation to an employee should be such that it is enough to provide and cover the basic necessities of an employee and help him maintain a reasonable standard of living. As Griffin (2012) noted, if employees don't earn enough to meet their basic economic needs, they will look employment elsewhere. On the other hand, if employees believe that their contributions to the

organization is under-valued (i.e., if they feel that they are not paid according to their performance) they may leave the organization or if they choose to stay (due to lack of alternatives, for example) they may show poor performance, low morale, or little commitment to the organization. Thus, organizations must develop a good and acceptable remuneration/compensation scheme.

Financial compensation (money) may mean different things to different people, but as Luthans (2002) noted, money has long been viewed as a reward, and for most people, it is the most important thing that an organization can give them. Not only is money a motivator, but, as Luthans observed, the more money some people get, the more have they wanted. Once people satisfy their basic economic need, they look ahead to achieve their need that was once beyond their reach. On the other hand, if an organization reduces its pay, morale of employees may suffer. “Simply put, morale is fragile, and when employees feel there are not being treated well, this can impact on their performance and hurt the bottom line.” (Luthans, 2002, p.263)

2.2 Reward Management

Following up, appraising and rewarding employees’ performance is the function of the Human Resource Department of any organization such as Management Sciences for Health, Inc. This function, generally termed as “reward management”, is defined by Armstrong and Murlis (1998) as “... the development, implementation, maintenance, communication and evaluation of the reward process.” (p. 112) Reward management relates to the total reward process, which includes the financial reward processes, performance management processes, and non-financial reward processes.

The basis of managing rewards is primarily related to managing the expectations of employees as well as the expectations of employers. Employees expect to be remunerated for their contribution, while employers expect employees to contribute meaningfully in return. The relationship between employers and employees can be broadly characterized as being either transactional or relational in form. Transactional contracts tend to be well described in terms of what is expected by both parties and are typically expressed in the form of an employment contract. Relational contracts on the other hand tend to be less well described and are described as a psychological contract or implied contract between the parties (Armstrong & Murlis, 1998).

The significance of the psychological contract concerning reward management, and in particular payment-for-performance plans, relates to defining and meeting expectations concerning pay, performance and the development of skills. The psychological contract can be further described as the combination of beliefs that an individual and employer have about one another and what they expect of one another (Armstrong & Murlis, 1998).

Armstrong and Murlis, citing Schein, suggested that the extent to which people work effectively and are committed to the organization depends on two factors:

- Their expectations of what the organization will provide them, and what they owe the organization in comparison to the expectations of the organization in terms of what they will give the individual and what they will get in return, and
- The type of reward that is exchanged for the work and effort provided (Armstrong & Murlis, 1998).

Pay-for-Performance

According to Armstrong and Murlis (1998), the rationale for using incentives based on performance relate to three basic reasons:

- **Motivation**, which relates to paying individuals based on performance and the fact that this motivates them to achieve higher levels of performance.
- **Message**, which relates to the message or indication that the organization regards performance, competence or skill as important, and
- **Equity**, which refers to the fact that the organization regards it reasonable that pay should be related to performance, contribution, competence and skill and that the assessment thereof is undertaken in fair and equitable manner.

Financial rewards can only motivate performance if:

- Employees are clearly told what targets are required to be met in order to be rewarded
- The reward is closely linked to the employee's effort
- The assessment is fair and consistent
- The rewards are meaningful and closely follow performance.

- Employees are able to clearly see the link between what they do and the reward that they will get for doing it (Armstrong and Murlis, 1998).

The overall objectives of pay-for-performance are to provide incentives and rewards which will improve the performance of individuals and subsequently improve the performance of the organization (Armstrong & Murlis, 1998).

According to Lawler (1989), incentives payments based on performance are designed to motivate employees, ensure retention of good employees, encourage innovation, and focus the attention of employees in aligning themselves to the organization's objectives (Rost & Osterioh, 2009) substantiate and further elaborate that pay-for-performance incentives are intended to compensate staff for their individual actions, and meet specific performance objectives, and to motivate them to continue doing so.

There seem to be disagreement among researchers however, regarding the effectiveness of pay-for-performance on employees. Some studies indicate that pay-for-performance result in producing good results and other studies indicate pay-for-performance producing poor results. Armstrong and Murlis (1998) also question the effectiveness of money as a motivator, but argue that it is fair to pay people what they are worth.

Types of pay-for-performance remunerations

Rewards are either fixed or variable. Fixed rewards are in the form of salary and variable rewards are in the form or bonus and other incentives (Chapman & Kelliher, 2011).

Variable remuneration is considered to be beneficial to employees through providing higher compensation if the desired behavior is displayed and objectives are achieved by translating business strategy into tangible goals (De Swardt, 2006). Increasing the ratio of variable remuneration to fixed remuneration is considered to add flexibility to the organization by placing the organization in a better position to pay higher remuneration when the organization performs better. Likewise, variable remuneration provides the organization the opportunity of paying lower remuneration when the organization performs poorly.

The following are the different types of pay-for-performance remuneration categories.

■ **Merit pay (annual merit raise)**

Merit pay normally applies to the fixed component of a remuneration plan. Typically, merit pay is based on the individual performance of employees, and is often determined by performance appraisals undertaken by supervisors. Merit pay is differentiated from bonuses and long-term incentives in that the increase in merit pay is permanent, whereas the others are considered to be once-off payments (Park & Sturman, 2009). As merit pay has significant influence on lifetime earnings, the estimated link between pay and performance is usually higher as this is typically reflected as guaranteed long-term pay (Gerhard et al., 1992). Although merit pay is the most popular method of motivating employees to achieve improved performance, there are some who believe that merit pay is problematic because of the perceived ineffectiveness in producing the desired outcomes (Salimaki & Jamsen, 2010). This may be due to the perceived implementation problems with a performance-based system. These problems relate to the subjective nature of appraisals, the bias that may be apparent within such systems, the difficulty in linking merit pay to an employee's actual performance, available funding, and appropriate feedback mechanisms (Park & Sturman, 2009).

■ **Bonus Pay**

Bonus pay is normally referred to as a monetary reward that is given to employees, firstly when the organization can afford to pay, and secondly in recognition of some or other goal or achievement (park & Sturman, 2009). Bonus pay has to be earned every year and is normally in addition to an employee's fixed remuneration. It is not guaranteed, and does not contribute to the long term fixed cost of the organization as merit pay would. Under a pay-for-performance bonus plan, an employee is typically compensated for achievement of a predetermined target, stated performance criteria, or a predetermined threshold (Rost & Osterioh, 2009). It is suggested that although there is an increased performance through motivation to achieve desired targets, there is a negative effect with regards to employee-employer relationship and long term commitment as employees tend to be only interested in achieving the next bonus or target (Gerhart et al., 1992).

■ Long-Term Incentives

Long-term incentives are a form of remuneration that link an organization's long-term growth to the performance of an individual, and may be utilized to attract highly motivated and entrepreneurial employees. Long-term incentives have also been used to promote employee retention as long-term incentives are typically structured to benefit those that remain with the organization for a longer period of time. These long-term incentives normally take the form of equity based remuneration, which is very common in executive remuneration contracts. The intention of long-term incentives is to motivate employees to act in the best interests of the organization and positively link individual's performance to organizational performance. Although long-term incentives have become more common in recent times, research has found that employees generally underestimate the value of these types of benefits as they tend to be intangible to a large degree (Gerhart et al., 1992).

Problems with pay-for-performance

It has been suggested that effective remuneration plans should consider the targets against which employees are being measured, the fact that employees must be able to influence the achievement of the target, that potential rewards should be significantly higher than the median, and there should be a choice of reward type such as cash, shares or additional benefits. Rose & Osterloh (2009) find that pay-for-performance does not provide the solutions to its intended goals, especially in the case of executives, where pay-for-performance has counterproductive effects. They argue that apart from the empirical findings that support their view, Agency Theory has been incorrectly applied in many instances. The incorrect application relates to the crowding of effect of intrinsic motivation, and the counterproductive effects of pay-for-performance which are reinforced by self-selection, the influence of remuneration consultants, and budget manipulation. Further, Armstrong & Murlis (1998) have suggested that undue focus on tasks that will reward performance result in the neglect of others such as quality, and too much emphasis on individual performance results in teamwork suffering.

Successful pay-for-performance plans

Research by De Swardt (2006) and others indicates that in order for pay-for-performance plans to be successful:

- It is necessary to create a performance culture within the organization.
- Organizations must make certain that employees can influence performance metrics and the distribution of rewards, and
- There must be a minimum level of instrumentality, congruency and performance that must be implemented for variable remuneration to influence the outcome of a remuneration scheme.

Gerhart et al., (1992) substantiates this and found that communication and employee participation in the pay-for-performance plan is critical to the successful implementation of such plans. The importance of pay, the accompanying processes, and the communication of that informant to employees may have a significant effect on attitude and behavior.

2.3 Different Theories on Motivation

Motivation is the drive to satisfy a want or goal, and satisfaction is experienced when the outcome has been achieved. A person might have high job satisfaction, but a low level of motivation for the job, or the reverse (Parthazarathy & Raju, 2009). Motivated people will develop confidence in their work and increase their efficiency. Motivated people will function with a sense of responsibility and commitment to the organization which naturally results in low rate of employee turnover and absenteeism (Parthazarathy & Raju, 2009).

A) PROCESS PERSPECTIVES

Process perspectives are concerned with how motivation occurs. Rather than attempting to identify motivational stimuli, process perspectives focus on why people choose certain behavioral options to satisfy their needs and how they evaluate their satisfaction after they have attained those goals (Griffin, 2012).

Griffin described the three process perspectives as follows (Griffin, 2012).

- 1) **Expectancy Theory:** Expectancy theory suggests that motivation depends on two things – how much we want something and how likely we think we are to get it.

Expectancy theory rests on four basic assumptions. First, it assumes that behavior is determined by a combination of forces in the individual and in the environment. The second assumption is that people make decisions about their own behavior. The third assumption of the theory is that different people have different types of needs, desires, and goals. Fourth, it assumes that people make choices from among alternative plans of behavior, based on their perceptions of the extent to which a given behavior will lead to desired outcomes.

This theory basically assumes that motivation leads to efforts and efforts in turn, combined with individual ability and the work environment, will result in performance. Performance in turn results in various outcomes that have values.

Porter and Lawler added an extension to the expectancy theory. They suggested that there is a relation between performance and satisfaction that goes in the opposite direction—high performance leads to high satisfaction. Performance results rewards to individuals who are extrinsic (such as pay and promotion) and intrinsic (such as self-esteem and accomplishment). The individual evaluates the equity, or fairness, of the rewards relative to the effort expended and the level of performance attained. If the rewards are perceived to be equitable, the individual is satisfied.

- 2) **Equity Theory:** This theory contends that people are motivated to seek social equity in the rewards they receive for their performance. Equity is an individual's belief that the treatment he or she is receiving is fair relative to the treatment received by others. According to equity theory, outcomes from a job include pay, recognition, promotion, social relationships, and intrinsic rewards. To get these rewards, the individual makes inputs to the job, such as time, experience, effort, education, and loyalty. The theory suggests that people view their outcomes and inputs as a ratio and then compare it to someone else's ratio.

- 3) **Goal-Setting Theory:** The goal-setting theory of motivation assumes that behavior is a result of conscious goals and intentions. Therefore, by setting goals for people in the organization, a manager should be able to influence their behavior. Given this premise, the challenge is to develop a thorough understanding of the processes by which people set goals and then work to reach them.

Two specific goal characteristics, goal-difficulty and goal-specificity, were expected to shape performance.

Goal difficulty is the extent to which a goal is challenging and requires effort. If people work to achieve goals, it is reasonable to assume that they will work harder to achieve more difficult goals. But a goal must not be so difficult that it is unattainable.

Goal Specificity is the clarity and precision of the goal. A goal of “increasing productivity” is not very specific; a goal of “increasing productivity by 3 percent in the next six months” is quite specific.

B) NEED THEORIES

1) Murray’s Manifest and Latent Needs

One of the early investigators of human needs was Henry Murray, who wrote about manifest and latent need categories. To Murray, a manifest need is a desire that has been activated by a stimulus or cue. Latent needs are those desires that lay dormant as a result of lack of stimulation by the environment. Latent needs can become manifest needs at any moment, however, if factors in the environment arouse them (Harris & Hartman, 2002).

2) Maslow’s Hierarchy of Needs

Human needs can be classified into (a) basic physiological needs or primary needs and (b) social and psychological needs or secondary needs. Abraham Maslow states that individuals have these needs and they are motivated to satisfy these unsatisfied needs. If they are satisfied, they do not motivate individual behavior (Parthazarathy & Raju, 2009). According to Maslow, individual needs are arranged in a hierarchy from the lower-level physiological needs to the higher needs for self-actualization and he believed that once one level of need is satisfied, it no longer motivate people and the next level of need has to be activated as a motivator.

Luthans (2002) and Parthazarathy & Raju (2009) briefly explained Maslow's hierarchy of needs as follows:

- a) **Physiological Needs:** Basic physiological needs are the primary needs of an individual. The survival of an individual depends upon the satisfaction of these needs, namely, food, clothing, shelter, water, etc. Organizations can help satisfy their employees' needs by providing reasonably good salary, benefits and work conditions. Once these needs are satisfied, the individual will get an idea about the higher level needs.
- b) **Safety and Security Needs:** These needs are considered immediately after satisfying the physiological needs of individuals. Organizations can satisfy their employees' safety needs by providing job security, secured flow of income, provision of insurance, pension, and safe working conditions. Once this level of need is fulfilled, the individual will aspire for the next higher need.
- c) **Social Needs:** Once basic needs and safety needs are satisfied, social needs become important. These needs are love and affection, friendship, etc.
- d) **Esteem Needs:** Also known as ego needs or status needs, develop a concern for getting recognition, status, importance and respect from others. These needs are independence, achievement, competence, skill, knowledge, initiative and success. A very good organizational climate and more opportunity for development, responsibility, praise and promotion can play a vital role in satisfying esteem needs.
- e) **Self-Actualization (Self-Fulfillment) Needs:** This is the highest level of need. It involves realizing one's potentialities, capabilities for continued self-development and self-fulfillment. It is a personal achievement and such challenges and achievement provide more satisfaction to a person.

3) Alderfer's ERG Needs

Clayton Alderfer took Maslow's concept and modified it in some ways. First, he condensed the type of needs into three categories:

- a) **The Existence Need (E)** consists of Maslow's physiological and security needs.

b) **Relatedness Needs (R)** which were mostly love needs and esteem needs proposed by Maslow.

c) **Growth Needs (G)** is composed of self-esteem needs self-actualization needs. Alderfer's ERG approach departs from Maslow by hypothesizing that while the fulfillment of lower-level needs may cause an individual to seek for higher-level needs, lack of fulfillment of higher-level needs will cause a lower need (relatedness) to be sought to a fuller degree. The hierarchy not only works upward, but also progresses downward when circumstances cause this to happen (Harris & Hartman, 2002).

4) Herzberg's Two-Factor Theory of Motivation

Frederick Herzberg and his associates conducted a research and developed the two-factor theory based on the results of this research. These two factors are **hygiene factors** and **motivational factors**. The job satisfiers were labeled as motivators and the dissatisfiers as hygiene factors. The term hygiene refers to factors that are preventive and thus, the hygiene factors are those that prevent dissatisfaction. These hygiene factors prevent dissatisfaction, but they don't lead to satisfaction. The hygiene factors don't motivate by themselves, only motivators motivate employees on the job (Luthans, 2002).

Herzberg's two factor theory as summarized by Luthans (2002) is shown in the following table

Hygiene Factors	Motivators
■ Company policy and Administration	■ Achievement
■ Supervision, technical	■ Recognition
■ Salary	■ Work itself
■ Interpersonal relations, supervisor	■ Responsibility
■ Working conditions	■ Advancement

5) McClelland's three-need theory:

David C. McClelland developed further needs, namely, the need for achievement, the need for power, and the need for affiliation. His observation is that businessmen, particularly the entrepreneur managers, have more achievement motivation than other groups in society. People with high affiliation needs give more value to interpersonal relationships and are sensitive to other people's feelings. They want to be liked by others and they manifest this by joining clubs and associations to seek company. On the other hand, people with a strong power need will seek to dominate, influence or control others. McClelland concludes that the need for achievement is one of the key factors of economic growth (Parthazarathy & Raju, 2009).

Griffin (2012) described these three needs in some details:

- **Need for achievement:** is the desire to accomplish a goal or task more effectively than in the past. People with a high need for achievement have a desire to assume personal responsibility, a tendency to set moderately difficult goals, a desire for specific and immediate feedback, and a preoccupation with their task.
- **Need for affiliation:** is a desire for human companionship and acceptance. People with a strong need for affiliation are likely to prefer a job that entails a lot of social interaction and offers opportunities to make friends.
- **Need for power:** is the desire to be influential in a group and to control one's environment. People with a strong need for power are likely to be superior performers, they have good attendance records, and they occupy supervisory positions.

6) Vroom's Expectancy Theory

Vroom, while attacking Herzberg's two-factor theory, offered an expectancy approach to the understanding of motivation. His theory explains three concepts of valence, instrumentality, and expectancy. **Valence** represents the value or significance of an outcome for a person, e.g. increased salaries, promotion. **Instrumentality** refers to the person's perception of the relationship between first-level outcomes. It is the extent to which a person will feel that performance is instrumental in getting him increased salaries

or promotions. **Expectancy** refers to the extent to which such efforts will lead to the first-level outcome. Vroom's theory explains how the goals of individuals influence their efforts and that the behavior individuals select depends upon their assessment of the probability that the behavior will take with success towards the goal. Vroom emphasized the significance of individual perceptions and assessments of organizational behavior (Parthazarathy & Raju, 2009).

7) How to Fulfill Specific Individual Needs

Harris and Hartman (2002) gave the following suggestion on how organizations can fulfill their employees' needs.

- **Physical Maintenance Need:** This is the need for having basic needs such as food, water, shelter, etc. Organizations can satisfy/fulfill these needs by developing a pay scale that allows the lowest-level employee gets adequate salary that covers the basic needs of himself and his dependents.
- **The Need for Security:** is the need to feel safe, secure and protected from those elements around us that can harm us. It is difficult for organizations to conquer insecurity completely, but organizations can alleviate the economic insecurity by providing insurance, pension plan, health plans etc. A manager's trustworthy, fair and considerate action can also increase the feeling of security.
- **The Need for Affiliation:** Although people cannot be forced into social affiliation unless they want to, organizations can help by providing the opportunities to interact with others. Flexible workstations, group assignments, organization-wide picnics and social gatherings can help people to interact and socialize.
- **The Competence Need:** is the desire to feel adequate to perform the tasks and assignments expected of us. Supervisors can help their employees develop a feeling of competency by properly assessing the capabilities of each employee and then giving job assignments within the boundaries of each employee's ability. Organizations can also help by giving the necessary trainings and assistances that can develop employees' competence.
- **The Reputation Need:** Workers, like everyone else, seek recognition and praise when they have performed well. The simplest thing a supervisor can do to fulfill this need is to

identify and commend good performance whenever it is given. Promotion and salary increase based on merit is also another form of response to the individual's reputation need.

- **The Need for Power:** This is the need to control and influence others. The need for power can be fulfilled by organizations by giving more responsibility and delegation to employees. But, all those who have the need for power may not be capable of shouldering the responsibility assignment to them. Thus, managers should assess the capabilities of each individual before delegating their authority.
- **The Service Need:** It is the desire to give help to others. A genuinely service-oriented individual will be unhappy without opportunity to help others. People with this type of need are best suited in education and healthcare institutions where they can interact with many people and give their service to many people.
- **The Achievement Need:** It is the desire to accomplish a feat or task through the individual's efforts in the face of opposition and challenge. The achievement-oriented worker often can be identified by a willingness to assume responsibility and a desire to be innovative and to take risks. When managers discover this desire on the part of their employee, they can encourage the worker's initiative and provide him with the desired challenge through greater delegation of decision making duties.
- **The Need for Hope:** This need is the desire we all have to believe in the possibility that the future will bring better conditions and circumstances than what exists now. Since hope is an intangible state of mind, managers must first provide an environment in which optimism can exist. When workers are convinced that their supervisors are sincerely interested in the personal welfare of their employees, they more readily accept that improvement is a real possibility and they believe that their bosses act in their best interest.

2.4 Utilization of the Motivation Theories

While it is apparent that there are a number of different theoretical principles that can be, and have been, utilized in the development of remuneration and reward plans, there continues to be significant disagreement concerning which principles result in the optimal structure of remuneration as evidenced by the recent work of Chapman and Kelliher (2011). Chapman and

Kelleher's research indicates up to 34 different theories have been identified as having been used in remuneration research.

Park and Sturman (2009) argue that despite the abundance of pay-for-performance plans there are relatively few instances of research that have examined the potentially different effects that different forms of pay-for-performance incentives have on employee performance. One such instance is the investigation into the relationship between financial incentives and performance, which investigated the relationship between bonuses and fixed pay. The findings of the research indicate that bonuses appear to be awarded on a different basis across managerial levels, locations, and seniority levels, and differences in the sensitivity of performance levels to bonus pay appear to have a significant effect on future performance. Further it was found that in contrast to bonuses, merit pay does not follow the same basis and there would appear to be no significant effect on future performance (Park & Sturman, 2009)

2.5 Conclusion

In this chapter, various theories and empirical studies were discussed regarding motivation. In order to motivate its employees and bring the performance of workers to high level, it is the duty of the management of an organization to take these various theories in to consideration and apply them appropriately. Researchers such as Maslow and Porter have stated that employers should address the needs of the employees starting from the lower levels. In other words, employers should take into consideration the basic needs of the individual, since this is what would mostly motivate them to work harder. However, Herzberg states that satisfying the lower level needs of an individual such as the provision of food, shelter and security alone may not necessarily satisfy the individual; it is advised that both hygiene factors and motivation factors should be considered. Researchers have found out that employees are more motivated if they are challenged at work and they are provided with tasks that require more effort and more responsibility.

Since this researcher wanted to determine the factors that are considered to be the most effective and most important in motivating employees of Management Sciences of Health, a quantitative and qualitative research approach was adopted. A questionnaire was distributed to employees to

survey their perceptions towards the compensation and benefits scheme of MSH and the findings shall be discussed in the following chapters.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

The type of research that is undertaken is an “applied research” type. It was based mostly on the data collected from the organization’s archives, official website, literature review, questionnaire distributed to employees of the organization and from personal experience and observation, since the writer of this research is an employee of the organization.

3.2 Sample and Sampling Techniques

Since the study is concerned with MSH/Ethiopia, the participants of the study were solely employees of this organization. Questionnaires were sent to 150 randomly selected employees and since the total number of MSH employees is 405, this sample represents 37% of the total population. The selection was in such a way as to cover all job categories, gender, education and age of the employees. This researcher has received permission from MSH/Ethiopia to undertake this research, thus the questionnaires and other data collection process were done with full knowledge of the management.

3.3 Source and Tools of Data Collection

The source of data for this research was collected primarily from questionnaires distributed to MSH employees and through an interview with the Human Resource Manager of the organization. A questionnaire was prepared in such a way as to capture the opinions, suggestions and perceptions of the employees regarding the remuneration system of the organization and other incentives. The secondary source of data was the official documents of the organization and books and articles written on the subject.

3.4 Procedures of Data Collection

As explained above, a questionnaire was used to gather opinions of the employees. It was written in English since all were conversant with the language. The data was collected from employees stationed in Addis Ababa only since it was logistically difficult to collect the hard copy from staffs stationed in the regions.

3.5 Methods of Data Analysis

Since the data collected was of a qualitative nature, descriptive statistical method such as percentages was used to give a condensed picture of the data.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the data collected and its analysis and interpretation. It also summarizes the demographic profile of the respondents to the questionnaire distributed and the response rate; the perception of employees is analyzed based on the gender, age, educational qualification and job category.

The data was collected through questionnaire distributed to employees of Management Sciences for Health stationed in Addis Ababa. An interview was also conducted with the Human Resources Manager of the organization.

MSH is an international NGO working on health problems in different parts of the world under a contract from, mostly, the United States Agency for International Aid (USAID). In Ethiopia, MSH works on HIV/AIDS, malaria, tuberculosis (TB), drug supply chain management, and other health activities. To effectively accomplish its tasks, MSH has seven projects with 405 employees out of whom 218 or 54% are assigned in Addis Ababa and the rest are in almost all parts of the country. Due to the nature of the activities that MSH is dealing with, most of the employees are health professionals such as medical doctors, public health professionals, pharmacists and laboratory technicians. As can be seen from table 1 below, most of the employees (69%) have an education level of first degree and above.

Table 1: profile of MSH/Ethiopia's employees

	Male	%	Female	%	Total	%
Third Degree	25	100%	0	0%	25	6%
Second Degree	79	85%	14	15%	93	23%
First Degree	124	76%	40	24%	164	40%
Diploma & High School	89	75%	29	25%	118	29%
Elementary School	3	60%	2	40%	5	2%
Total	320	79%	85	21%	405	100%

Source: Human Resource
Unit of MSH/Ethiopia

4.2 Data Analysis

In order to measure and understand the perception of employees towards the current compensation and benefit policy of MSH, a structured questionnaire was distributed to 150 employees in Addis Ababa covering all sectors and educational level of the population. Out of these, 120 or 80% responded. According to Sekaran (2001), a response rate of 30% is acceptable for most studies and the response rate for this study (80%) is an acceptable rate.

Table 2 shows the composition of the respondents by level of education, age and gender.

Table 2: Respondents by gender, job category, education and age

Characteristics	number	%
Gender (n=120)		
Male	78	65%
Female	42	35%
Education (n=120)		
Third degree	8	7%
Second degree	28	23%
First degree	52	43%
Diploma & high school	30	25%
Elementary school	2	2%
Job category		
Technical	70	58%
Administrative	50	42%
Age (n=120)		
21-30	37	31%
31-40	60	50%
41-50	12	10%
51-60	8	7%
Above 60	3	2%

As can be seen from table 2, from the 120 respondents to the questionnaire distributed, 78 or 65% are male and 42 (35%) are female. The great majority, 88 respondents (73%), possess first degree or above while 27% are diploma holders or below. Age wise, the majority of the respondents, 97 or 81% are of the age of 40 or below. 58% of the respondents are technical staffs while 42% are administrative/support staff. Based on the responses the items in the questionnaire were grouped in the Likerts scale into three categories, namely, effectiveness of compensation and benefits, administration and decision process of compensation and benefits, and employees' perception towards the overall compensation and benefit schemes of MSH. The questionnaire was designed using the Likert Scale and the responses were measured on a five point scale with 1= strongly agree; 2= agree; 3= no opinion; 4= disagree; and 5= strongly disagree

1) Employees' Perception of the Effectiveness of Compensation and Benefit Scheme

This category include 6 items from the questionnaire that capture employees perception towards compensation adequacy, its equitability and fairness, motivation and incentives, attraction and retention of employees and provision of opportunity to attain self-interest. These are summarized on table 3 below.

Table 3: Employee perception on effectiveness of the compensation & benefits

	1	2	3	4	5	
Items	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Mean rating
1. Adequacy of compensation & benefits (n=120)	20 (17%)	45 (38%)	10 (8%)	32 (27%)	13 (11%)	2.78
2. Equitability of the compensation (n=120)	15 (13%)	24 (20%)	6 (5%)	40 (33%)	35 (29%)	3.47
3. Fairness of the compensation scheme (n=120)	15 (13%)	22 (18%)	11 (9%)	42 (35%)	30 (25%)	3.42
4. Motivates for better performance (n=120)	20 (17%)	34 (28%)	7 (6%)	39 (33%)	20 (17%)	3.04
5. Attract and retain competent staff (n=120)	10 (8%)	20 (17%)	10 (8%)	60 (50%)	20 (17%)	3.50
6. Provide opportunity to attain self-interest	12 (10%)	20 (17%)	5 (4%)	60 (50%)	23 (19%)	4.22

Table 3 shows that 65 or 55% of the respondents agree or strongly agree that the compensation scheme of MSH is adequate to cover their cost of living, while 38% feel the scheme is inadequate. On the other hand, 62% of the respondents disagree that MSH's compensation scheme is competitive enough as compared with other NGOs while 33% agree that the scheme is equitable. 5% didn't give an opinion on this. 31% of respondents agree that the compensation and benefit scheme is fair enough while 60% disagree. 9% didn't give an opinion. 50% disagree that the scheme motivates them to perform better while 45% agree that the compensation scheme motivates for better performance. 6% didn't give an opinion on this issue. 67% disagree that the compensation scheme of MSH attracts and retains competent staff while only 25% agree that the compensation scheme is attractive. Finally, 69% of the respondents disagree that the compensation and benefits scheme provides them for an opportunity of self-interest such as buying homes, investing in stocks, etc. 27% agree that the scheme provides them for an opportunity of self-interest and 4% refrain from giving an opinion.

The mean rating for all six items in this category is well above 2 (agree) meaning that most respondents have unfavorable opinion.

2) Perception on the Decision and Administration of the Compensation and Benefit Scheme

Table 4 shows summary of employees' perception towards the decision and administration of the compensation and benefit scheme of MSH.

Table 4: Perception on compensation decision and administration

	1	2	3	4	5	
	Strongly agree	Agree	No opinion	Disagree	Strongly disagree	Mean rating
1. Participation in compensation decision process (n-120)	0 (0%)	0 (0%)	0 (0%)	46 (38%)	74 (62%)	4.62
2.MSH has written compensation and benefits policy (n-120)	34 (28%)	47 (39%)	2 (2%)	33 (28%)	4 (3%)	2.38
3. Policy is periodically evaluated for effectiveness (n=120)	12 (10%)	26 (22%)	4 (3%)	54 (45%)	24 (20%)	3.43
4. Knowledge of where to go for information related to benefits (n=120)	20 (17%)	74 (62%)	0 (0%)	22 (18%)	4 (3%)	2.30

The data on table 4 shows that 100% of the respondents disagree with the statement “participate in the compensation decision process”. This implies that MSH staffs do not participate in the compensation decision process. 81 respondents or 67% of the total agree that MSH has a written policy on compensation and benefits; 31% disagree while 2% gave no opinion. 78 respondents or 65% of the total disagree that the compensation policy is periodically revised while 22% agree that it is periodically revised with 3% giving no opinion. 94 respondents or 79% know whom to ask for information regarding benefits while 21% don’t know where to go for this information.

The mean rating for this category of questions with MSH having a written compensation policy and knowledge of where to go for information related to benefits shows a favorable rating while the rest get unfavorable response.

3) Perceptions towards general compensation and benefit issues

Table 5 shows employees’ perception towards some compensation and benefit issues that are not raised so far.

Table 5: Perceptions towards overall compensation issues

	1	2	3	4	5	
	Strongly agree	Agree	No opinion	Disagree	Strongly disagree	Mean rating
1. Annual increments are based on performance (n=120)	30 (25%)	41 (34%)	6 (5%)	32 (27%)	11 (9%)	2.61
2. Payment commensurate with experience and qualification (n=120)	17 (14%)	31 (26%)	3 (2%)	45 (38%)	24 (20%)	3.23
3. Comparable to employees' expectation (n=120)	18 (15%)	31 (26%)	4 (3%)	45 (38%)	22 (18%)	3.18
4. Compensation and benefit scheme need revision (n=120)	28 (23%)	51 (43%)	7 (6%)	20 (17%)	14 (11%)	2.51

71 respondents or 59% or the total agree that the annual salary increment is based on each employee's performance while 36% disagree and 5% decline from giving an opinion. 40% or 48 respondents agree that the payment they get is in accordance with their experience and qualification while 58% or 69 of the respondents disagree with this statement and 2% gave no opinion. 49 respondents or 41% of the total agree that the payment they get is as per their expectation while 67 or 56% believe that the payment they get is not as per their expectation and 3% decline to comment. Finally, 79 respondents or 66% of the total agree that the compensation and benefit policy needs revision while 28% disagree and 6% gave no opinion.

The mean rating for this category of questions indicate that question 1 and 4 get favorable response while the rest two questions are well above the average.

4) Employees' perception towards the compensation scheme by gender, age, job category and education.

The analysis made so far was based on the total respondents without considering their different characteristics such as gender, age, job category and education. To analyze employees' perception from various angles, selected items from the questionnaire was chosen and employees' response was compared based on their gender, age, job category and education. To

simplify the analysis, the five Likerts rating score were condensed to three groups; 1= strongly agree/agree, 2= no opinion and 3= strongly disagree/disagree.

Table 6: Perception comparison by gender, age, job category and education

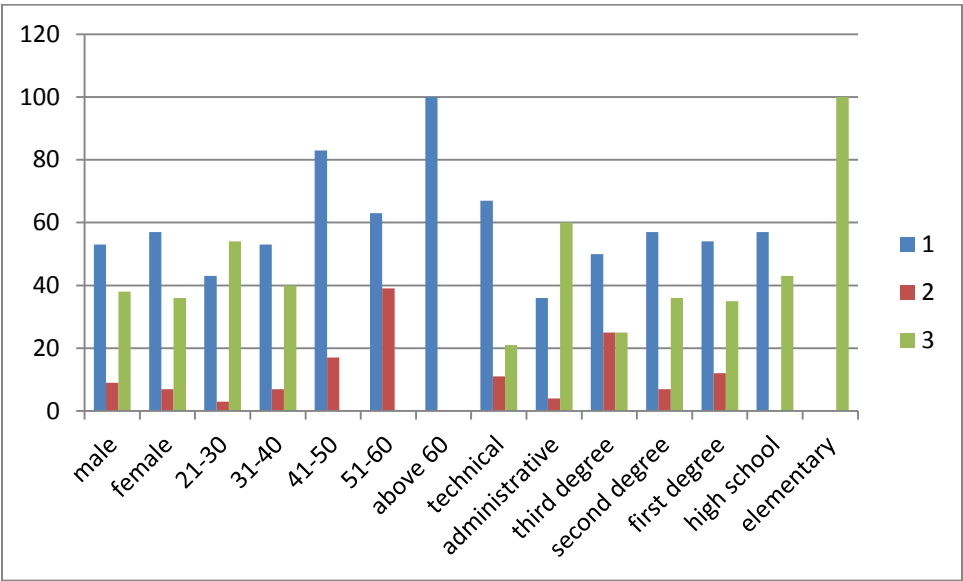
Characteristic	Compensation adequacy			Equitability of compensation			Fairness of the scheme			Payment commensurate with experience and qualification		
	65	10	45	39	6	75	37	11	72	48	3	69
Total Respondents	1	2	3	1	2	3	1	2	3	1	2	3
Gender	41	7	30	29	2	47	22	8	48	30	3	45
Male (n=78)	53 %	9%	38%	37%	3%	60%	28%	10%	62%	38%	4%	58%
Female (n=42)	24	3	15	10	4	28	15	3	24	18	0	24
	57 %	7%	36%	24%	10 %	67%	36%	7%	57%	43%	0%	57%
Age	16	1	20	10	0	27	15	1	21	16	0	21
21-30 (n=37)	43 %	3%	54%	27%	0%	73%	41%	3%	56%	44%	0%	57%
31-40 (n=60)	32	4	24	20	4	36	20	2	38	29	1	30
	53 %	7%	40%	33%	7%	60%	33%	3%	64%	48%	2%	50%
41-50 (n=12)	10	2	0	7	0	5	2	4	6	1	1	10
	83 %	17%	0%	58%	0%	42%	17%	33%	50%	8%	8%	84%
51-60 (n=8)	5	3	0	2	2	4	0	3	5	2	0	6
	63 %	39%	0%	25%	25 %	50%	0%	38%	62%	25%	0%	75%
Above 60 (n=3)	3	0	0	0	0	3	0	1	2	0	1	2
	10 0%	0%	0%	0%	0%	100 %	0%	33%	67%	0%	33 %	67%
Job Category	47	8	15	25	4	41	27	8	35	30	1	39
Technical (n=70)	67 %	11%	21%	36%	6%	58%	39%	11%	50%	43%	1%	56%
Administrative (n=50)	18	2	30	14	2	34	10	3	37	18	2	30
	36 %	4%	60%	28%	4%	68%	20%	6%	74%	36%	4%	60%
Education	4	2	2	0	0	8	6	2	0	6	2	0
Third Degree (n=8)	50 %	25%	25%	0%	0%	100 %	75%	25%	0%	75%	25 %	0%
Second	16	2	10	5	0	23	18	3	7	20	1	7

Degree (n=28)	57 %	7%	36%	22%	0%	78%	64%	11%	25%	71%	4%	25%
First Degree (n=52)	28 54 %	6 12%	18 35%	24 46%	0 0%	28 54%	10 19%	1 2%	41 80%	16 31%	0 0%	36 69%
High school (n=30)	17 57 %	0 0%	13 43%	10 33%	4 13 %	16 54%	3 10%	4 13%	23 77%	6 20%	0 0%	24 80%
Elementary (n=2)	0 0%	0 0%	2 100 %	0 0%	2 10 0%	0 0%	0 0%	1 50%	1 50%	0 0%	0 0%	2 100 %

The data shown on table 6 is summarized below:

a) **Compensation adequacy**

Figure 1: Graphic presentation of comparison on compensation adequacy



As shown on table 6 and figure 1, 53% of male and 57% of female respondents agree that the compensation and benefit package of MSH is adequate to cover their cost of living while 38% male and 36% female disagree with 9% male and 7% female giving no opinion. Age wise, 43% of those between 21-30, 53% of 31-40, 83% of 41-50, 63% of 51-60 and 100% of those above 60 years agree that the compensation is adequate while 54% of those between the age 21-30, 40% of 31-40, 0% of 41-50, 0% of 51-60 and 0% of those above 60 years old disagree while 3% of 21-30, 7% of 31-40 17% of 41-50, 39% of 51-60 and none of those above 60 years old decline to give their opinion. The response shows that older employees seem to agree that the

compensation is adequate while the younger members of MSH, especially those between 21-30 years, feel the compensation scheme to be inadequate. Analyzing the responses by job category, 67% of technical staff and 36% of administrative/support staff agree that the compensation is adequate and 21% of technical staff and 60% of administrative staff disagree with 11% of technical staff and 4% of administrative staff giving no opinion. The majority of the technical staff feel the scheme to be adequate while the majority of administrative staff disagree. Education wise, the majority of those with high school education and above agree that the compensation scheme to be adequate while those with elementary school education disagree.

b) Equitability of compensation

Figure 2: Graphic presentation of comparison on equitability of compensation

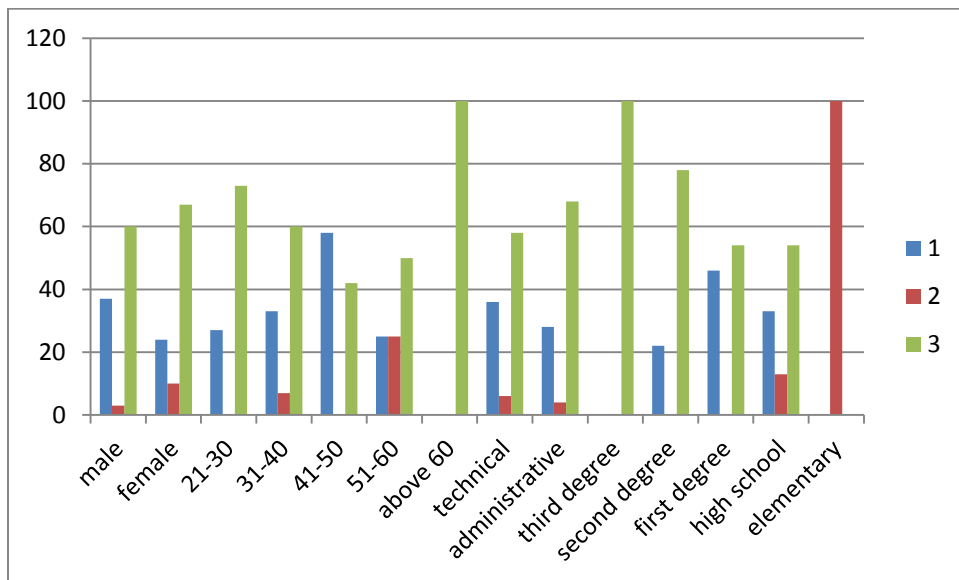
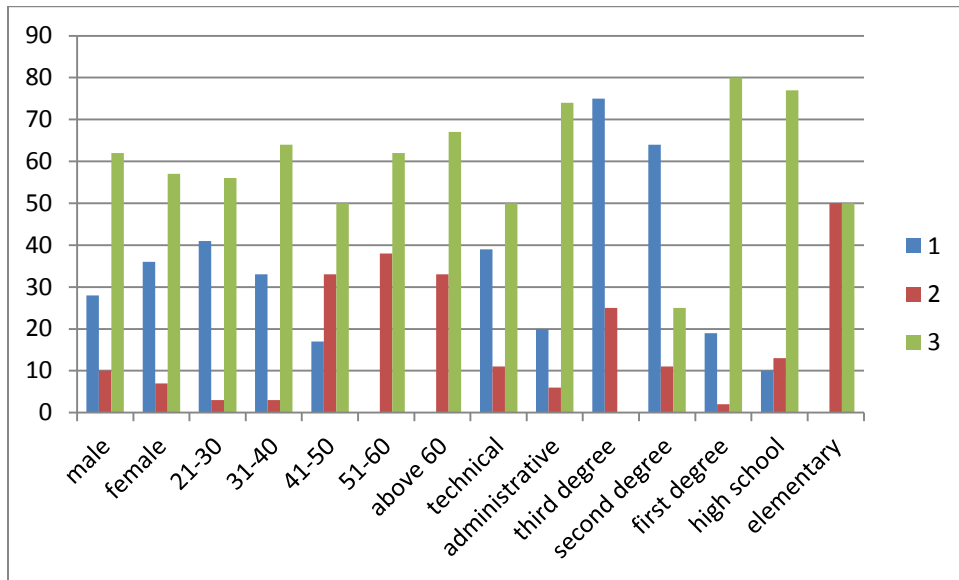


Table 6 and figure 2 show that 60% of male and 67% of female respondents disagree that MSH’s compensation is equitable with other NGOs while only 37% of male and 24% of female feel MSH’s compensation scheme to be equitable while 3% of male and 10% of female gave no opinion. Age wise, the majority of all age groups except those between the age of 41-50 disagree that the compensation scheme is equitable with other NGOs. 58% of technical staff and 68% of

administrative staff also disagree that the compensation scheme is equitable with other NGOs while only 36% of technical staff and 28% of administrative staff agree the compensation scheme to be equitable. Education wise, the majority of all those with high school education and above disagree that MSH’s compensation scheme is equitable with other NGOs while those with elementary education gave no opinion.

c) Fairness of the compensation scheme

Figure 3: Graphic presentation of comparison on fairness of compensation

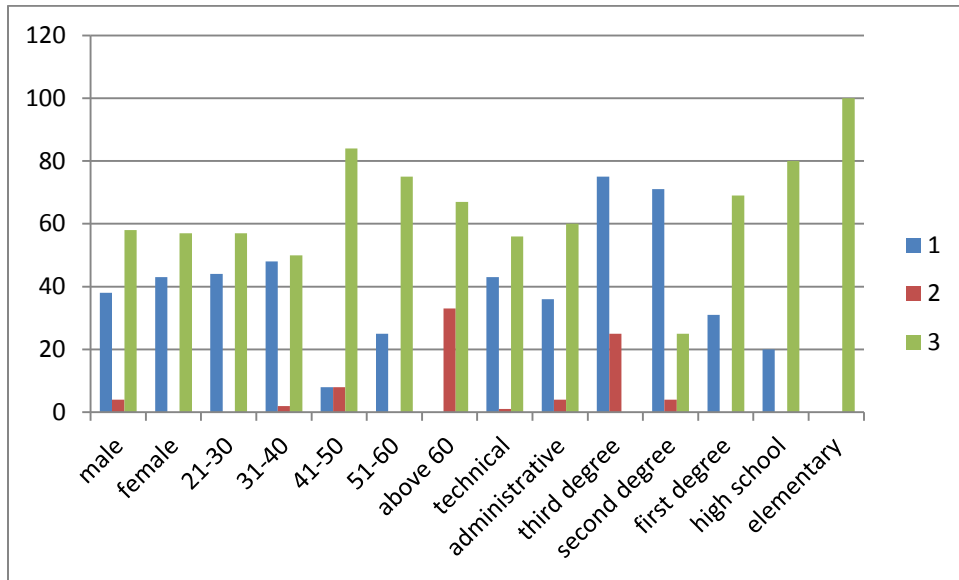


As shown on table 6 and figure 3, 62% of male and 57% of female respondents believe that the compensation scheme is fair while 28% of male and 36% of female agree that the scheme is fair while 10% of male and 7% of female decline to give their opinion. The majority of those in all age groups disagree that the compensation scheme is fair while only 41% of those between the age group 21-30, 33% of those in the 31-40 group and 17% of those between the age group of 41-50 agree the compensation to be fair. 50% of the technical staff and 74% of administrative staff disagree that the compensation scheme is fair while 39% of technical staff and 20% of administrative staff agree that the compensation scheme is fair with 11% of technical staff and 6% of administrative staff gave no opinion. Education wise, 75% of those with third degree and 64% with second degree agree that the compensation scheme is fair while 80% of first degree

holders, 77% of those with secondary school education and 50% of those with elementary school education disagree that the compensation scheme is fair.

d) Payment commensurate with experience and qualification

Figure 4: Graphic presentation of comparison on payment being commensurate with experience and qualification



As shown on table 6 and figure 4, 58% of male and 57% of female respondents disagree that the compensation and benefit package commensurate with the experience and qualification of employees while 38% of male and 43% of female agree that the payment is according to experience and qualification. The majority of all age groups also disagree that compensation is made according to experience and qualification while 50% of those in the age group of 31-40 also disagree with the statement. 44% of those in the age group of 21-30, 48% of those in the age group of 31-40, 8% of those in the 41-50 age group and 25% of those in the age group 51-60 agree the compensation to commensurate with the experience and qualification of employees. 56% of technical staff and 60% of administrative staff also disagree that the compensation is paid in accordance with experience and qualification while 43% of technical staff and 36% of administrative staff agree that payment is made in accordance with experience and qualification. 75% of those with third degree and 71% of those with second degree agree that the compensation scheme take experience and qualification into consideration while 69% of first

degree holders, 80% of those with high school education and 100% of those with elementary school education disagree that the payment commensurate with experience and qualification.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATION

This chapter deals with the summary of the findings, conclusions and recommendations. The summary of findings includes the general information of respondents and their perception towards the items related to compensation and benefit packages of Management Sciences of Health (MSH).

5.1 Summary of Findings

In regard to the gender of the respondents, 65% are male while 42% are female. 73% of the respondents have first degree or above with 7% having third degree, 23% with second degree and 43% having first degree; 25% of the respondents have a secondary school education while only 2% have elementary school education. 58% are technical staff while 42% work as administrative or support staff. 81% of the respondents are 40 years old or younger while only 19% are above the age of 40 years. The majority of the respondents are, therefore, male, young and with first degree and above.

The items included in the Likerts rating scale were grouped into three categories, namely, effectiveness of the compensation and benefit scheme, decision and administration of compensation and benefits and general compensation and benefit issues.

The analysis of the items in the questionnaire indicated that the majority of the respondents disagree or strongly disagree with the majority of the items. The respondents strongly feel that the compensation and benefit package of MSH is not equitable with other similar NGOs, it is not fair, does not help to attract and retain competent staff. They also feel that the payment they get does not provide an opportunity to attain self-interest meaning they may not have enough money left to build their own house, buy cars etc. 100% of the respondents said that they don't participate in the compensation decision process. The majority also believe that the compensation and benefits policy of MSH is not periodically evaluated for its effectiveness; the

payment they receive does not commensurate with their experience and qualification, and it is not comparable with what they expect.

On the other hand, the majority of the respondents agree that MSH's compensation and benefits scheme is adequate to cope with the cost of living; they also agree that MSH does have a written compensation and benefits policy and they majority also know who to contact when they need information related to benefits.

5.2 Conclusions

The perception of the majority of the employees towards the compensation and benefits scheme of MSH is unfavorable. Especially those working as administrative staff strongly believe that the scheme is unfair. Those with first degree education and below also feel unfavorably towards the compensation scheme. The majority of the respondents also believe that MSH is not updating and revising its benefit policy periodically. According to the respondents, although the compensation and benefit scheme is adequate to cover the cost of living it is not equitable with other NGOs in Ethiopia.

5.3 Recommendations

Based on the findings of this research, the following is recommended to the management of Management Sciences for Health.

- a) The majority of the respondents feel that their compensation and benefits package is not equitable with other NGOs. MSH has to make further assessment of the market and try to revise its compensation policy to make it equitable with similar organizations.
- b) Respondents also feel that the compensation scheme is not fair. MSH's management should make sure that employees with similar qualification and experience are compensated equally whether they are assigned as technical or administrative staff.
- c) In general, to attain its objectives and motivate employees towards better performance, to attract and retain competent employees, the current compensation and benefit scheme of MSH should be revised and improved. Furthermore, the policy should be periodically reviewed and should be assessed for its effectiveness and timeliness.

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APPENDIX I

St. Mary's University College

School of Graduate Studies

MBA Program

Questionnaire

Filed by: Employees of Management Sciences for Health/Ethiopia

Dear Colleague,

This questionnaire is for a research paper entitled "The Effect of Remuneration on Employee Performance: The case of Management Sciences for Health, Inc." which is in fulfillment of my MBA courses and has nothing to do with my official position at MSH. Your answers will be kept confidential and please note that I have received permission to work on the above mentioned title. Please attempt to answer all questions.

Thank you for your cooperation

Belachew Hailemichael

Part 1

1. Your Job category at MSH
 - a) Technical Staff
 - b) Support Staff
2. Your level of Education
 - 1) Third Degree
 - 2) Second Degree
 - 3) First Degree
 - 4) Diploma or Secondary School
 - 5) Elementary School
3. Your Gender
 Male
 Female
4. Your age please _____

Part 2

Please indicate your level of agreement with the statements. 1= strongly agree, 2= agree, 3= no opinion, 4= disagree and 5= strongly disagree

Item	1	2	3	4	5
1. The current compensation and benefit package of MSH is adequate to cope with the ongoing cost of living					
2. Compensation and benefit package of MSH is fair					
3. MSHs compensation and benefit package is equitable with other similar NGOs					
4. The current compensation and benefit package is motivating and provide an incentive for better performance					
5. I participate in compensation and benefit decision process					
6. I get annual increment based on my performance					
7. The current compensation and benefit package is capable of attracting and retaining competent employees					
8. The compensation provides the opportunity to attain self- interests like building my own house, buy a car, etc					
9. MSH has a written compensation and benefit policy					
10. MSH periodically evaluates the effectiveness of compensation and benefit packages.					
11. The current compensation and benefit package provides appropriate payment for the work related experience and qualification I have					
12. I know where to go for information related to benefits					
13. The amount of pay I currently receive is comparable to what I think it should be					
14. There is a pressing need to review and rationalize the pay structure to improve employee efficiency					

APPENDIX II: INTERVIEW QUESTIONS WITH HR MANAGER

1. Would you please explain to me the financial benefits that MSH provides to its employees?
2. Does MSH have a salary scale? If not how do you evaluate each job title?
3. Have you made any research to assess the competitiveness of MSH's remuneration system? If so please share with me your findings.
4. Do you believe financial benefits alone can motivate employees? If not, what other motivating schemes have you come up with.
5. How does MSH/Ethiopia's remuneration scheme fare with the global MSH staff?
6. I see some disparity in salary between technical and support staff. Is there a reason for this?
7. How do you rate the overall work performance of MSH/Ethiopia staff? Have you received any complaint from employees regarding salary, benefits and the general work environment? If so, please share with me.
8. Do you conduct exit-interview with employees who resign from MSH? If so, would you please share with me the most common reasons for their resignation?

Thank you!!

Employees' Perception of Compensation Scheme

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Mulugeta Abebe. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Belachew Hailemichael _____

Name

Signature

St. Mary's University College, Addis Ababa

February 2013