



***ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
MANAGEMENT DEPARTMENT***

**AN ASSESSMENT OF REWARD SYSTEM IN RELATION TO
ORGANIZATION PERFORMANCE: A CASE STUDY ON
ETHIOPIAN ELECTRIC POWER**

BY

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**ADDIS ABABA
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ADDIS ABABA UNIVERSITY
DEPARTMENT OF MANAGEMENT

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ORGANIZATION PERFORMANCE: A CASE STUDY ON
ETHIOPIAN ELECTRIC POWER**

***A THESIS SUBMITTED TO THE COLLEGE OF BUSINESS AND
ECONOMICS IN PARTIAL FULFILMENT OF THE DEGREE OF
MASTERS IN EXECUTIVE MASTERS OF BUSINESS
ADMINISTRATION (EMBA)***

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DECLARATION

I, Nemomsa Oljira, hereby declare that this Project Report titled *An assessment of reward system in relation to Organization performance: A Case study on Ethiopian Electric Power* submitted to the College of Business and Economics, Department of Management, Addis Ababa University, is my genuine work undertaken by me and it is not submitted to any other University or Institution for the award of any degree or diploma previously.

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Signature of the Student

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LIST OF ACRONYMS AND ABBREVIATIONS

BPR-Business Process Reengineering

BSC- Balanced Score Card

EEPCo- Ethiopian Electric Power Corporation

EEP- Ethiopia Electric Power

EEU-Ethiopian Electric Utility

HR- Human Resource

HRM-Human Resource Management

RM –Reward Management

UEAP-Universal Electric Access Program

TSC- Transmission and Substation Construction

FAGO- Finance, Administration, and General service Office

Abstract

The purpose of this research paper is to examine the impact of reward system on the performance of an organization and enables to understand the current needs of an organization and its employees to their intended objective. The low customer satisfaction, stakeholders, productive behaviour and the way how this behaviour could be altered and how to make their performance boost up (improve) to the organizational needs and demands would be the focus of the study. The research was carried out through constructive analysis from questionnaires and interview on reward system. Design/methodology/approach: The paper used an intensive case study executed by making use of descriptive survey method with the objective of EEP's performance evaluation, reward strategy, policies, processes, and practices. Method and tools: Given that staff branch head office of Ethiopian Electric Company was the statistical population under study simple random sampling was used in this survey. Sample size was determined by own adapted means of Cochran formula (152 persons). Historical study and field study methods were the most important methods of data collection and data analysis was performed by means of SPSS statistical software. Findings: The findings suggest that the use of financial and objective measures are the main concern in designing the reward systems of the organization, companies are gradually incorporated non-financial measures in their reward systems. Other remarkable findings include identical rewards are not tied to different working nature performance which is found to be deviate from the normal norms. Research implications: The reward framework identified can be used as guideline for the total reward package to further understand the function of reward system and performance, thus design and implement their unique and attractive reward system. Originality/value – The paper shows that rewards lead to increase in both financial and non-financial performance which will also enhance companies' reputation, as well as increase the recruitment possibility where more manpower will make a stronger team. Effective rewards mechanism will shift from fulfilling employees' basic requirement to self-actualization as they are growing with the business.

Finally, the study has come up with a conclusion accompanied by suitable recommendations on the identified weaknesses and effect of reward system to organizations performance.

CERTIFICATION

This is to certify that the Project Report title *An assessment of Reward System in relation to Organization Performance: A Case study on Ethiopian Electric Power* submitted in partial fulfilment for the award of EMBA Programme of Management Department, Addis Ababa University, was carried out by Nemomsa Oljira under my guidance. This has not been submitted to any other University or Institution for the award of any degree/diploma.

Name and address of the Guide

Signature of the Guide

CHAPTER ONE

INTRODUCTION

1.1. HISTORICAL BACKGROUND OF ETHIOPIAN ELECTRIC POWER

Electric Power was introduced to Ethiopian in the late 19th Century, during the regime of Minilik. The first generator was said given to Minilik around the Year 1898 to light the palace. In addition to the use of generators, Minilik got constructed the first Hydro Power Plant (Aba Samuel) on Akaki River in the year 1912 in order to supply power to small factories that had been limited to small factories and the power supply was extended to public places and major roads in the vicinity of the palace.

However, the effort of the government to extend the power supply to the public was hindered by the Italian invasion of Ethiopia in the years 1936. During this temporary occupation, the Italian company called Cuneal overtook the generation and destitution of electric power. The company installed generators at different places and extended the power supply to the then major towns. After the Italians were driven out from Ethiopia in the year 1941, an organization called Enemy property Administration was established and took over along with other activities, the generation and distribution of power to the public.

In the year 1948, an organization that had been vested with the power to administer the enemy property was evolved to an organization called Shewa Electric Power. The new organization Shewa although with limited capacity, managed to increase the power supply not only in Shewa but also other administrative regions. In light of its function, its name was changed to –Ethiopian Electric light and Power –in the year 1955. Soon after its establishment, the supervision and management of the organization was vested in the Board of Directors appointed by the government.

After eight months of its establishment, the Ethiopian Electric Light and Power was transformed to the –Ethiopian Electric Light and Power Authority” (Charter of the Ethiopian Electric Light and Power). The newly established Authority was conferred with the powers and duties of the previous Ethiopian Electric Light and Power. The purpose of the Ethiopian Electric Light and Power Authority was to engage in the business of production, transmitting, disturbing and selling of electric energy to the public of Ethiopia and carry on any other lawful business incidental or appropriate hereto which is calculated directly or indirectly to promote the interest of the authority or to enhance

the value of its properties. At the time of its establishment, the capital of the authority was ten million Ethiopian dollars divided into one thousand shares of par value of ten thousand Ethiopian dollars each. It was also determined that the Board of Directors appointed by the government shall exercise all the power of the authority. In addition to this, it was also determined that the Head Office of the Authority would be in Addis Ababa, with branch offices at different places as necessary. At that time the annual electricity production capacity of the authority was 35 GWH while the number of customers was 12,500. In light of the socio economic development of the country the authority continued to increase then scope of its operation in order to accommodate new changes .After being in operation for about 55 years in this manner major changes in the objective and structural set up of the organization took place relative to the changes in the socio-economic condition of the country. In this regard, one of the major changes in the economic sector was the transformation of the centralized command economy to the free market driven economy in the year 1987.

In order to accommodate the new changes in the environment, the Ethiopian Electric light and Power Authority was transformed to the Ethiopian Electric Power Corporation by reorganizing its functions on the basis of the principles of commercialization and decentralization. Accordingly, the Ethiopian Electric Power Corporation as public enterprise was established for indefinite duration by regulation No. 18/1997, and conferred with the powers and duties of the previous Ethiopian Electric Light and Power Authority. The purpose of the corporation is to engage in the business of producing, transmitting, distributing and selling electrical energy(in accordance with economic and social development policies and priorities of the government) and to carry on any other related activities that would enables it achieve its purpose. At the time of establishment, the authorized capital of the corporation was 6.1 billion Birr of which 2.67 Billion Birr was paid up in cash and kind. It was determined by the establishment regulation that the corporation shall have its Head Office in Addis Ababa and may have branch offices elsewhere, as may be necessary. Currently, the annual electricity production capacity of the corporation is about 4980 GWH and the number of customers is about 1.1million.Although the corporation has been increasing the number of customers by more than 15% annually, but this does not mean that the corporation has met the demand for electric power .Hence, the corporation is required to think and work strategically to meet then power supply need of the socio-economic development of the country. (www.eepco.gov.et)

EEPCo is the only huge public power sector company of the country, which had been ineffective to deliver adequate service to satisfy the customer and become very difficult to manage the operation properly. Then the government were decided to divide into two entities

With Council of Ministers Regulation No 302/2013, currently EEPCo divided into two separate entities: 1st The Ethiopian Electric Utility (EEU) which engaged in the power distribution, sales, and collection management. 2nd The Ethiopian Electric Power (EEP) which engaged in the construction of; Hydro Power projects, Transmission and Substation construction, Geothermal projects, Wind Power, Universal Electric Access Program (UAEP), production of Waste to Energy and to sell bulk Electric Power in accordance with economic and social development policies and priorities of government. At the time of its establishment the authorized capital of the Company is Birr 139,074,764,567.32 (One Hundred Thirty Nine Billion Seventy Four Million Seven Hundred Sixty Four Thousand Five Hundred Sixty Seven Birr and Thirty Two Cents) of which Birr 34,768,691,141,83 (Thirty Four Billion Seven Hundred Sixty Eight Million Six Hundred Ninety One Thousand One Hundred Forty One Birr and Eighty Three Cents) is paid up in cash and in kind. (www.eep.gov.et)

These study focus on newly organized company particularly in EEP, reward strategy and performance measurement after reformation with a consideration of the business strategy and objective.

1.2. BACKGROUND OF THE STUDY

Ethiopian Electric Power (EEP) on implementing new basic salary compensation scale based on the transformation objective. The compensation packages offered to managerial level employees are very much beneficial. Besides the basic salary employees are also provided with heavy benefits and incentives with special allowances. They are offered club memberships, company's vehicle, travel leaves, paid vacations, transportation and other allowances and non-monetary benefits.

However, EEP formulate new salary scale since it is not liable to be governed by the civil service pay structure. As per the public organization structure of Ethiopia, EEP is categorized as the typical 'development' related type of entity accounting the great deal of government's power sector. Due to this fact, EEP has been entitled the autonomy of determining its own salary scale and other benefit packages.

In this regard, my gut feelings simply anticipate at least some sort of inconveniencies in the entire management of reward, motivation and relation to performance. Under normal circumstances, reward policies, practices, and procedures fall under a substantial manipulation and abuses.

EEPCO has embarked upon the Business Process Re-engineering endeavour. As a result, after EEPCO divided the EEP is getting transformed from a functionally oriented power sector to a process-based institution striving for efficiency and effectiveness. This paradigm shift has radically changed the EEP in general and its human resources management in particular. Thus, the need for the EEP to realign its human resources management system with the current state of the power sector and revise the Human Resources Management (HRM) Policy arose (EEPCO's, 2007). Henceforth, this study predominantly was centered on investigating weakness of the current practice reward management attached to the BPR implementation. Hence, the EEP is on the verge of implementing performance oriented reward management which bases the Balanced Score Card (BSC) model.

1.3. STATEMENT OF THE PROBLEMS

Problems pertaining to reward management are quite numerous and of extremely large in nature; nonetheless, I limit them to four when it comes to EEP. First, the attempt to set up the principle of equal pay for equal work (or the “felt-fair” principle) in most of Ethiopian public organizations is a sort of incongruity. It is this principle that helps to decide the salary scales that are paid to various grades of personnel in the service. The second issue is how to guarantee that salaries are adjusted periodically in response to the living conditions (more importantly, in response to inflationary pressure) and living standards of the society. Thirdly, the failure to take into account the going rate of the job markets while determining pays. Fourthly, efforts towards recognizing the instrumentality of benefits and incentives as motivators have been overlooked and motives of reward for productivity in the new company and performance measurement implementation.

More importantly, the following problems are some of the detail reasons that initiate the student researcher to conduct a research. These are:

- The failure of rating job when determine position and compensation of salary scale.
- the failure of understanding the benefits and motives of incentives to retain the skilled workforce and to become more effective in productivity

- the inconsistency reward management practice and the difficulty to relate with business strategy
- the attention given to inflation and living standard of the society and manpower
- ineffectiveness of power sector to deliver, satisfy and sustain electric power service to public or customer
- The un-relation of reward system to performance based employee evaluation and customer satisfaction
- Un-effectiveness of total remuneration without differentiating high performer than non-performer employee.

1.4. BASIC RESEARCH QUESTIONS

Based on the major objectives stated above this study is meant for investigating the possible inconsistencies in the practices of reward management specific to EEP. The assessment is principally spring board from the reward system perspective. Henceforth, the study addresses the following basic research questions.

1. What does the total reward package constitute according to EEP's practice?
2. What procedures and practices are followed to set and implement reward system?
3. What is the view of EEP's employees towards the present reward system and its contribution towards effective performance
4. What are the factors, associated to reward system implementation, that affect EEP's performance?
5. What measures should be taken to address the problem of reward system implementation?

1.5. OBJECTIVE OF THE STUDY

1.5.1. GENERAL OBJECTIVE

The study was structured in such a way to assess the overall structure of reward and performance management of EEP. As far as the system perspective of reward management is concerned, the study was devotes a considerable amount of time as well as probing the strategic aspect of EEP's employee performance evaluation and reward management. Alongside this, exploring the actual practices, processes, and procedures in performance, rewarding and compensating efforts appeared to be the domain of this study. More importantly, since strategic HRM determines the firm's

competitiveness in the market, this is no more exceptional for EEP firms operating in the power sector. EEP is presently facing a considerable amount of competition from newly growing power need and regional and international green power supply and its industry dominance seems to be challenged sooner or later.

In this sense, the firm's existence in the leading green power sector is highly a function of pursuing a strategic HRM that intensely stemmed out of its grand strategy. Eventually, a wisely crafted reward strategy, incorporating complete compensation package is what is deemed to be ideal in meeting equity demand by employees.

1.5.2 SPECIFIC OBJECTIVE

Specifically, the study grounds on addressing the following specific objectives:

- to identify the overall structure of EEP's compensation system;
- to track down the real problems lying behind the reward management practices, processes, and procedures and the associated inconsistencies;
- to know how job evaluation and market surveys are conducted by looking into real case scenarios;
- to point out the composition of the total compensation package;
- to explore the extent to which EEP deploys non-financial rewards, benefits and incentives to motivate its workforce and to gain opportunity in sustainable power supply.

1.6. SIGNIFICANCE OF THE STUDY

As undertaking the research, the study encountered a great deal of intensify in obtaining sufficient empirical evidences. Research outputs pertaining to reward and compensation management in Ethiopia is just plentiful. Henceforth, this study is relatively a breakthrough in exposing the actual practices of reward management in one of the huge power sector of the country has. In effect, it was a reflection of mirror for other sector institutions to take lessons out of the results. More importantly, it is stepping stone for those who want to invest their time in reward and compensation management research. For that matter, it is a pointing device for in-house researchers how to use the BSC model.

Furthermore, it would remain a guideline for developing employee performance evaluation and effective reward management for the EEP. The critical and most demanding task that anyone

concerned with reward to undertake is that of developing and implementing new or revised reward systems that are mainly concerned with total rewards, job evaluation, grade and pay structure design, contingent pay and employee benefits. Hence, this research is an essential thrust for limitation the existing inconsistencies and malpractices of reward administration in the EEP's. And, hopefully, it indicates in the future EEP use for the designing of effective reward management emphasizing equity, consistency, and fairness.

1.7. DELIMITATION OF THE STUDY

Ethiopian electric power has five main branches that accomplish different but interdependent tasks. These branches includes: Head Quarter Office Finance, Administration, and General Service Office (FAGO), Universal Electric Access Program (UEAP), Transmission and Substation Construction (TSC), Project Management Office (PMO), and Engineering Department. Each branch contains a number of division offices structured in matrix system that are situated out of Addis Ababa. To mention precisely; FAGO with all mentioned process unit project office, UEAP manages twelve projects, TSC manages three projects, PMO manages fifteen projects and engineering department manages the substation and transmission departments. But, the scope of this study was delimited to the head quarter and the four main branches that perform their tasks in Addis Ababa. The project sites that are managed by the branch offices were out of the study area.

The principal reason is that most of the employees that are working in the branch offices have long years of experience in EEP than those employees who are working at project level. Due to this case, the response that is obtained from these respondents will enable us to get the right picture of the problem under the study. The second reason lies on conducting a research work in all projects that are found in EEP all over the country will be difficult because of shortage of finance and technology used to secure data in a specified period of time.

The study is also delimited to the effect of reward system on performance that mostly treats employee's perception on the effect of reward system towards organizations performance. That is the study was not assesses the effectiveness of the reward system on organization's performance that could rely on dependent and independent variables.

1.8. LIMITATION OF THE STUDY

Although there are many HRM functions, this research limits itself only on the performance measurement and reward management system of EEP. Similarly, it is impossible to cover other branches because of time and financial capacity constraints. Therefore, the findings might not fully represent the whole picture of EEP's reward management practices. This possibly may have an adverse effect on the validity and reliability of questionnaire items.

1.9. OPERATIONAL DEFINITION OF TERMS

List of key concepts, terms and acronyms were included in the research study document. Some of the terms and acronyms used in this proposal are mentioned here under:

Key Terms: BPR, BSC, Reward System, Total Reward, Remuneration, Job Evaluation, Performance, Reformation, Competitive, Financial and Non-Financial Rewards

1.10. ORGANIZATION OF THE STUDY

The report of the study was organized under five chapters. The first chapter deals with general concepts of the background and the underlined problem, raises basic questions, explains the significance of the study, pin points briefly the delimitation and limitation of the study including definition of some important terms used in the report. The second chapter treats review of the related literature. In this part, basic conceptual explanations and research findings on the relationship between reward and performance could be presented.

Consequently, chapter three is consists research design and methodology. In this part, the study will show how the research was conducted. The fourth chapter is including presentation, analysis, and discussion of the findings. It also treats the implication of the results with respect to the research questions. In line with this, some statistical treatments of the data collected are also shown.

Finally, the fifth chapter is consists of the summary, conclusion and recommendations in line with the most important findings of the study. At last, a list of reading materials used in the study was attached before the appendix part.

CHAPTER TWO

REVIEW OF THE RELATED LITERATURE

2.1. CHAPTER OVERVIEW

2.1.1. EMPLOYEES MOTIVATION

To forecast organization's success, it is important to check employee satisfaction level at work place. The satisfaction of employees is directly or indirectly related to how the organization is using the motivational factors depending up on the situation. Many authors defined the term motivation in different ways. According to Hellriegel and John (1974), motivation is a predisposition to act in a specific goal directed manner. That is, motivation may be defined as the state of an individual's perspective which represents the strength of his or her propensity to exert effort towards some particular behaviour.

In today's world, managers follow different approaches to motivate employees working in their respective organizations. Some of them follow the traditional approaches that enable them to use the carrot and stick method, other follow the need theory with scientific approaches. The remaining managers also follow the mixed approaches to motivate their employees. Accordingly, Hellriegel and John (1974) stated here under what mechanisms managers should follow to motivate their employees so as to be effective in their day to day operation.

2.1.2. TRADITIONAL APPROACH TO MOTIVATION

Many people argue that the traditional –carrot and stick“ method of motivation still works today. The carrot has been money and the stick has taken the form of physical, financial or social punishment.

According to Hellriegel and John, Organizational research also has shown that money is a motivator if it fulfills at least three conditions:

1. The amount of money must be perceived as substantial and enough to justify the extra effort required to obtaining it.
2. The money must be perceived as directly related to the required extra performance and must be received immediately up on completion.

3. The money reward must be perceived as fair and equitable by the majority of organizational members even though who will never seek the extra income.

To implement this strategy, management's major task was to closely supervise workers and to ensure that they met production quotas and adhered to company policies and rules.

2.1.3. NEED THEORY

Need theory focuses on the importance of analyzing and understanding the psychological factors within individuals that cause them to behave in certain ways. According to Maslow's need theory, need is hierarchical and it is summarized as follows:

2.1.3.1. MASLOW'S NEED HIERARCHY

Maslow's premise is that human beings "want" organisms that are motivated to fulfill and satisfy certain need in their lives. According to Maslow as it is cited in Hellriegel and John (1974), these needs include:

1. Physiological needs include needs for food, air, water, sleep, shelter, sex, and any other necessities to sustain and preserve life.
2. Safety needs includes needs for security. Such as job security, pension and insurance.
3. Social needs include needs to be liked by others, to be a wanted member.
4. Esteem need includes needs for self respect a sense of achievement and recognition from others. This desire for status and prestige. It leads to self confidence.
5. Self Actualization need includes need for fulfilling one's potential and becoming every things one is capable of becoming.

2.1.3.2. Herzberg's Motivation-hygiene Theory

Frederick Herzberg's two factor motivation-hygiene Theory is another type of needs theory and is one of the most popular theories of motivation in business today. As it is indicated in Hellriegel and John (1974), Frederick Herzberg categorize various needs of individuals into two groups. These needs include:

1. Hygiene factors: It is called "dissatisfiers". If all of them are present in a work situation, people will not be dissatisfied. Their presence however does not really motivate people. According to the writer, hygiene factors include: Money and

compensation, Working conditions, Company policy and administration, Status, Quality of supervision, Working relationships, Personal life, and Job security.

2. Motivation factors: includes the opportunity to meet the needs for employee's autonomy, competence and achievement. These factors contribute heavily to the satisfaction of the employee and have a positive effect on his or her performance. These motivational factors include: Work itself – challenging, Opportunity for personal growth, Management recognition for good works, Opportunity for advancement, and added responsibility

According to William (1978), promoting the right men and paying the right salaries will benefit the organization greatly. He further indicated that wise promotion associated with money incentives contributes greatly to the strength and moral of a business organization. Sound promotion decision also save the organization from mistakes which are very difficult to correct.

Hellriegel and John (1974) moreover indicated that employees internal satisfaction increase and they will usually put forth their best effort and perform their tasks enthusiastically when employees enjoy their job, find the work challenging and like their work environment because of added responsibility given by their manager or supervisor.

2.1.3.3. Skinner's Operant Theory

Employees exchange their time, talent and services for the rewards of the organization. Therefore it is imperative that reinforcing rewards be contingent on and equal to the performance of the employee and that managers discriminate among employees on the basis of their performance.

According to Hamner (1976), there are five considerations for using positive reinforcement to modify motivation in employees. These are indicated as follow:

1. Do not reward all employees equally: This reinforces average or mediocre performance and discourages any one from becoming a high performer.
3. Recognize that failure to reinforce also modifies behaviour. Failure to praise an employee for deserving performance may encourage poor subsequent performance.
4. Inform employees what they can do to get reinforcement, setting standards, or goals and monitoring performance provides timely feed back to encourage positive performance and discourage poor outputs.

5. Tell employees when and what they are doing wrong. Withholding rewards without informing the employee of the reason creates confusion and a feeling of manipulation.
6. Do not punish a subordinate in front of others. Be fair, giving too much or under rewarding employees for good performance can diminish the reinforcing nature of rewards.

2.1.4. THE ROLE OF A MANAGER IN FACILITATING EMPLOYEES

MOTIVATION

The contribution of a manager is one of the factors that help to facilitate employee's motivation. If a manager is skill full, trained and has some basic qualification in the filled of management he or she plays a great role in enhancing employees moral and satisfaction. According to Dean (1985), a good head is one who has special skills and knowledge in assisting and guiding followers work, development, and problems. A manager can be regarded as good whenever he is keen enough at identifying and solving problems of employees, when he let them to participate in some decision making affairs like provision of reward, performance appraisal process and the like. These opportunities help them to think and develop positive attitude towards the development of the institution and the employees themselves.

In general the organization's success or failure depends on the manager's strategy in motivating employees. Thus, according to Glatter et.al,(1988), the head's key role in an organization is just exemplified as the spider's activity that —... without a spider the web is dead, if the spider is weak, corrupt, inept, or picks the wrong people the organization is also weak , corrupt, and inept and badly staffed“. Managers must get insight of the different motivational requirements of the various authorities and should be able to select and match with employee's interests and needs. They should be competent enough to analyze situations and be able to energize or motivate employees as far as possible.

Allowing employees to participate in some decision making affairs will facilitate employees' motivation. According to Bush et. al (1980), this participation process not only calls for the right to make decisions in one's specialist field but also allows someone to consider many different issues which directly or indirectly influence his work and status. According to Bush's suggestion, employees participation in the organization's decision making, is important to predict whether there

is a direct and positive relationship and the status in which that individuals can have in the organization's activities.

Hoy and Miskel (1987) also state that employee's involvement in formulating policies not only keeps up their moral but also heightens their enthusiasm for the development of the organization.

However, lack of involvement in such decision making affairs results in development of negative attitude towards their manager, low commitment to work, and unwillingness to assume responsibilities, and finally the output of the goal of the organization will be hampered.

Morphet et.al (1982) state that if employees do not get any opportunity to involve in decision making activities such as on organization's reward policies and other matters which directly concern them, they start to complain about the manger as ~~he~~ "or she does not know what is really going on down here".

Besides the participation in decision making activities, employees are also motivated in the climate in which open and free flow of communication exists. Morephet et.al (1982) also indicates that communication does not only facilitate the attainment of the institutions goals but also frequently increases the moral of employees in the organization.

Communication enables employees to understand their goals and objectives, and then they will be able to make fruitful and meaningful efforts towards the attainment of their goal. It is due to this reason that some authorities say it as ~~co~~ "ommunication is the life blood of the organization" (UNESCO, 1992).

2.2. THEORETICAL AND EMPIRICAL FRAMEWORK

2.2.1. Introduction

Performance measurement and reward covers how people are rewarded in accordance with their value to an organisation. It is about both financial and non-financial rewards and embraces the strategies, policies, structures and processes used to develop and maintain reward systems. The aim of employee reward policies and practices is to help attract, retain and motivate high-quality people. Getting it wrong can have a significant negative effect on the motivation, commitment and morale of employees. An integrated approach to human resource management means that all these aspects have to be considered together so that a mutually reinforcing and interrelated set of personnel policies and practices can be developed.

2.2.2. Reward Management Defined

According to Armstrong (2009), reward management is concerned with the formulation and implementation of strategies and policies in order to reward people fairly, equitably and consistently in accordance with their value to the organization. It deals with the development of reward strategies and the design, implementation and maintenance of reward systems (reward processes, practices and procedures) which aim to meet the needs of both the organization and its stakeholders. Reward can be regarded as the fundamental expression of the employment relationship, commitment, engagement and company performance development.

2.2.2.1. The Aims of Reward Management

Armstrong (2009) identified the following aims of reward management.

- Reward people according to what the organization values and wants to pay for.
- Reward people for the value they create.
- Reward the right things to convey the right message about what is important in terms of behaviours and outcomes.
- Develop a performance culture.
- Motivate people and obtain their commitment and engagement.
- Help to attract and retain the high quality (talented) people the organization needs.
- Develop a positive employment relationship and psychological contract.
- Align reward practices with both business goals and employee values;
- Operate fairly -people feel that they are treated justly in accordance with what is due to them because of their value to the organization (the ‘felt-fair’ principle).
- Apply equitably-people are rewarded appropriately in relation to others within the organization, relativities between jobs are measured as objectively as possible and equal pay is provided for work of equal value.
- Function consistently-decisions on pay do not vary arbitrarily and without due cause between different people or at different times.
- Operate transparently-people understand how reward processes operate and how they are affected by them.

2.2.2.2. The Reward System

A reward system consists of a number of interrelated processes and activities which combine to ensure that reward management is carried out effectively to the benefit of the organization and the people who work there.

2.2.2.2.1. Businesses and HR Strategy

When an organization sets out to fulfill its mission, regardless of the markets it serves or the work it does, it needs a strategic plan. This plan may be as simple as a commitment to solve a customer's problem or as complex as a multiyear strategy. A plan enables the organization to focus on what it does best, make decisions, and allocate resources so that it can achieve its objectives (Wilson, 2003).

2.2.2.2.2. Reward Strategy

Armstrong, (2009) defines reward strategy is a declaration of intent which defines what the organization wants to do in the longer term to develop and implement reward policies, practices and processes which will further the achievement of its business goals and meet the needs of its stakeholders. It provides a sense of purpose and direction and a framework for developing reward policies, practices and process.

The strategic reward system suggests that reward system starts with a consideration of the business strategy. It is based on the organisation's external and internal operating environment. The internal environment consists of the organisation's culture, structure, technology, working arrangement, processes and system. Compensation can make a valuable contribution to the development of employee behaviour. However, as part of an overall HRM strategy, the reward system needs to fit with the other features of HRM strategy (www.incentone.com).

Organizations have to devote considerable energy to ensure that there is alignment between their organizational visions on one hand, and important organizational outcomes such as employee productivity, retention and customer satisfaction on the other. And to ensure this, the leaders should focus on among other things, managing the right competencies, rewards and employee behaviours that give them an edge in strategy execution (Smither and London, 2009).

2.2.2.2.3. Reward Policy

Organizations must develop policies as general guidelines to provide for coordination, consistency, and fairness in compensating employees (Mathis & Jackson, 2000). According to Tyson (2006), a reward policy is a prerequisite for the strategic management of pay and benefits. The objectives of a policy towards payment could be best described as to remain competitive for labour while rewarding good performance and adopting a position on pay which controls costs and is felt to be fair by all employees.

2.2.3. Grade and Pay Structure

Grade structure consists of a sequence or hierarchy of grades, bands or levels into which groups of jobs that are broadly comparable in size are placed. There may be a single structure that contains grades or bands and which is defined by their number and width (Armstrong, 2009). Alternatively the structure may be divided into a number of job or career families consisting of groups of jobs where the essential nature and purpose of the work are similar but the work is carried out at different levels. A grade structure becomes a pay structure when pay ranges, brackets or scales are attached to each grade, band or level.

Once survey data has been gathered, pay structures can be developed by the process depicted in Figure 2.1 (Mathis & Jackson, 2000). Pay structure defines the different levels of pay for jobs or groups of jobs by reference to their relative internal value as determined by job evaluation, to external relativities as established by market rate surveys and, sometimes, to negotiated rates for jobs (Armstrong, 2009).

2.2.3.1. Types of Grade and Pay Structure

The types of pay structures as described below are multi-graded, broad-graded, broad-banded, job family, career family and pay spine.

2.2.3.1.1. Multi-graded Structure

A multi-graded structure (sometimes called a narrow-graded structure) consists of a sequence of job grades into which jobs of broadly equivalent value are placed. There may be 10 or more grades and

long-established structures, especially in the public sector, may have as many as 18 or even more grades (Armstrong, 2009).

2.2.3.1.2. Broad-graded Structures

Broad-graded structures have six to nine grades rather than the 10 or more grades contained in multi-graded structures. They may include ‘reference points’ or ‘market anchors’ that indicate the rate of pay for a fully competent performer in the grade and are aligned to market rates in accordance with ‘market stance’ policy (Armstrong, 2009).

2.2.3.1.3. Broad-banded Structures

According to Tyson (2006), broad banding means collapsing numerous grades or salary ranges into a few wide bands. These bands cover a number of job families that formerly would each have had their own pay ranges. Broad-banding, which uses fewer pay grades having broader ranges than traditional compensation systems, is increasingly being used (Mathis & Jackson, 2000).

2.2.3.1.4. Job Family Structures

According to Armstrong (2009), job families consist of jobs in a function or occupation such as marketing, operations, finance, IT, HR, administration or support services that are related through the activities carried out and the basic knowledge and skills required, but in which the levels of responsibility, knowledge, skill or competence levels required differ. They define career paths — what people have to know and be able to do to advance their career within a family and to develop career opportunities in other families. Typically, job families have between six and eight levels as in broad-graded structures. Some families may have more levels than others (Ibid).

2.2.3.1.5. Career Family Structures

Career family structures resemble job family structures in that there are a number of different ‘families’ (Armstrong, 2009). The difference is that in career family, jobs in the corresponding levels across each of the career families are within the same size range and, if an analytical job evaluation scheme is used, this is defined by the same range of scores. Career family structures focus on career mapping and career development as part of an integrated approach to human resource management.

2.2.3.1.6. Pay Spines

Pay spines are found in the public sector or in agencies and charities that have adopted a public sector approach to reward management. They consist of a series of incremental ‘pay points’ extending from the lowest to the highest paid jobs covered by the structure (Ibid).

2.2.3.1.7. Spot Rates

Some organizations do not have a graded structure at all for any jobs or for certain jobs such as directors. Instead they use ‘spot rates’. They may also be called the ‘rate for the job’ more typically for manual jobs where there is a defined skilled or semi-skilled market rate that may be negotiated with a trade union. Spot rates are quite often used in retail firms for customer service staff (Ibid).

2.2.3.1.8. Individual Job Grades

Individual job grades are, in effect, spot rates to which a defined pay range of, say, 20 percent on either side of the rate has been attached to provide scope for pay progression based on performance, competence or contribution. Again, the midpoint of the range is fixed by reference to job evaluation and market rate comparisons. Individual grades are attached to jobs not people, but there may be more flexibility for movement between grades than in a conventional grade structure (Ibid).

2.2.3.1.9. Differentials between Pay Ranges

Differentials between pay ranges should provide scope to recognize increases in job size between successive grades. If differentials are too close — less than 10 per cent — many jobs become borderline cases, which can result in a proliferation of appeals and arguments about grading (Ibid).

2.2.3.1.9.1. Pay Range Overlap

There is a choice on whether or not pay ranges should overlap and, if so, by how much. The amount of overlap, if any, is a function of range width and differentials. Large overlaps of more than 10 per cent can create equal pay problems where, as is quite common, men are clustered at the top of their grades and women are more likely to be found at the lower end (Ibid).

2.2.3.1.9.2. Pay Progression

There is a choice of methods of pay progression between the fixed service-related increments common in the public sector, and the other forms of contingent pay, namely performance, competency or contribution-related (Ibid).

2.2.3.2. Job Evaluation

As Armstrong (2009) described, job evaluation is a systematic process for defining the relative worth or size of jobs within an organization in order to establish internal relativities and provide the basis for designing an equitable grade structure, grading jobs in the structure and managing relativities.

DeCenzo & Robbins (2005) also define job evaluation as the process whereby an organization systematically establishes its compensation program. In this process, jobs are compared in order to determine each job's appropriate worth within the organization. Job evaluation provides a systematic basis for determining the relative worth of jobs within an organization. It flows from the job analysis process and is based on job descriptions and job specifications (Mathis & Jackson, 2000).

The purpose of job evaluation techniques is to measure the relative worth of jobs so that the relationship between the jobs can be expressed in salary and wage scales, based on a logical, ordered system. 'Job evaluation' is a term used in a general way for a number of techniques that are in different forms (Tyson, 2006). The usual end result of a job evaluation exercise is to produce a hierarchy of jobs in the organization through valuing them all against a clear set of objective criteria (Stredwick, 2005).

2.2.3.2.1. Analytical Job Evaluation Schemes

It is based on a process of breaking whole jobs down into a number of defined elements or factors such as responsibility, decisions and the knowledge and skill required (Armstrong, 2009). Analytical schemes can have a much greater transparency, objectivity and rationality if they are carried out in an open and consistent basis (Stredwick, 2005).

I. Point-Factor Rating

The point method, the most widely used job evaluation method, is more sophisticated than the ranking and classification methods. It breaks down jobs into various compensable factors and places weights, or points, on them. A compensable factor is one used to identify a job value that is

commonly present throughout a group of jobs. The factors are determined from the job analysis (Mathis & Jackson, 2000).

II. Analytical Job Matching

Like point-factor job evaluation, analytical job matching is based on the analysis of a number of defined factors. There are two forms of analytical matching. One is role profile to grade level profile matching; the other is role profile to benchmark role profile (Armstrong, 2009).

III. Factor Comparison

Factor comparison is another analytical technique that uses some of the ideas of both the points rating and the ranking methods (Tyson, 2006). The factor-comparison method is a quantitative and complex combination of the ranking and point methods. It involves first determining the benchmark jobs in an organization, selecting compensable factors, and ranking all benchmark jobs factor by factor. Next, the jobs are compared with market rates for benchmark jobs, and monetary values are assigned to each factor. The final step is to evaluate all other jobs in the organization by comparing them with the benchmark jobs (Mathis & Jackson, 2000).

2.2.3.2.2. Non-analytical Schemes

These are schemes which look at the job as a whole and do not examine their component parts. The evaluation process is normally carried out by a small group of executives working confidentially with their own knowledge of the jobs. They are only suitable for small- or medium-sized organisations. It has to be said that these methods generally have a distinct lack of objectivity and are operated because they are cheap, quick and informal (Stredwick, 2005).

I. Job Classification

In the classification method of job evaluation, descriptions of each class of jobs are written, and then each job in the organization is put into a grade according to the class description it matches the best (Mathis & Jackson, 2000). This is the process where each job is classified into a grade by reference to a prepared set of grading classifications (Stredwick, 2005). This approach is based on a definition of the number and characteristics of the levels or grades in a grade and pay structure into which jobs will be placed (Armstrong, 2009).

II. Job Ranking

The ranking method is one of the simplest methods of job evaluation. It places jobs in order, ranging from highest to lowest in value to the organization. The entire job is considered rather than the individual components (Mathis & Jackson, 2000). It is where jobs are simply ranked in order by

the evaluation team. They may consider aspects of the jobs, such as responsibility or skills, but no agreed weight is given to these factors (Stredwick, 2005).

III. Paired Comparison Ranking

This takes ranking a stage further. In this process, all the jobs to be evaluated are compared on a one by one basis (Stredwick, 2005). Paired comparison ranking is a statistical technique used to provide a more sophisticated method of whole-job ranking. It is based on the assumption that it is always easier to compare one job with another than to consider a number of jobs and attempt to build up a rank order by multiple comparisons. The technique requires the comparison of each job as a whole, separately, with every other job (Armstrong, 2009).

IV. Internal Benchmarking

Internal benchmarking means comparing the job under review with any internal job that is believed to be properly graded and paid (an internal benchmark) and placing the job under consideration into the same grade as that job (Armstrong, 2009).

2.2.3.2.3. Market Rate Analysis

Market rate analysis is the process of identifying the rates of pay in the labour market for comparable jobs to inform decisions on levels of pay within the organization. A policy decision may be made on how internal rates of pay should compare with external rates — an organization's market stance (Armstrong, 2009).

2.2.3.2.4. Total Reward Packages

Reward is clearly central to the employment relationship. While there are plenty of people who enjoy working and who claim that they would not stop working even if they were to win a large sum in a lottery, most of us work in large part because it is the only means of earning the money I need to sustain us and families in the style to which I am accustomed (Torrington et al., 2008).

Total reward is the combination of financial and non-financial rewards available to employees. A total reward approach is holistic; reliance is not placed on one or two reward mechanisms operating in isolation, account is taken of every way in which people can be rewarded and obtain satisfaction through their work (Armstrong, 2009).

2.2.3.2.5. Total Remuneration

Total remuneration is the value of all cash payments (total earnings) and benefits received by employees. Pay includes base pay plus additional compensation in the form of incentives or bonus awards, stock options, and stock grants. Many HR professionals believe that higher pay helps attract talent and reduce turnover. This is usually true, but it tells us little about the economics of the company's pay positioning Chingos (2002).

2.2.3.2.5.1. Base or Basic Pay

The basic compensation that an employee receives, usually as a wage or salary, is called base pay (Mathis & Jackson, 2000). The major part of most employees' reward is their basic remuneration. Basic pay is the hourly wage or weekly/monthly salary which is guaranteed to be paid (Stredwick, 2005).

2.2.3.2.5.2. Contingent Pay

One of the tests of a salary scale's adequacy is its efficiency in matching ability, potential and current performance with satisfactory rewards (Tyson, 2006). Additional financial rewards may be provided that are related to performance, competence, contribution, skill or service in the grade. These are referred to as 'contingent pay' (Armstrong, 2009). Pay for performance is the pay that can vary depending on the performance of the individual, group or organization as a whole (Stredwick, 2005).

2.2.3.2.5.3. Overtime Payments

Overtime is most frequently paid to hourly rated employees; the premium may be full time and a quarter, time and a half or double time. Overtime is yet another 'pulsing-up' tendency that needs careful control. The concept of overtime is usually seen as a means of overcoming a short-term requirement for longer hours (Tyson, 2006). It is customary for employees working more hours than are normal for the working week to be paid for those hours at an enhanced rate, usually between 10 and 50 per cent more than the normal rate according to how many hours are involved (Torrington et al., 2008).

2.2.3.2.5.4. Profit Share

The intention behind profit share schemes is to make the employee feel involved and to give him or her sense of participating in the company's future growth (Tyson, 2006).

2.2.3.2.5.5. Sales Commissions

There are some groups of employees for whom commission payments represent their main earnings, such as sales staff, sales managers and various kinds of representatives (Tyson, 2006).

2.2.3.2.5.6. Employee Benefit

Benefit plans have changed remarkably in recent times as companies move away from traditional pension plans, seeking out account balance plan alternatives designed to attract and motivate a “21st-century” workforce, which is generally older and has shorter service expectations (Chingo, 2002). A benefit is an indirect reward, such as health insurance, vacation pay, retirement pensions (Mathis & Jackson, 2000), sick pay, insurance cover and company cars (Armstrong, 2009) given to an employee or group of employees as a part of organizational membership (Mathis & Jackson, 2000). Most are fixed and there is a strong movement towards harmonizing most benefits throughout an organization rather than separate schemes for different groups of employees (Stredwick, 2005).

2.2.3.2.5.7. Incentive

According to Torrington et al. (2008), incentive is here described as an element of payment linked to the working performance of an individual or working group, as a result of prior arrangement. This includes most of the payment-by-results schemes that have been produced by work study, as well as commission payments to salespeople, skills-based pay schemes and performance-related pay schemes based on the achievement of agreed objectives. The distinguishing feature is that the employee knows what has to be done to earn the payment, though he or she may feel very dependent on other people, or on external circumstances, to receive it (Ibid).

2.2.3.2.6. Non-Financial Reward

Non-financial rewards present a smorgasbord of desirable extras for organizations. These do not directly increase the employee’s financial position, but rather add attraction to life on the job (DeCenzo & Robbins, 2005). Rewards which do not involve any direct payments and often arise from the work itself, for example, achievement, autonomy, recognition, scope to use and develop skills, training, career development opportunities and high quality leadership (Armstrong, 2009).

2.3. ORGANIZATIONAL OBJECTIVES AND RESULT MANAGEMENT

2.3.1. DEFINITION AND IMPORTANCE OF OBJECTIVES

Any organization has its own mission, vision, goals and stated objectives that mobilizes every effort towards its achievement. A managerial objective is the intended goal that prescribes definite scope and suggests direction to the planning effort of a manager. According to Terry and Franklin (1997), this definition includes four concepts: 1/ goal 2/ scope 3/ definiteness and 4/ direction

A goal should not be confused with a general area of desired activities to do so place the emphasis on the means not the target. The scope of the intended goal is included in a statement of the prescribed boundaries to be observed.

Also, an objective connotes definiteness. Purposes stated in vague double meanings have little value because they are subject to various interpretations and frequently result in confusion and turmoil. Finally direction shows the results to be sought and segregates these results from the many possible targets that might otherwise be pursued.

A profitable suggestion to any manager is to sit back periodically and reiterate the objective sought and then determine whether the action currently being taken is actually contributing to the accomplishment of these goals. To attain such stated objectives, periodic evaluation of employees helps to reward outstanding performers and fill the gaps of those employees who perform below the standards

2.3.2. RESULT MANAGEMENT

Result management emphasizes results or the achievement of objectives, instead of activities and also places important on human behaviour through the fulfillment of needs from work efforts. Attaining the results make better use of human resources and contribute to the employees' satisfaction.

The specific expected results guide the direction of the operations and are also the standards of performance against which the subordinates are appraised. Result management intends to make each employee a manager of his or her own particular work. As it is indicated by Terry and Franklin (1997), the under mentioned points are the basic components of result management

1. Establish objectives: Identify key areas and determining measurement units.
2. Plan actions to be taken: decide necessary activities and tasks to be done along with respective purpose and means for accomplishing, determining sequence of actions, what resources are needed, time needed to accomplish cash tasks , and who is responsible for it, and anticipate potential hurdles and decide what might be done to overcome them.
3. Conduct periodic and annual appraisal reviews: look over objectives subordinate is responsible for periodically, review actual results obtained and evaluate results against performance expectancies as set by objectives.

2.3.3. PERFORMANCE APPRAISAL

Performance appraisal is the periodic evaluation of an employee's job performance measured against the job's stated requirements. According to Terry and Franklin (1997), the ultimate purpose of performance appraisal is to maximize organizational output and it is also a means of

6. Motivating managers and subordinates by clarifying expectations and improving communications and mutual understanding of organizational problems.
7. Providing a basis for salary increment, bonuses, promotion and extrinsic and intrinsic rewards.
8. Coaching and developing employees based on their strengths, weakness and needs.

Terry and Franklin (1997) also indicated the presence of numerous considerations and several steps in effective performance appraisal. These considerations include:

1. The job description is the best basis for an objective appraisal
2. Written policies should be established on when and how often to evaluate personnel and the purpose of the appraisal.
3. The method of the appraisal must be ascertained, including specific criteria for evaluation.
4. It must be determined who does the rating
5. Evaluation must gather substantial data on performance for each individual to be appraised.
6. Evaluation should then actually appraise employee performance and discuss the results with the employee.
7. Management decisions must then be made and implemented based on the evaluation (promote, raise pay, fire etc).

MOE (2012) also indicated the performance outcomes, skills and knowledge required to assist in the effective implementation of a performance management system and to facilitate employee performance. To support Performance Management Process, the following points are considered as the three basic elements and the related performance criteria:

1. To review performance management infrastructure
- ❖ Ensure that all positions have current *position descriptions* specifying key requirements of the role

- ❖ Ensure that managers have provided reports with performance indicators that are consistent with the position description requirements
- ❖ Check that *performance appraisal meetings* are held in accordance with organizational timeframes, that correct documentation has been completed and that all necessary parties have recorded agreement
- ❖ Check that appropriate organizational procedures have been followed for *rewarding* good performance
- ❖ Check that appropriate organizational procedures have been followed for addressing under performance
- ❖ Provide advice and support where there is decision on about performance appraisal outcomes

2. Promote performance management system

- ❖ Clarify goals and methods of the performance management system
- ❖ Address any questions from employees about the performance management system
- ❖ Arrange or deliver, training or instruction in how to use the performance management system
- ❖ Encourage ongoing and regular feedback on performance as well as formal performance appraisals

3. Collate performance management data

- ❖ Review performance management documentation to establish trends or problem areas which require attention
- ❖ Review patterns in skill or performance gaps and consider requirements and options for *performance development*
- ❖ Revise policies or procedures if necessary
- ❖ Suggest improvements to the performance management system

2.3.3.1. EVALUATION DESIGN AND PROBLEM

The output of performance evaluation significantly contributes to organization's achievement if it is properly conducted. However, according to Terry and Franklin (1997), several problems can arise in performance evaluation if managers are not well trained or unaware of the following dangers:

1. Halo effect: It can result in an evaluator assigning the same rating to each factor being evaluated for an employee based on the overall impression of the employee.
2. Central tendency: It is the tendency of the evaluator to rate all personnel within a very narrow range regardless of their actual performance.
3. Standards of evaluation: it relates to communication difficulties based on perceptual differences in the meaning of evaluative words such as excellent, above average and poor.
4. Present behavioural biases: timing is a critical factor in performance evaluation. Problem of evaluating an employee of the performance of the whole year.
5. Personal bias; problem to evaluate employees on the basis of racial, sexual, religious, and other biases.

Certain evaluation techniques and evaluator training can reduce or solve most problems in performance evaluation. The awareness, professionalism, objectivity, and quality of the evaluator are much more important than the particular rating techniques used.

2.3.3.2. MEASURING PERFORMANCE

Performance is the end result of activity which measures to select and assess performance depending on the organizational unit to be appraised and the objectives to be achieved. In doing this, behaviour and output controls are the major tasks of the organization.

As it is indicated in Hunger and Wheelen (2000), Controls can be established to focus either on actual performance results (output) or on the activities that generate the performance (behaviour). Whereas behaviour controls specify how some thing is to be done through policies, rules, standards, operating procedures, and orders from a supervisor. Output controls specify what is to be accomplished by focusing on the end results of the behaviours through the use of objectives and performance targets or milestones.

Behaviour and output controls are not interchangeable. Behaviour controls (such as following company procedures and getting to work on time) are most appropriate when performance results are hard to measure but the cause – effect connection between activities and results is clear. Moreover, output controls (such as surveys of customer satisfaction) are most appropriate when

specific output measures have been agreed on but the cause – effect connection between activities and results is not clear.

2.3.4. BALANCED SCORE CARD APPROACH USING KEY PERFORMANCE

MEASURES

According to Kaplan and Norton in Hunger and Thomas (2000), rather than evaluating a corporation using a few financial measures, they argue for a “balanced score card” including non financial as well as financial measures.

The balanced score card combines financial measures that tell the results of actions already taken with operational measures on customer satisfaction, internal processes, and the corporation’s innovations and improvement activities, the derives of future financial performance.

They also indicated that management should develop goals or objectives in each of the four areas. These include:

1. financial perspective: how do we appear to shareholders
2. Customers perspective: how do customers view us
3. internal business perspective: what must be excelling at
4. Innovation and learning perspective: can we continue to improve and create value.

Each goal in each area is then assigned one or more measures, as well as a target and an initiative. These measures can be thought of as key performance measures that are essential for achieving a desired strategic option.

2.3.4.1. USING BENCHMARKING TO EVALUATE PERFORMANCE

Benchmarking is ~~the~~ continual process of measuring products, services and practices against the toughest competitors or those companies recognized as industry leaders.

Benchmarking, an increasingly popular program, is based on the concept that it make no sense to reinvent something that someone else is already using. It involves openly learning how others do something better than one’s own company so that one not only can imitate, but perhaps even improve on their current techniques. It is also a mechanism of improving how to design and implement reward system in order to encourage employees for better performance.

According to Hunger and Wheelen (2000), the bench marking process usually involves the following steps:

1. Identify the area or process to be examined: It should be an activity that has the potential to determine a business unit's competitive advantage.
2. Find behavioural and output measures of the area or process and obtain measurements.
3. Select an accessible set of competitors and best in class companies against which to bench mark
4. Calculate the difference among the company's performance measurement and those of the best in class and determine why the difference exists.
5. Develop tactical programs for closing performance gaps

Implement the programs and then compare the resulting new measurements with those of the best in class companies.

MOE (2012) has also indicated that benchmarking improves business practice. Accordingly, the ministry of education suggested the following basic elements and the related performance criteria's that can be used as occupational standards in human resource operation:

Elements	Performance Criteria
Diagnose the business	<p><i>Data required</i> for diagnosis is determined and acquired</p> <p><i>Competitive advantage</i> of the business is determined from the data</p> <p><i>SWOT analysis</i> of the data is undertaken</p>
Benchmark the business	<p>Sources of relevant benchmarking data are identified</p> <p><i>Key indicators</i> for benchmarking are selected in consultation with key stakeholders</p> <p>Like indicators of own practice are compared with benchmark indicators</p> <p>Areas for improvement are identified</p>
Develop plans to improve business performance	<p>A consolidated list of required improvements is developed</p> <p>Cost-benefit ratios for required improvements are determined</p> <p>Work flow changes resulting from proposed improvements are determined</p> <p>Proposed improvements are ranked according to agreed criteria</p> <p>An action plan to implement the top ranked improvements is developed and agreed</p> <p><i>Organizational structures</i> are checked to ensure they are suitable</p>
Develop marketing and promotional plans	<p>The practice vision statement is reviewed</p> <p>Practice <i>objectives</i> are developed/reviewed</p> <p>Target markets are identified/refined</p> <p><i>Market research data</i> is obtained</p> <p><i>Competitor analysis</i> is obtained</p> <p><i>Market position</i> is developed/reviewed</p>

	<p>Practice <i>brand</i> is developed</p> <p><i>Benefits</i> of practice/practice products/services are identified</p> <p><i>Promotion tools</i> are selected/developed</p>
Develop business growth plans	<p>Plans to increase <i>yield per existing client</i> are developed</p> <p>Plans to add new clients are developed</p> <p>Proposed plans are ranked according to agreed criteria</p> <p>An action plan to implement the top ranked plans is developed and agreed</p> <p>Practice work practices are reviewed to ensure they support growth plans</p>
Implement and monitor plans	<p>Implementation plan is developed in consultation with all relevant stakeholders</p> <p>Indicators of success of the plan are agreed</p> <p>Implementation is monitored against agreed indicators</p> <p>Implementation is adjusted as required</p>

Benchmarking has been found to produce best results in companies that are already well managed. Apparently poorer performing firms tend to be overwhelmed by the discrepancy between the performance and the benchmark and tend to view the benchmark as too difficult to reach.

2.3.5. PROBLEMS IN MEASURING PERFORMANCE

The measurement of performance is a crucial part of evaluation and control. The lack of quantifiable objectives or performance standards and the inability of the information system to provide timely and valid information are two obvious control problems. Without objective and timely measurement, it would be extremely difficult to make operational, let alone strategic decisions.

Nevertheless, the use of timely, quantifiable standards does not guarantee good performance. The very act of monitoring and measuring performance can cause side effects that interfere with the overall corporate performance. Hunger and Wheelen (2000) also indicated that among the most frequent negative side effects in measuring performance are a short term orientation and goal displacement. These effects are explained here under

1/ Short term – orientation

- Top executives report that in many situations they analyze neither the long term implications of present operations on the strategy they have adopted nor the operational impact of a strategy on a corporate mission.
- Long- run evaluation are often not conducted because executives

- A. Do not analyze their importance
- B. Believe that short run considerations are more important than long – run considerations.
- C. Are not personally evaluated on a long term basis.
- D. Do not have the time to make a long run analysis

2/ Goal displacement

Monitoring and measuring of performance (if not carefully done) can actually result in a decline in overall corporate performance . Goal displacement is the confusion of the means with the ends and occurs when activities originally intended to help managers attain corporate objectives become ends in themselves.

2.3.6. GUIDELINES FOR PROPER CONTROL

In designing a control system, top management should remember that controls should follow strategy. Hunger and Wheelen (2000) also suggested the following guidelines for effective control.

1. Control should involve the minimum amount of information needed to give a reliable picture of events. Too many controls create confusion.
2. Controls should monitor only meaning full activities and results
3. Controls should be timely
4. long term and short term controls should be used
5. Controls should aim at pinpointing exceptions
6. Emphasize the reward of meeting or exceeding standards rather than punishment for failing to meet standards.

2.4. CONCEPTUAL FRAMEWORK: THE REWARD SYSTEM

According to Armstrong (2010) reward system consists of the 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. It operates in accordance with the principles of systems theory, which ‘is basically concerned with problems of relationship, of structure and of interdependence’ ((Katz & Kahn, 1966)). It has the characteristics of an open system that organizations should be treated as such in that they are continually dependent upon and influenced by their environments ((Miller & Rice 1967)).

CONCEPTUAL FRAMEWORK

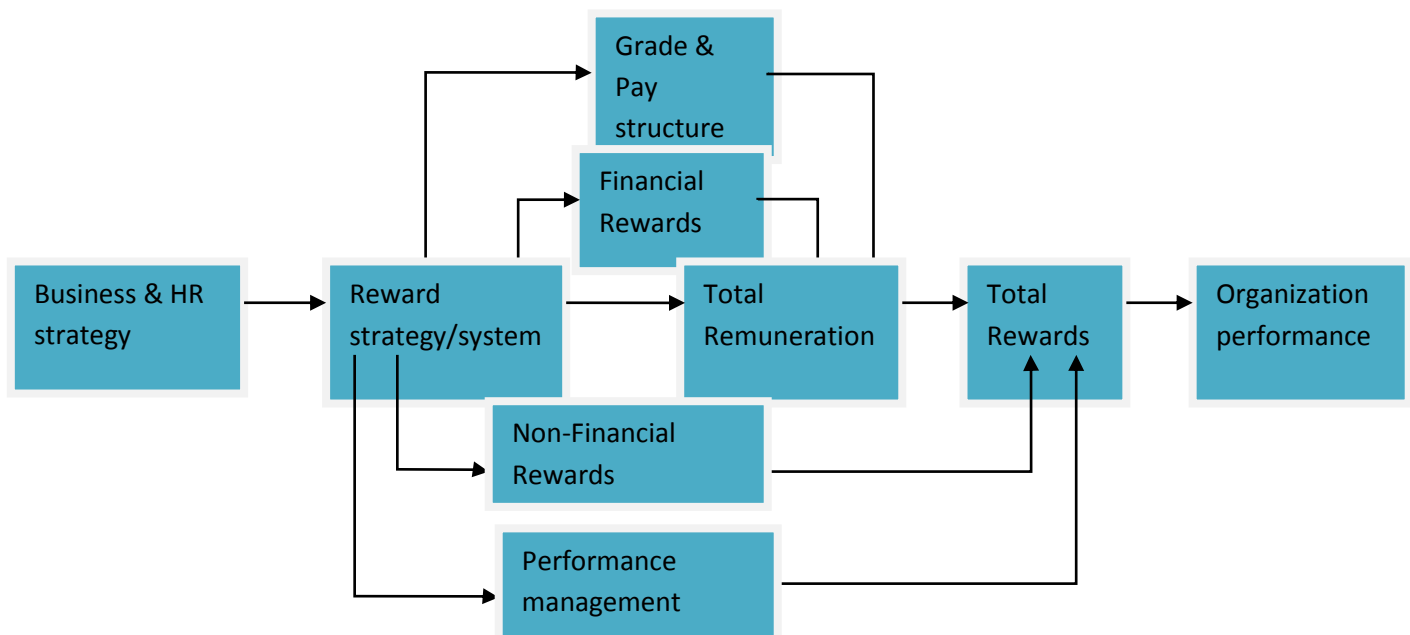


Figure1. A modified reward Management System: elements and interrelations (Source: Adapted from Armstrong, 2009)

Reward systems are based on the reward strategy, which flows from the business strategy, for example to gain competitive advantage, and the HR strategy, which is influenced by the business strategy but also influences it. The HR strategy may, for example, focus on resourcing but it should also be concerned with satisfying people as well as customer needs. All these aspects of strategy are affected by the Internal and External environment. Reward strategies direct the development and operation of reward practices and processes and also form the basis of reward policies, which in turn affect reward practices, processes and procedures (Armstrong, 2010).

This case study has been formulated and framed based on figure 1.1 to incorporate the different components of the total reward package in EEP. Accordingly, the EEP's reward management system is analyzed in terms of financial and non-financial rewards. The financial category, which is also called total remuneration, includes base pay, contingent pay, allowance, and employee benefits. The non financial rewards, on the other hand, encompass employee recognition, certificates, service pin awards, assignments in team responsibilities, and the like. In relation to non-financial rewards, the EEP's performance management system has also been treated in the study. Furthermore, job evaluation, market rate analysis and grade and pay structure of the EEP's reward management practices have been dealt with in the study.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

The research was framed in such a way as to produce a final result that would go in line with the design. That means, the research design aimed at ensuring that the study was relevant to the problem and used procedures that are economical and effective. For this reason, the study was executed by making use of descriptive survey method with the objective of identifying EEP's performance evaluation, reward strategies, policies, processes, and practices. To this end, the effect of the EEP's reward system was investigated according to the perception of employees.

The reason for selecting a descriptive survey method for the research had its own justification. To begin with, the objective of the study is to explore EEP's reward management system against the requirements of reward equity, consistency, fairness, and relevance. So, reward packages have been evaluated as they are rather than finding their cause-and-effect relationships with other variables. In other words, no attempt made to explain why and how things happen as they are as far as reward management was concerned. The second justification for selecting a descriptive survey method is because descriptive survey method helps the student researcher to treat the current status of the problem.

3.1. RESEARCH METHODOLOGY

The study was base on exploratory research approach with the objective of tracing the strengths and weaknesses inherent to the EEPCo reward management system and EEP reward system development with Balanced Score card (BSC) model.

3.2. SOURCE OF THE DATA

As far as data collection is concerned, both primary and secondary data sources to be used. The use of primary data for the research was rationalized by the fact that they are firsthand (original) and are created for the purpose of the study, unlike the secondary data which were created for purposes other than the research. As primary data to be originated by the researchers for the purpose of the investigation at hand, they reasonably fitted the problem defined. Also, they could maintain the objectivity and accuracy of the study results.

Parallel to the primary data, secondary data was included in the study in order to capitalize from their advantages. The most significant advantages of secondary data are the cost and time

economies they offered the research. Data could be accessed in a short time at a negligibly low cost. In this case, the study's secondary data provided comparative benchmark data against which primary data could be more insightfully interpreted. On the whole, the shortcomings of secondary data could be offset by the strengths of primary data and vice versa.

In line with this, it has been plausible to combine primary and secondary data so that accurate results would be obtained at reasonable cost of money, time and manpower.

The data collection process began with gathering secondary data from internal sources. The internal sources of secondary data include company documents, manuals, records, brochures, profiles, police, procedure, blue book, reports and other written sources relevant to the study.

On the other hand, primary data was collected from respondents working in EEP's head quarter, UEAP, TSC, PMO and engineering department.

3.3. SAMPLING AND SAMPLING TECHNIQUE

In the year 2007 E.C, there are four main branch offices and the head quarter under EEP. These branches are namely the Universal Electric Access Program that manages twelve projects; Transmission and Substation Construction that manage three project offices; Project Management Office that manages fifteen projects and Engineering Department that manages the substation and transmission divisions. The population of the study includes the head quarter and the four main branch offices. Out of these, the sample of the study is includes all the indicated offices and this is account 100% of the target population. The sampling technique to be used to select the head quarter and the branch offices are the availability sampling technique as there are four branch offices and one head quarter under EEP.

The study also targets all management body working under each branch. The representatives of each department can participate on interview questionnaires and this will enable the researcher to get the real picture of the problem under the study. The sampling technique to be selected was stratified sampling technique as there are adequate representatives from each department.

There are also five branch including head quarter in EEP, 113 employees working in head quarter, 63 employees working in UEAP, 155 employees working in TSC, 74 employees working in PMO, and 27 employees working in engineering department. Out of these targeted population number, the study was select five branch office including head quarter which accounts 100%, 34 employees

from employees working head quarter which accounts 30%, 19 employees from employees working in UEAP which accounts 30%, 47 employees from employees working in TSC which accounts 30%, 23 employees from employees working PMO which accounts 30% and 9 employees from employees working in engineering department which accounts 30% of the total population.

The sampling technique to be used in selecting branch office heads is purposive sampling technique. This is believed to be the selected respondents have a direct relationship with the issue under the study and can provide their insight and share their vested experience. Whereas, the sampling technique to be selected for selecting sampled employees working in these branch offices is simple random sampling technique. This is because the sampled respondents live in similar geographical location and they have almost similar exposure towards reward system implemented within an organization.

3.4. SAMPLE SIZE

The appropriate sample size for a survey designed based on a simple random sample of this research data collection was formulated as shown on the table 1 below.

Table1. Proportional sampling

Description	Head quarter	UEAP	TSC	PMO	Engineering	Total
Total	113	63	155	74	27	432
Proportion	113/432	63/432	155/432	74/432	27/432	100
Sampling in%	26.12	14.58	35.88	17.13	6.25	100
Number from each 30%	34	19	47	23	9	132
Management	6	3	7	3	1	20

Source: Own adapted from Cochran formula for sample size determination. Total 152

3.5. INSTRUMENTS AND PROCEDURES OF DATA COLLECTION

The subject of the study ranges from lower level workers to higher officials of the organization. This leads us to use different instruments or tools pertaining to the subject of the study. A questionnaire that contains both closed ended and open ended question items was prepared and

administered to employees working in different branches. The questionnaire was prepared in English and understanding for respective respondents.

Interview that contains unstructured question items was administered to gather data from higher officials. After unstructured interview questions had been prepared, the actual interview sessions was held turn by turn with each member and respond with written to each questionnaire item by the selected sample executives and/or managers. Unstructured question items in the interview were believed to have promoted objectivity of responses where as unstructured question items allows freedom and encourages respondents to probe their answers and provide detailed and even unexpected responses.

More importantly, the interview questions will focus on issues of reward system and its relationship towards better performance.

In addition, the head quarter team of the focus group discussion is on the present reward system and its implication to employee performance. Finally, pilot test was conducted in one of the departments (HR) of the organization. To this effect, the study was carried out after checking the appropriateness of the instruments by including the feedback from the pilot test.

3.6. METHOD OF DATA ANALYSIS

After data had been collected from primary and secondary sources, analysis was made through diligent process of editing and coding them. For effective results, appropriate tables, graphs and charts was used. Data editing involve the inspection and correction of each interview form. Coding in this research, consist of the procedures by which raw data to be transformed in to symbols and numbers. For achieving accurate results in interpreting the raw data in to meaningful information, appropriate narratives, tables, charts, and illustrations was made manually and SPSS soft ware.

Accordingly, the information obtained from relevant documents, the opinion gathered through interview and data collected through questionnaire was structured, organized, and framed to suit analysis and conclusion. When interpreting the data, percentage was used to questions that require quantitative measurements and mean and standard deviations are also used for the purpose of effective data analysis.

CHAPTER FOUR

4.1. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter deals with presentation, analysis, and interpretation of the data by categorizing into two parts. The first part presents the characteristics and background of the sample population involved in the study in terms of sex, age, educational level, service years, marital status and monthly income of employees. The second part deals with the analysis and interpretation of the data obtained from the respondents on the effect of organizational reward system on organizational performance.

4.1.1. Profile of Respondents

Table 2: Sex of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	99	75.0	75.0	75.0
Female	33	25.0	25.0	25.0
Total	132	100.0	100.0	100.0

Source: Own survey data, (2015)

As indicated in Table 2, 99 (75%) of respondents are male and the remaining 33 (25%) are female respondents.

Table 3: Marital status of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Single	52	39.4	40.3	40.3
Married	77	58.3	59.7	59.7
Total	129	97.7	100.0	100.00
Missing	3	2.3		
Total	132	100.0		

Source: Own survey data, (2015)

As it is indicated in Table 3, out of 132 respondents, 52 (39.4%) are single where as 77 (58.3%) of them are married employees. However, 3 (2.3 %) of the respondents didn't specify their marital status. Thus, the majority of respondents are married which might indicate that the employees can be stable.

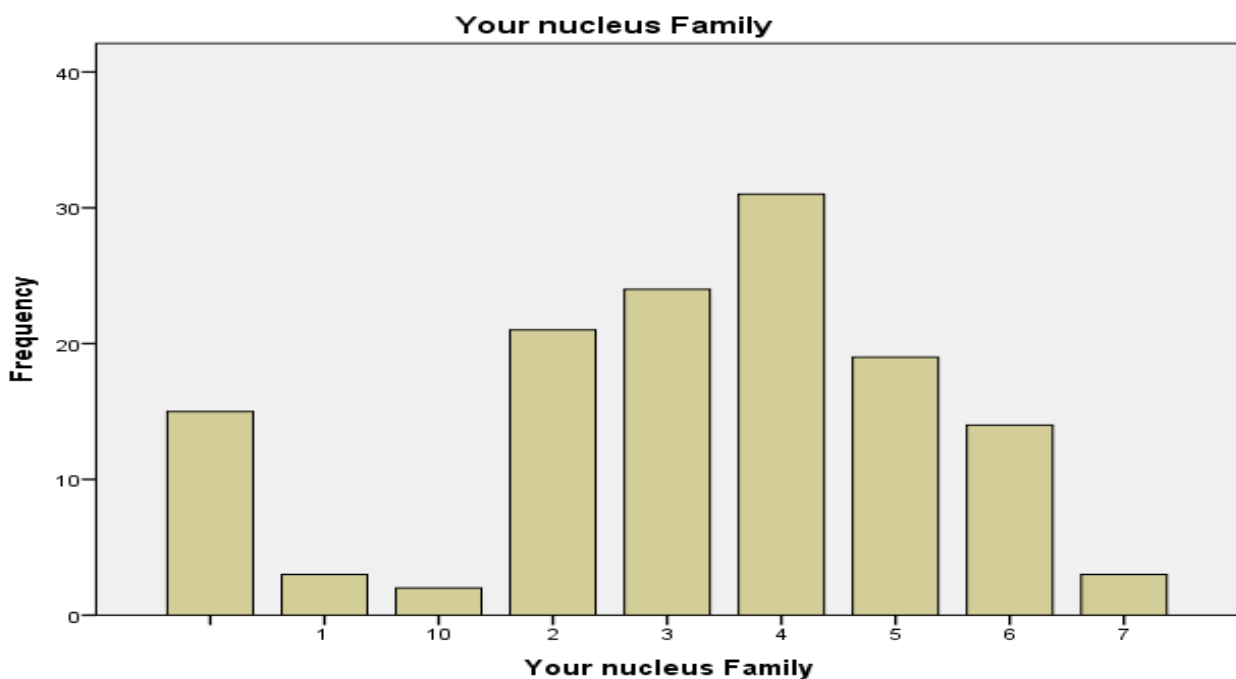
Table 4: Family size of respondents

Family size	Frequency	Percent	Valid Percent	Cumulative Percent
Single	15	11.4	11.4	11.4
1	3	2.3	2.3	13.7
2	21	15.9	15.9	29.6
3	24	18.2	18.2	47.8
4	31	23.4	23.4	71.2
5	19	14.4	14.4	85.6
6	14	10.6	10.6	96.2
7	3	2.3	2.3	98.5
10	2	1.5	1.5	100.0
Total	132	100.0	100.0	

Source: Own survey data, (2015)

As indicated in Table 4, out of 132 respondents, 15 (11.4%) are single, 79 (59.8%) of respondents have 1-4 nucleus family, whereas those respondents who have more than 4 nucleus family size are 38 (28.8%). On the other hand, the majority of employees 31 (23.4 %) have 4 nucleus family members. The same analysis can be shown using Figure 2.

Figure 2: Family size of respondents



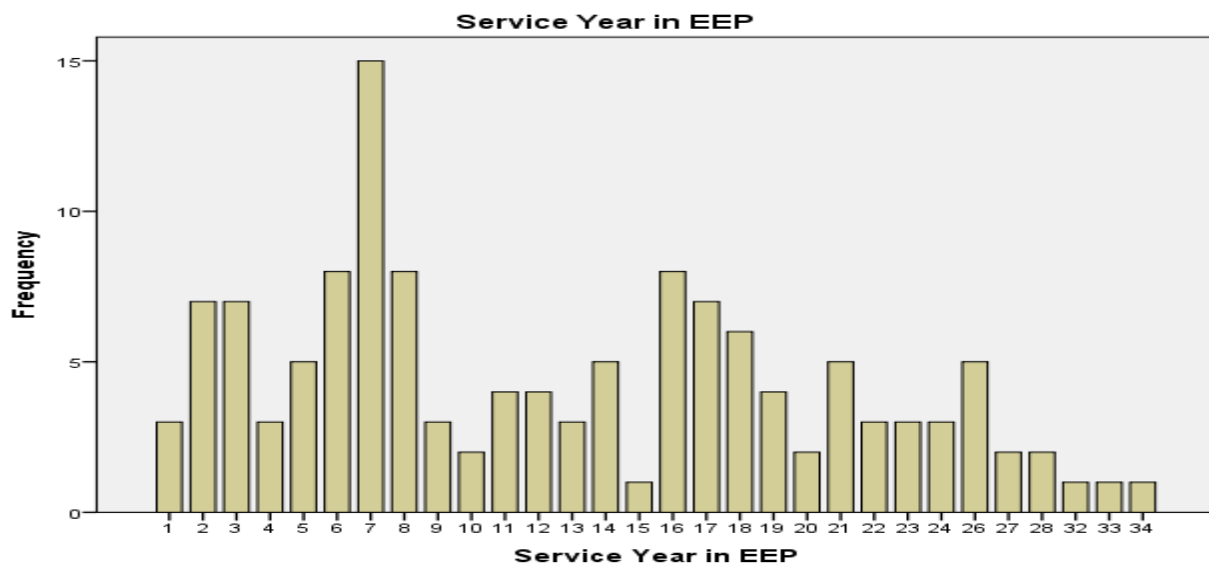
Source: Own survey data, (2015)

Table 5: Academic achievement of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Certificate	2	1.5	1.5	1.5
TVET Diploma	23	17.4	17.6	19.1
University Level	11	8.3	8.4	27.5
Valid Diploma				
First Degree	83	62.9	63.4	90.8
Masters	12	9.1	9.2	100.0
Total	131	99.2	100.0	
Missing	1	0.8		
Total	132	100.0		

Source: Own survey data, (2015)

As indicated in Table 5, out of 132 respondents, 36 (27.3 %) of them have certificate and diploma level education. Whereas 95 (72%) have first degree and masters level of education indicating that the majority of the respondents have higher level of qualification. However, 1 (0.8) of respondent didn't specify his/her qualification level.

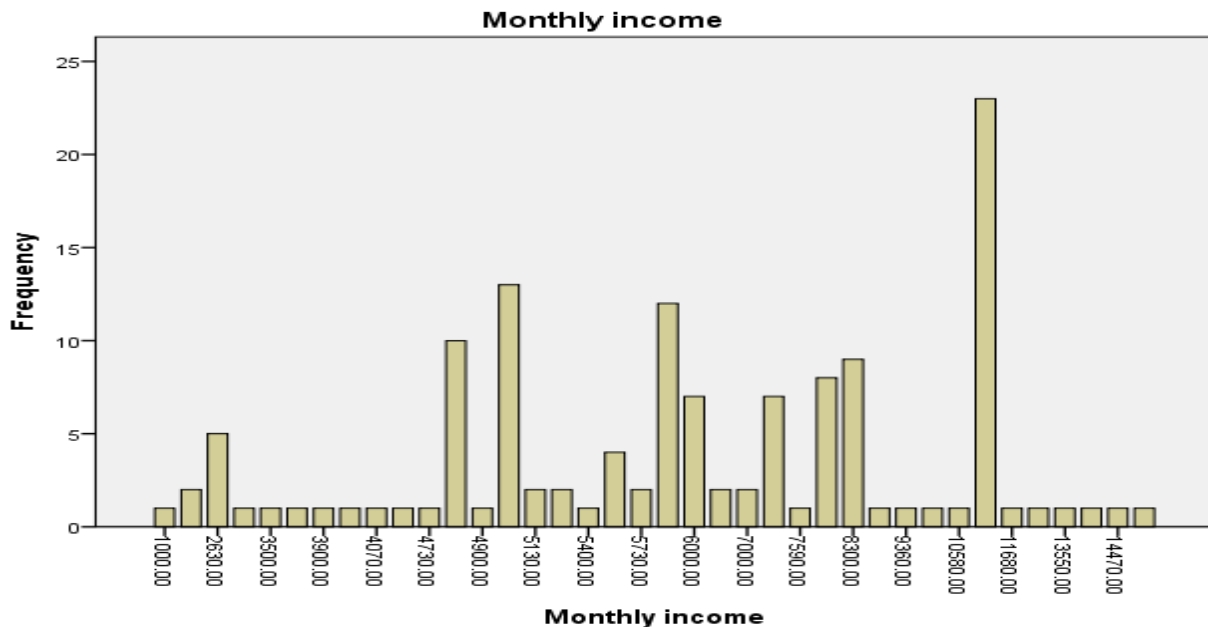
Figure 3: Service year of respondents

Source: Own survey data, (2015)

Figure 3 shows the service year of respondents in EEP. As indicated in the figure, the respondents' work experience ranges from one year to thirty four years. Accordingly, the number of respondents

who have seven (7) years work experience is more than any other respondents. In general, the majority 88 (66.7%) of respondents service year ranges from 6–21 years.

Figure 4: Monthly income of respondents



Source: Own survey data, (2015)

Regarding the monthly salary of the respondents, it ranges from 1000 to 14700. However, as indicated in the figure, the majority of the respondents earn more than 4730.00 (Birr four thousand seven hundred thirty) as monthly salary. In contrast, those employees who earn Birr 11340 are 23. In general, the majority of employees earn a monthly salary that ranges from Birr 4750 – 6300.

4.1.2. Data Presentation and Analysis

In this second part, the responses of respondents which had been collected using the Likert Scale were presented and analyzed thoroughly. Consequently, the summary of major findings was identified based on the implications that had been made.

4.1.2.1. The Analysis of Questionnaire Administered to Employees of EEP

As shown in Table 6, concerning whether the total reward package is attractive enough or not to retain employees, 67 (50.7%) stated that it is not attractive. On the other hand, there are 29 (21.9%) respondents who said that it is attractive. Similarly, 29 (21.9%) respondents were neutral as regards the attractiveness or non-attractiveness of the total reward package.

Moreover, whether the reward system is merit based or not, 74 (56%) respondents which are the majority stated that it is not merit based whereas 24 (18.2%) said that it is based on merit. Moreover, 33 (25%) of respondents being neutral as to whether the reward system is merit based or not. Consistently, the majority of respondents 75 (56.8%) declared that the reward package is not adequate. In contrast, only 17 (12.9%) of the respondents claimed that it is adequate. Those respondents who are neutral are 35 (26.5%).

Table 6: Total Reward Package

	EEP's total reward package is attractive enough to retain employees		Employees reward system is merit based		The total reward package provided to employees is adequate	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Strongly disagree	37	28.0	40	30.3	32	24.2
Disagree	30	22.7	34	25.8	43	32.6
Neutral	29	22.0	33	25.0	35	26.5
Agree	26	19.7	12	9.1	14	10.6
Strongly agree	3	2.3	12	9.1	3	2.3
Total	125	94.7	131	99.2	127	96.2
Missing	7	5.3	1	0.8	5	3.8
Total	132	100.0	132	100.0	132	100.0

Source: Own survey data, (2015)

Table 7: Descriptive Statistics of Total Reward Package

	EEP's total reward package are attractive enough to retain employees	Employees reward system is merit based	The total reward package provided to employees is adequate
Valid No.	125	131	127
Missing	7	1	5
Mean	2.42	2.40	2.31
Std. Deviation	1.186	1.264	1.044

Source: Own survey data, (2015)

The descriptive statistics of total reward package presented above computed mean value 2.42 with standard division 1.186 shows that the respondents disagree with the nature of the attractiveness of

the total reward package implemented in Ethiopian Electric power. According to Armstrong (2009) total reward approach should be holistic instead of operating in isolation or on a single factor to reward mechanism. Therefore, the descriptive statistics shows the analysis of holistic reward system.

Pertaining to the above, an open-ended questionnaire was also administered to triangulate the responses of respondents concerning the total reward package. Accordingly, in supporting of the statistical findings shown in the above, the respondents indicated the non-attractiveness, no merit based and inadequacy of the reward package.

The respondents also indicated that in the process of reward administration, there is lack of conducting performance appraisal, mass based evaluation mechanism, no means of identifying good performers, lack of appropriate communication, lack of managerial competency to conduct performance appraisal, inappropriate way of rating employees based on friendly relationship or otherwise.

The computed mean value 2.4 with 1.264 standard deviation shows that most of the respondents believe that the implementation of the reward system is not merit based. According to Hamner (1976), failure not to reward an employee who deserves it may encourage poor subsequent performance. He also indicated that evaluating employees on the basis of racial, sexual, religious, and other basis are the major problems that are observable during performance evaluation.

Thus, the overall data concerning the issue of the respondents reveals that the reward system implemented in Ethiopian Electric power does not fully based on the results of performance appraisal. Employees' performance has not been evaluated regularly, timely and based on relationship, has minimal acceptance by the employees and ultimately discourage good performers for better achievement in the future.

Moreover, the computed mean value 2.31 with 1.044 standard deviation implies that the majority of the respondents agree that the reward provided to employees is not sufficient or adequate. According to Hunger and Wheelen (2000), financial reward must be perceived as fair and equitable by the majority of organization members. Moreover, it must be received immediately up on completion. More importantly, Maslow's need theory indicates that human beings are "wanting" organisms that are motivated to fulfill and satisfy their needs in hierarchy specially financial reward is crucial to satisfy the primary needs of employees.

The data testifies that most of the respondents do consider that the reward provided by EEP is not adequate. However, few of the respondents agreed that the revised salary scale is more motivational than the previous salary scale. Nevertheless, the dissatisfaction of employees may be caused due to unfair and inequitable implementation of the reward system and lack of transparency by the management and as a result, lack of sense of ownership on the side of employees.

Table 8: Effectiveness of Financial Reward

	The financial rewards provided to employees is adequate		The financial rewards provided to employees are appropriate		The financial rewards provided to employees contribute meaningfully to their livelihoods	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Strongly disagree	33	25.0	38	28.8	49	37.1
Disagree	38	28.8	43	32.6	36	27.3
Neutral	30	22.7	25	18.9	30	22.7
Agree	22	16.7	15	11.4	8	6.1
Strongly agree	7	5.3	8	6.1	3	2.3
Total	130	98.5	129	97.7	126	95.5
Missing	2	1.5	3	2.3	6	4.5
Total	132	100.0	132	100.0	132	100.0

Table 9: Descriptive Statistics of Effectiveness of Financial Reward

		The financial rewards provided to employees is adequate	The financial rewards provided to employees are appropriate	The financial rewards provided to employees contribute meaningfully to their livelihoods
N	Valid	130	129	126
	Missing	2	3	6
	Mean	2.48	2.32	2.05
	Std. Deviation	1.196	1.192	1.050

Source: Own survey data, (2015)

Table 8, indicates the effectiveness of the finance reward system. As shown in Table 8, concerning whether the financial rewards provided to employees is adequate or not, 71 (53.8%) stated that it is not adequate. On the other hand, there are 30 (22.7%) respondents who said that it is adequate.

Similarly, 29 (22%) respondents were neutral as regards the adequacy or non-adequateness of the financial rewards. Moreover, whether the financial rewards provided to employees are appropriate or not, 81 (61.4%) respondents which are the majority stated that it is not appropriate whereas 23 (17.5%) said that it is appropriate. Moreover, 25 (18.9%) of respondents being neutral as to the financial reward is appropriate or not. Consistently, the majority of respondents 85 (64.4%) declared that the financial rewards provided to employees not contribute meaningfully to their livelihoods. In contrast, only 11 (8.4%) of the respondents claimed that it contribute meaningfully to their livelihoods. Those respondents who are neutral are 30 (22.7%).

Moreover, the computed mean value 2.48 with standard deviation 1.196 shows that most of the respondents disagree with the adequacy of the finance reward provided to employees. According to Herzberg's theory to decrease the dissatisfaction level of employees there is a need to provide adequate money and compensation, improve working conditions, and improve job security etc. Thus, this shows that most employees are dissatisfied with the financial reward system currently implemented in EEP.

Consistently, computed mean value 2.32 with the 1.192 standard deviation reveals that the majority of the respondents disagree with the appropriateness of the financial reward provided to employees. According to Mathis and Jackson (2000), organizations' must develop policies as general guidelines to provide for coordination and consistency. Tyson (2006) policy towards payment could be best described as to remain competitive for labour while rewarding good performance and adopting a position on financial pay which controls costs and is clear to be fair by all employees.

Thus data collected from respondents implies that most respondents do not comply that the financial reward provided with employees appropriate. The respondent's states that the formulation and implementation of the financial reward system does not base itself on regular, consistent, equitable, and fair provision of financial rewards and also suggested that their salary is not sufficient to improve their living conditions and to sustain the economic inflation.

The computed mean value 2.05 with the 1.05 standard deviation implies that majority of the respondents do not agree that the financial reward provided to employee contributing meaningfully to their lively hoods .According to Armstrong (2009) a reward system consists of number of interrelated processes and activities which combine to ensure that reward management is carried out effectively to the benefit of the organization and the people who work there.

The response obtained from respondents testifies that the contribution of the financial reward provided to employees has low contribution to improve employee's livelihood. This implies that the contribution of the financial rewards were low to retain existing and to obtain from the market.

Table 10: Effectiveness of non Financial Reward

	The non-financial rewards provided to employees is adequate		The non-financial rewards provided to employees are appropriate		The non-financial rewards provided to employees contribute meaningfully to their livelihoods	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Strongly disagree	42	31.8	28	21.2	35	26.5
Disagree	46	34.9	42	31.8	44	33.3
Neutral	26	19.7	26	19.7	29	22.0
Agree	11	8.3	25	19.0	13	9.9
Strongly agree	4	3.0	6	4.5	6	4.5
Total	129	97.7	127	96.2	127	96.2
Missing System	3	2.3	5	3.8	5	3.8
Total	132	100.0	132	100.0	132	100.0

Source: Own survey data, (2015)

Table 11: Descriptive Statistics of Effectiveness of Non-financial Reward

		The non-financial rewards provided to employees is adequate	The non-financial rewards provided to employees are appropriate	The non-financial rewards provided to employees contribute meaningfully to their livelihoods
N	Valid	129	127	127
	Missing	3	5	5
Mean		2.14	2.52	2.30
Std. Deviation		1.066	1.174	1.122

Source: Own survey data, (2015)

As shown in Table 10, concerning whether the non-financial rewards provided to employees is adequate or not, 88 (66.7%) of respondents stated that it is not adequate. On the other hand, there

are 15 (11.3%) respondents who said that it is adequate. Similarly, 26 (19.7%) respondents were neutral as regards the adequacy or non-adequateness of the non-financial rewards.

Moreover, whether the non-financial rewards provided to employees are appropriate or not, 70 (53%) respondents which are the majority stated that it is not appropriate whereas 31 (23.5%) said that it is appropriate. Moreover, 26 (19.7%) of respondents being neutral as to the non-financial reward is appropriate or not. Consistently, the majority of respondents 79 (59.8%) declared that the non-financial rewards provided to employees not contribute meaningfully to their livelihoods. In contrast, only 19 (14.4%) of the respondents claimed that it contribute meaningfully to their livelihoods. Those respondents who are neutral are 29 (22%).

Thus respondents also consider that lack of timely decision of managers, lack of transparency, lack of adequate knowledge on the side of managers concerning non-financial reward, are some of factors that contribute to the in adequate provision of non-financial reward to employees. According to Herzberg's theory, motivation factors include non-financial rewards and it is the basis to increase satisfaction of employees. These factors include: work itself, added responsibility, opportunity for personal growth.

Consistently, computed mean value 2.14 with the 1.066 standard deviations illustrate that most of the respondents do not agree with the adequacy of the non-financial reward provided to employees. This shows that lack of management's focus and priority to use non-financial rewards that increases employees' satisfaction. Moreover, the respondents indicate that there is knowledge and commitment gap on the side of managers on the process of implementing non-financial rewards that does not require many resources to implement at the work place.

As it is indicated in Table 10, the respondents forwarded that the problem is observed due to lack of managers' competency, provision of reward based on closeness or friendship, lack of transparency, lack on managers' concern to employees and long years back locking problems observed in the organization.

The computed means value 2.52 with 1.174 standard deviations shows that the majority of respondents positioned to the non-appropriateness of the non-financial reward provided to employees. This shows that the implementation of the non-financial reward is not out of the problem of relationship biased, lack of clear strategic approach, and problem of managerial competency.

Moreover, most of respondents indicated that they do not agree with the contribution of the non – financial reward to improve their livelihoods. The respondents disclosure that employees opportunity to access challenging task, to get added responsibility, to assume better position, managements recognition to employees and opportunity for personal growth that improves their livelihood is low.

Meanwhile, the computed mean value 2.3 with the 1.122 standard deviation reveal that most of the respondents disagree on the issue of non-financial reward’s contribution improve employees’ livelihood. The respondents clearly put into consideration that employees do not have a confidence or awareness on the non-financial reward system so as to assume benefit to them that is obtained even if fair competition among employees that ultimately contributes towards their personal growth or livelihood improvement.

Table 12, below indicates the transparency in reward system policy. As shown in Table 12, concerning whether the implementation of EEP’s reward system is transparent or not, 77 (58.2%) stated that it is not transparent. On the other hand, there are 25 (19%) respondents who said that it is transparent. Similarly, 27 (20.5%) respondents were neutral as regards the transparent or non-transparency of the reward system policy.

Moreover, whether the EEP’s reward policy is formulated in participation with stakeholders or not, 70 (53%) respondents which are the majority stated that it is not participative whereas 24 (18.2%) said that it is participative. Moreover, 37 (28%) of respondents being neutral as to the reward police is participative or not. Consistently, the most of respondents 56 (42.5%) declared that EEP implements the reward policy not consistently in accordance with the values to employees not contribute meaningfully to their livelihoods. In contrast, 37 (28%) of the respondents claimed that the implementation of the reward policy is contribute to the value employees. Those respondents who are neutral are 35 (26.5%).

Table 12: Transparency in Reward System Policy

	The implementation of EEP's reward system is transparent		EEP's reward policy is formulated in participation with stakeholders		EEP implements the reward policy consistently in accordance with the values	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Strongly disagree	43	32.6	31	23.5	20	15.2
Disagree	34	25.6	39	29.5	36	27.3
Neutral	27	20.5	37	28.0	35	26.5
Agree	21	16.0	19	14.4	29	22.0
Strongly agree	4	3.0	5	3.8	8	6.0
Total	129	97.7	131	99.2	128	97.0
Missing System	3	2.3	1	.8	4	3.0
Total	132	100.0	132	100.0	132	100.0

Source: Own survey data, (2015)

Table 13: Descriptive Statistics of Transparency in Reward System Policy

		The implementation of EEP's reward system is transparent	EEP's reward policy is formulated in consultation/participation with stakeholders	EEP implements the reward policy consistently in accordance with the organization's values
N	Valid	129	131	128
	Missing	3	1	4
	Mean	2.29	2.45	2.76
	Std. Deviation	1.182	1.118	1.155

Source: Own survey data, (2015)

The respondent also indicated that the involvement reward policy formulation process from the planning to the implementation phase is low. Moreover, they suggested that the reward policy formulation or embracing is based on the good willing of the management or the board. The managers also supported the idea by saying the system was not transparent and no one now the reward package of the company and the solution is to make the system transparent and clear during

formulation; then it is implemented without difficulty. Moreover, they indicated that no employee participation during setting salary scale and pay structuring, it is developed and formulated by non-professionals.

But, according to Hammer (1976), one of the considerations for using positive reinforcement to motivation in employees is to inform employees what they can do to get reinforcement setting standards or goals and monitoring performance provides timely feed-back to encourage positive performance and discourage poor out puts.

Consistently, computed mean value 2.29 with the 1.162 standard deviation implies that the majority of employees disagree that the reward system is implemented transparently. The respondent's shows that EEP does not relate reward system with professionally stated performance appraisal results, the opportunity of including reward activities in the annual plan and also the effort made to create sense of ownership or empowerment over employees with the issue under discussion become low.

The computed mean value 2.45 with the 1.118 standard deviation signifies that most of the respondents disagree with the EEP's reward policy is formulated in consultation/participation with stakeholders. The respondents reveal that EEP's attention towards the implementation of the reward system for better organizational achievement is not well thought-out. The responses obtained from employees indicated that the reward system administration or formulation is the concern of a few individuals working in the managerial positions and it is not the concern of employees and other stakeholders. The respondents shows that this will create continuous dissatisfaction on the side of employees and creates minimum room of using the talents, the finance and other potential resources of the concerned stakeholders that really add significant support to EEP's performance.

Indifference, computed mean value 2.76 with 1.155 standard deviation shows that the majority of employees become neutral in their response. The response qualifies that there are significant number of employees who support EEP'S implementation of the reward system that is consistence in accordance with the organization value.

Table 14, below indicates the legal frame work in reward provision. As shown in Table 14, concerning whether EEP pursues benefits/incentives plan consistently or not, 82 (62.1%) the majority of respondent stated that the benefits/incentives plan is not consistent. On the other hand, there are 26 (19.7%) respondents who said that the benefits/incentives plan is consistent. Similarly, 21 (15.9%) respondents were neutral as regards the consistence or non-consistence of the

benefits/incentives plan. Moreover, whether the EEP's reward strategies designed is appropriate in order to implement the reward policy or not, 74 (56.1%) respondents which are the majority stated that it is not designed appropriately whereas 17 (12.9%) said that it is appropriately designed. Moreover, 39 (29.5%) of respondents being neutral as to the reward strategies designed appropriates.

Table 14: Legal Frame work in Reward Provision

	EEP pursues benefits/incentives plan consistently		EEP designed appropriate reward strategies in order to implement the reward policy	
	Frequency	Percent	Frequency	Percent
Strongly disagree	45	34.1	38	28.8
Disagree	37	28.0	36	27.3
Neutral	21	15.9	39	29.5
Agree	20	15.2	12	9.1
Strongly agree	6	4.5	5	3.8
Total	129	97.7	130	98.5
Missing System	3	2.3	2	1.5
Total	132	100.0	132	100.0

Source: Own survey data, (2015)

Table 15: Descriptive Statistics of Legal Frame Work in Reward Provision

		EEP pursues benefits/incentives plan consistently	EEP designed appropriate reward strategies in order to implement the reward policy
N	Valid	129	130
	Missing	3	2
	Mean	2.26	2.31
	Std. Deviation	1.222	1.106

Source: Own survey data, (2015)

Accordingly, the respondents claim the consistence of benefits or incentives plan and the reward strategy design to implement reward policy for the organization performance. Mathis and Jackson (2000), a benefit is an indirect reward such as health insurance, vacation pay retirement pensions, sick pay, insurance cover, and company cars and Armstrong (2009) also indicated that a benefit is given to employees as part or organizational membership.

The computed mean value 2.26 with the 1.222 standard deviation implies that most employees disagree that EEP pursues benefits (incentives) plan consistently. This shows that EEP does not consider the reward activities as part and parcel of the planned activities. The inconsistency in the implementation of the reward system implies that its base is the willingness of management bodies and the level of commitment of those who are responsible to elevate the issue.

As it is indicated by Mathis and Jackson (2000), organizations must develop policies and procedures as general guidelines to provide for coordination, consistency, and fairness in compensating employees more importantly, Tyson (2006) also indicated that a reward policy is a prerequisite for strategic management of pay and benefits.

While computed mean value 2.31 with the 1.106 standard deviation shows that the majority of employees agree that EEP do not designed appropriate reward strategies in order to implement the reward policy. The responses obtained from respondents reveals that the reward system is not supported by a legal professional approach that encompasses or mobilized the participation of government bodies, employees and the concerned stake holders.

Table 15, indicates the reward policy implementation is fairly/equitably or not, 76 (57.6%) of respondents stated that the reward policy implementation is not fairly/equitably applicable. On the other hand, there are 16 (12.1%) respondents who said that the reward policy implementation is fair or equitable. Similarly, 37 (28%) respondents were neutral as regards the fairness/ equability or unfairness/inequitable of the reward policy implementation. Moreover, whether the EEP's reward system is fundamentally expresses /reflects employees commitment or not, 81 (61.4%) respondents which are the majority stated that it is not reflects employees commitment designed appropriately whereas 19 (14.4%) said that it reflects employees commitment. Moreover, 29 (21.9%) of respondents being neutral as to the reward system is fundamentally expresses /reflects employees commitment.

Table 16: Employees Commitment and Reward Provision

	EEP's reward policy is implemented fairly/equitably		EEP's reward system is fundamentally expresses /reflects employees' commitment	
	Frequency	Percent	Frequency	Percent
Strongly disagree	34	25.8	36	27.3
Disagree	42	31.8	45	34.1
Neutral	37	28.0	29	21.9
Agree	11	8.3	14	10.6
Strongly agree	5	3.8	5	3.8
Total	129	97.7	129	97.7
Missing System	3	2.3	3	2.3
Total	132	100.0	132	100.0

Source: Own survey data, (2015)

Table 17: Descriptive Statistics of Employees Commitment and Reward Provision

		EEP's reward policy is implemented fairly/equitably	EEP's reward system is fundamentally expresses /reflects employees' commitment
N	Valid	129	129
	Missing	3	3
	Mean	2.31	2.28
	Std. Deviation	1.074	1.104

Source: Own survey data, (2015)

Hunger and wheeleen (2000), indicates that it is imperative that reinforcing rewards be contingent on and equal to the performance of the employee and that managers discriminate among employees on the basis of their performance The respondents' also suggested that the implantation of the reward system is in most cases based on personal relationship and there is nobody who is accountable for the failure of rewards implementation.

The computed mean value 2.31 with the 1.074 standard deviation reveals that respondents disagree with the ideas of fair or equitable distribution, which entail that the implementation is carried out without the knowledge of employees, based on personal relationships, implemented with the willingness of the management, and as result it discourages good performers and most employees lose confidence on the management.

The respondents also believe that the reward system has no relationship with the performance of employees and as a result employee's initiation to perform better is below expected. According to Armstrong (2009), reward can be regarded as the fundamental expression of the employment relationship, commitment, engagement and company performance development.

Meanwhile, computed mean value 2.28 with 1.104 standard deviation of respondent shows implementation of the reward system is one of the reasons that discouraging employees, contributes to inadequate performance, lower commitment, comprehend on for the formation of informal groups grievance, reason to imagine management bodies, reason for turnover, etc.

Table 18, indicates reward system and organizational performance. As shown in Table 18, concerning whether EEP's reward system is based on individual performance results or not, 89 (67.4%) respondents which are a great majority stated that it is not based on individual performance results. On the other hand, there are 13 (9.8%) respondents who said that it is based on the individual performance result. Similarly, 27 (20.5%) respondents were neutral as regards reward system based on the individual performance or not.

Moreover, whether the EEP's reward system has motivational effect towards high organizational performance or not, 44 (33.4%) respondents reply that it is not motivating corporate performance whereas 51 (38.6%) said that it is motivating towards organizational performance. Moreover, 33 (25%) of respondents were neutral to the effect of reward systems on organizational performance. Consistently, the moderate of respondents 59 (44.7%) declared that the newly designed BSC model will not solve the problems related to the implementation of the reward system. 12 (9.1%) of the respondents anticipate that BSC model will solve the problems related to the implementation of the reward system. The most respondents are neutral that accounts 60 (45.5%).

Table 18: Reward System and Organizational Performance

	EEP's reward system is based on individual performance results		EEP's reward system has motivational effect towards high organizational performance		The newly designed BSC model will solve the problems related to the implementation of the reward system		The existing reward system enhances organizational (EEP's) performance	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Strongly disagree	50	37.9	20	15.2	12	9.1	12	9.1
Disagree	39	29.5	24	18.2	47	35.6	35	26.5
Neutral	27	20.5	33	25.0	60	45.5	54	40.9
Agree	7	5.3	35	26.5	11	8.3	27	20.5
Strongly agree	6	4.5	16	12.1	1	.8	2	1.5
Total	129	97.7	128	97.0	131	99.2	130	98.5
Missing System	3	2.3	4	3.0	1	.8	2	1.5
Total	132	100.0	132	100.0	132	100.0	132	100.0

Source: Own survey data, (2015)

Table 19: Descriptive Statistics of Reward System and Organizational Performance

	EEP's reward system is based on individual performance results	EEP's reward system has motivational effect towards high organizational performance	The newly designed BSC model will solve the problems related to the implementation of the reward system	The existing reward system enhances organizational (EEP's) performance
N	Valid 129	128	131	130
	Missing 3	4	1	2
	Mean 2.07	3.02	2.56	2.78
	Std. Deviation 1.112	1.264	.805	.932

Source: Own survey data, (2015)

Moreover, the related of respondents 47 (35.6%) declared that the existing reward system is not enhances organizational (EEP's) performance. 29 (22%) of the respondents agreed to the enhancement of existing reward system. The most respondents are neutral that accounts 54 (40.9%) regarding the existing reward system that is enhances organizational performance.

Accordingly, neither the BSC model nor the previous performance result is used as a means to reward employees. Indicating that giving lump-sum payment of bonus yearly is not motivating top performers. According to Terry and Franklin (1997), attaining the results make a better use of human resources and contribute to the employees satisfaction. They further indicated that the specific expected results guides the direction of the operations and are also the standards of performance against which the standard is appraised.

The computed mean value 3.02 with 1.264 standard deviation shows that the majority of the respondents become neutral and their response inclined to agreement with reward system has motivational effect towards high organizational performance. That is, most of the respondents believe that the availability of reward system in the organization. They stressed that if it could be attentively managed or framed with regular, equitable, consistent legal frame work, then it could bring high motivational effect towards high organizational performance.

According to Hunger and wheeleen (2000), the balanced scorecard combines financial measures that tell the results of actions already taken with operational measures on customer satisfaction, internal processes, and the cooperation's innovation and improvement activities- the derives of future financial performance.

The computed mean value 2.56 with the 0.805 standard deviation reveals that the majority of respondents become neutral. This shows that the newly designed BSC model will improve the relationship between reward system and performance appraisal results if properly implemented. However, significant numbers of respondents believe that they have a reservation on the success of the BSC model. That is, it's implementation's success may be affected by the back lock of performing duties and the old way of thinking (resistance to change) that benefited a few individuals that are closer the management bodies.

The computed mean value 2.78 with the 0.932 standard deviation indicates that most of the respondents have neutral response towards the relationship between the existing reward system and its effect on EEP's performance. This reveals that the majority of respondents believe that problem of EEP's performance is affected not because of the absence of the existing reward system but due

to the procedural implementation of the reward system. This may be caused due to capacity problem of implementers, lack of accountability, and lack of financial resources, presence of corruption or with some other reasons.

Table 20, indicates employees satisfaction in reward system. As shown in Table 20, concerning how EEP's reward system helps to obtain/attract new employees or not attract to the labour market, 59 (44.7%) respondents which are obtain/attract to the labour market. On the other hand, there are 33 (25%) respondents who said that it is attractive to obtain or retain the workforce inside or outside. Similarly, 33 (25%) respondents were neutral as their response to reward system attractiveness.

Moreover, whether the salary scale (grade) and pay structure implemented by EEP satisfy employees or dissatisfy, 91 (68.9%) respondents reply that it is not satisfying whereas 21 (16%) said that it is grade and pay structure satisfy to the employees. Moreover, 18 (13.6%) of respondents were neutral to the effect of salary scale. Consistently, the majority of respondents 90 (68.2%) reply to the questionnaires that EEP's job evaluation process not appropriately measures the relative worth of jobs in terms of salary and wage scales. 22 (16.8%) of the respondents anticipate that the job evaluation system and measures are appropriate. 18 (13.6) of respondents are neutral to the job evaluation.

Moreover, the most of respondents, 77 (58.3%) clearly stated that the total reward package provided by EEP to employees is not comparable to that of similar organizations. Whereas 17 (12.9%) of the respondents agreed to the market survey done during reward package formulation. The some respondents are neutral that accounts 36 (27.3%) regarding the total reward package setting done with the market survey.

Table 20: Employee's Satisfaction in Reward System

	EEP's reward system helps to obtain/attract new employees		The salary scale (grade) and pay structure implemented by EEP satisfy employees		EEP's job evaluation process appropriately measures the relative worth of jobs in terms of salary and wage scales		The total reward package provided by EEP to employees is comparable to that of similar organizations	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Strongly disagree	25	18.9	42	31.8	39	29.5	38	28.8
Disagree	34	25.8	49	37.1	51	38.6	39	29.5
Neutral	33	25.0	18	13.6	18	13.6	36	27.3
Agree	22	16.7	17	12.9	17	12.9	13	9.9
Strongly agree	11	8.3	4	3.0	5	3.9	4	3.0
Total	125	94.7	130	98.5	130	98.5	130	98.5
Missing System	7	5.3	2	1.5	2	1.5	2	1.5
Total	132	100.0	132	100.0	132	100.0	132	100.0

Source: Own survey data, (2015)

Table 21: Descriptive Statistics of Employee's Satisfaction in Reward System

	EEP's reward system helps to obtain/attract new employees	The salary scale (grade) and pay structure implemented by EEP satisfy employees	EEP's job evaluation process appropriately measures the relative worth of jobs in terms of salary and wage scales	The total reward package provided by EEP to employees is comparable to that of similar organizations
N	Valid	125	130	130
	Missing	7	2	2
	Mean	2.68	2.17	2.22
	Std. Deviation	1.229	1.115	1.127

Source: Own survey data, (2015)

The computed mean value 2.68 with 1.229 standard deviation shows that the majority of respondent's response is inclined to neutral position. This indicates that the reward system may not encourage those experienced employees from other organizations but may attract new employees who have minimum or no experience from the market.

. According to Armstrong (2000), differentials between pay ranges should provide scope to recognize increase in jobs size between successive grades. If differentials are too close – less than ten percent- many jobs become bodyline cases, which can result in proliferation of appeals and arguments about grading.

The computed mean value 2.17 with the 1.115 standard deviation reveals that the majority of respondents agree that the salary scale and pay structure implemented by EEP do not satisfy employees. This shows that either the involvement of employees during salary scale set up is none or employees face shortage of financial resources as inflation rate increases following increment of economic inflation from year to year.

The computed mean value 2.22 with the 1.127 standard deviation reveals that the majority of respondents agree that EEP's job evaluation process do not appropriately measures the relative worth of jobs in terms of salary and wage scale. The response shows that each jobs appropriate worth may not be compared within the organization while conducting job evaluation. Moreover, there may be a problem in setting hierarchy of jobs in the organization through valuing them all against a clear set of merit criteria.

The computed mean value 2.28 with the 1.086 standard deviation reveals that most respondents disagree with the issue under consideration. This generally shows that a lot is remaining to update the existing total reward package to make it competitive so as to motivate employees in their work position. The market assessment is one of the under estimated task in setting reward packages which enables the organization to have a motivated, competent and self directed employees that prioritize their organization's success.

4.1.2.2. The Analysis of Interview Questions by the Management

The respondents also believe that the reward system has no relationship with the performance of employees and as a result employee's initiation to perform better is below expected.

The managers also forwarded in support of employees idea. That is, it is not equally benefits the employees and as a result the salary administration policies and procedures may not attain the objective of the company.

The managers also indicated that there is no market survey or other public organization experience developed to formulate salary scale and pay structure.

The managers also indicated that even though the salary scale and pay structure developed or formulated by job analysis and evaluation; work of equal value is not paid equally and some work unit managers even do not understand how it is developed and formulated. As a result they fill it as HR function.

The managers also believe that the salary difference among senior, middle, and junior grade band is very high and negatively affects the employee attitude towards the right compensation

This in turn creates an impacted in organizational performance in narrow sense and will have major problem to address EEP's vision at country level.

4.1.2.3. The Analysis of the Responses of both Employees and the Management

In general, the data obtained from both the questionnaire (from employees) and the interview (management) reveals that the implementation of the total reward package does not encourage the full participation of employees, satisfactorily satisfy employees and has less contribution to retain the existing employees as well as attracting qualified employees from the labour market.

The respondents also indicated that the salary of some employees do not much with their qualification, experience and with their current performance. The reward provided some times does not composite the current living conditions. The managers also indicated that the reward is not adequate at the same time it is not implemented frequently.

In some circumstances, the salary level on the scale is decided after the assignment of individuals in different positions. This is usually point out to benefit some individuals and discourage others.

Moreover, the respondents suggested that the reward is not supported by clear reward policy, strategy and plan. In addition, the reward is given after a long time and has weak relationship with employees performance result, the reward is considered as gift from the management or the board and almost there is no body that is accountable for the failure of reward provision. The respondents' also suggested that the implantation of the reward system is in most cases based on personal relationship and there is nobody who is accountable for the failure of rewards implementation. According to many respondents response in the open ended question item, they believe that the

salary scale do not consider the living condition of employees , the qualification and experience of employees, and the effort employees exert to perform their tasks in the process of fulfilling the objectives of EEP.

The respondents also forwarded their response in the open ended question as the reward is based on mass evaluation. Accordingly, neither the BSC model nor the previous performance result is used as a means to reward employees. The managers also indicated that giving lump-sum payment of bonus yearly is not motivating top performers. According to Terry and Franklin (1997), attaining the results make a better use of human resources and contribute to the employees satisfaction. They further indicated that the specific expected results guides the direction of the operations and are also the standards of performance against which the standard is appraised.

The managers also pointed out that the reward helps to retain new employee who graduate in the late years but not experienced one.

CHAPTER FIVE

SUMMARY OF THE MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter deals with summary of the major findings of the study. Conclusions are also drawn and feasible recommendations are forwarded.

5.1: Summary of Major Findings

The main purpose of the study is to assess the effect of organization reward system on organizational performance. In order to achieve the purpose of the study, some basic questions regarding total reward packages procedures and practices followed to set and implement reward system in the company assessed, the view of EEP's employees towards the present reward system and its contribution towards effective performance, the factors, associated to reward system implementation, effect of EEP's performance and measures to be taken to address the problem of reward system implementation are raised. The managers also supported the idea by saying the system was not transparent and no one now the reward package of the company and the solution is to make the system transparent and clear during formulation; then it is implemented without difficulty. Moreover, they indicated that no employee participation during setting salary scale and pay structuring, it is developed and formulated by EEU and adopted to this company and aligned by non- professionals committee.

In dealing with the research problems, descriptive survey method is used and relevant literature is reviewed. A total of 152 interview respondents of; that is 20 managers and 132 employees participated as questionnaire respondent in the study. The data for the study is collected by means of interview and questionnaire respectively. The collected data is critically analysed, interpreted using appropriate statistical tools (percentage, mean and standard deviation).

Based on the analysis and interpretation of the data, the student researcher presented the summary of the major findings as indicated below:

1. In organization's that are best planned to achieve better performance results, the total reward approach is expected to have holistic; reliance is not placed on one or two reward mechanisms operating in isolation, account is taken in every way in which people can be rewarded and obtain satisfaction through their work. But, the implementation of the total reward package in EEP shows that it lacks consistency, untimely stipulation of rewards, lack of transparency, in excess of the implementation of the reward does not encourage employees participation from

planning phase to implementation, has less contribution to retain the existing employees and has less power to invite experienced employees from the labour market.

2. Failure to praise an employee for deserving performance may discourage good performers and an evaluation that is based on racial, sexual, religious and other basis is one of the major problems that could be observed during performance evaluation. In the same way, the reward administration process in EEP has a problem of conducting performance appraisal, the evaluation mechanism is mass based and there is no or little means of identifying good performers, communication problems, lack of managerial competencies to conduct performance appraisal, unprofessional way of rating employees and it is based on friendly relationship. Moreover, the evaluation process could not be conducted on time, on regular basis, has minimum acceptance with the concerned employees and ultimately do not encourage good performers for better achievement.
3. Most effective organizations could provide a reward that is perceived by employees as fair and equitable by the majority of the organization's members. And it must be received immediately up on completion. However it is found that employees working in EEP believe that the reward provided is insufficient due to lack of clear reward policy and strategy, poor planning and implementation skill on the side of the concerned officials, lack of visionary managers, problem of managers commitment to implement reward system not to be accountable, lack of managers confidence, and a continuous increment of employees need as a result of inflation and increase in family size.
4. Effective organizations must develop reward policies as a general guideline to provide for coordination, consistency, and fairness in compensating employees. The objective of a policy towards payment could be best described as to remain competitive for labour. The assessment result in EEP shows that financial reward provided to employees is not adequate and appropriate. The analysis report indicates that the salary of some employees does not match with their qualification, experience, and their current performance, the reward provided does not cover costs of the current living conditions, in some cases the salary scale is decided after the assignment of individuals in different positions, the reward is given after a long time and has weak relationship with employees performance result, the reward is considered as a gift from a management or a board and there is almost nobody who is accountable for the failure of reward provision.
5. The implementation of non financial reward should increase employee's satisfaction at work place. However, most organizations should not forget motivation factors like work itself, added

responsibilities, opportunity for advancement, and management recognition for good work and opportunity for personal growth. According to the assessment result obtained from EEP it is found that there is inadequate and inappropriate provision of non financial rewards to employees. This is due to lack of appropriate knowledge on the side of managers concerning non financial resources, lack of timely decisions and lack of implementing variety type of non financial rewards and due to long years backlogging problems observed in the organization. This shows that lack of the concerned bodies focus and priorities to use non financial rewards, and fear of accountability and need to remain long years in their position.

6. Provision of non-financial rewards could increase employees' stability in certain positions. But it is pointed out that most of the time the opportunity to access challenging tasks, to get added responsibility and to assume better positions is highly dependent on management's personal recognition and relationship based. This has forced many of the employees to loss their confidence and unable to perform better to assume higher positions.
7. Transparency is a major input that motivates employees towards better performance. According to the finding obtained from this study employees are not informed what they can do to get a reward, no legal standard was set to get the specific reward, monitoring of performance could not be carried out regularly and timely and no feedback is given to employees concerning the results of performance appraisal.
8. The process of implementing reward in most cases is carried out at managerial and board level according to the context of EEP. This has reduced the participation of employees and stakeholders, created dissatisfaction on the side of employees and creates minimum room of using the talents, the finance and other potential resources of the concerned stakeholders that really add significant support to EEP's performance.
9. In most development organization's a benefit is an indirect reward such as health insurance, vacation pay, retirement pensions, sick pay, insurance cover and company cars. And it is given to employees as part of organizational member. However EEP's performance indicates that there is no consistent implementation offensive or benefit plans. This shows that EEP does not consider the reward activities as part and parcel of the planned activities. That is, implementation of the reward activities is based on the willingness of the management and the level of commitment and the decision to take risk of those individuals who are responsible to carry out these activities.
10. Reward can be regarded as the fundamental expression of the employment relationship, commitment, engagement and company performance development. According to EEP's

practice, reward is given in a mass base, it is given without any relationship with performance, it does not express employee's commitment and as a result it has minimum contribution towards organizational output.

11. The balanced score card combines financial measures that tells the results of actions already taken with operational measures on customer satisfaction, internal process, and the corporation's innovation and improvement activities; the derives of future financial performance. According to EEP's practice, significant number of respondent believe that the newly designed BSC model may solve the problem. However, the newly designed BSC model is not yet practiced fully at the work place.
12. Employees working in similar organizations compare the reward provided to them due to many reasons. Accordingly, 77 (58.3%) of the respondents agree that the reward provided in EEP is less than the reward given in other similar organizations. And 36 (27.3%) of the respondents have suggested neutral opinion concerning the issue. Accordingly, the data obtained from the assessment implies that EEP's reward system may not attract other experienced employees but may attract other new employees who have no or little experience in the labour market.
13. Most organization's pay employees salary based on the legal salary scale the organization is using. Accordingly, most respondents indicated that the salary scale and pay structure implemented by EEP do not satisfy employees. This is due to lack of updating the salary scale through market assessment; increase in inflation rate and as a result of an increase in family size of the employees. Moreover, it is found that the job evaluation made does not measure the relative worth of jobs in terms of salary and wage scales.

5.2: Conclusion

Based on the findings of the study, the following conclusion is drawn:

In most developmental organization, the vision, mission and objectives set could be attained with full participation of employees. According to the findings of the study, three fourth of EEP'S positions are occupied by male employees more than half of the employees are married, most of the employees have first degree and significant number of employees have adequate service years of experience. From this, one can conclude that the distribution of resources in this organization inclined to males and most of the employees have the necessary experience and educational qualification to assume higher responsibilities. The reward administration process in EEP is not merit based fair, equitable and consistent. It is based on mass evaluation and relationship with managers encourages poor performers, and has minimum contribution to over all organizational performance.

The reward provided to EEP employees is insufficient, not consistent, and the reward is given without relating to performance results. This enables us to see that the provision of both financial and non-financial reward is not implemented according to the plan. Lack of managerial competency, lack of commitment and inability to take risk or accountability are also some of the factors that hinder reward provision.

In most cases, employees are not motivated with reward administration carried out in the organization. The main reason for this is lack of transparency, lack of employees participation, lack of accessing opportunity for advancement, lack of management recognition etc. from this one can deduce that employees can have minimum sense of ownership over the organization and can stay working until they can get other alternative job that enable to support their family.

Most employees believe that the reward does not compensate or equitable to employees' performance result .In addition the compensation does not be equivalent to the rewards provided in similar organizations. Form this one can easily see that EEP may not be competitive and may carry out a continuous turn of employees accompanied by lower performance that may not fit to its vision.

5.3. Recommendations

Based on the findings and conclusions drawn, the following recommendations are forwarded with the hope that it would be used by employees, managers working in EEP and by stakeholders of EEP.

1. The practice of reward management in EEP indicates that employees obtain minimum satisfaction as a result of reward provision. Thus, to alleviate this problem, provision of the total reward package should be consistently implemented; reward should be provided as soon as the compensation the required tasks, a system should be established by human resource support processes that forces employee's participation from the planning phase until the implementation of the total reward.
2. According to EEP's recent practice, performance evaluation is mass based and it is carried out untimely. This approach could encourage poor performers. Thus, to reward every employee according to his or her performance, EEP has strictly to conduct performance appraisal tasks on time and on a regular basis using the newly designed BSC model. Moreover, the reward should be directly attached to the performance appraisal result that could be rated with a group of two or three concerned individuals and approved by the immediate supervisor of an employee.
3. In most cases, rating of employee's performance could be attached to the commitment, the skill knowledge and attitudinal competence of those concerned individuals that are responsible to undertake the tasks. Thus, to minimize the skill and knowledge gap the concerned bodies are facing especially in human resource support process, EEP should organize a short term training with relevant topics and able to create opportunities of experience sharing with similar organizations both within and outside the country.
4. Employees of the organization believe that the reward provided is insufficient, not fair and equitable. To mitigate this problem, EEP has to set clear reward policy and strategy, able to design a system of accountability for the employees who do not include within planned activities, enable to implement the planned activities and report to the top level management positions. Accordingly, the human resource management (support) process should include reward activities within the plan (business strategy) and implementing as per the schedule.
5. According to the findings of the study, it is found that the financial reward provided to employees is inadequate. This is due to inflation and family size increment as most of the employees working in EEP are married. To solve this problem, EEP has to revise its reward schedule through continuous market study and job evaluation results. Moreover, the salary

scale should be decided before the assignment of an employee in the available positions and for the job evaluated, not for the person assigned..

6. EEP's practice indicates that there is inadequate and inappropriate provision of nonfinancial rewards to employees. To alleviate this problem, every core and support processes should establish objective criteria's that avoid or minimize personal biases. And all processes could include nonfinancial reward activities within their plans. The top management is also expected to monitor and able to evaluate the status of the reward provision and its contribution to EEP's performance on a regular basis.
7. To carry out more transparent works concerning the provision of reward to employees, a core and support processes should inform employees what should be expected and what could be provided as a result of better achievements. Accordingly, the strength and weakness of every employee should be discussed transparently so as to increase the reliability and acceptance of the performance appraisal result.
8. In most cases, the reward administration is a function of the management and the board. But to increase the quality, quantity and acceptance of the reward, there is a need to create a room of participation for those governmental and non- governmental organizations that have stake to EEP. Thus, EEP has to design a strategic approach to identify stakeholders, plan, implement monitoring and evaluate the reward administration together.
9. According to the findings of the study, significant number of employees believes that the newly designed BSC model may solve the reward administration problem even though the BSC model has not yet implemented. Thus, to benefit out of the implementation results of the newly designed BSC model, the top management has to take serious measures at every process through continuous and regular monitoring and evaluation program.

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APPENDIX-ONE
ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS & ECONOMICS
MANAGEMENT DEPARTMENT
EMBA PROGRAM

**A QUESTIONNAIRE TO BE FILLED BY EMPLOYEES OF ETHIOPIAN ELECTRIC
POWER (EEP)**

Dear Respondent,

I am a final year Executive Masters of Business Administration (EMBA) program student at Addis Ababa University. As a partial fulfillment of the program, I am undertaking a research on the topic **–The Effect of Organization’s Reward System on Organizational Performance: the Case of Ethiopian Electric Power**”. The research results could be used as an input for EEP policy makers and managers, academicians and other interested parties in designing and implementing appropriate reward system for enhancing organizational performance.

It is expected that your participation in this research will contribute in improving the performance of the organization through improved reward system. Thus, the quality of your response towards the question items determines the quality of the research result. Therefore, please answer the questions as thoroughly, objectively and honestly as possible according to the instructions contained in the body of the questionnaire. Finally, I want to assure you that all information that you will provide will be treated confidentially and used only for the intended purpose.

Thank you in advance for your cooperation!!

Note: No need to write your name in the questionnaire

PART ONE: GENERAL INFORMATION

Instruction: Please provide the appropriate answer by putting a tick mark (✓) or filling in the space provided.

1. What is your gender? Male Female
2. What is your age? _____ years
3. What is the size of your nucleus family? _____

4. Your highest academic qualification

Certificate TVET Diploma University-level Diploma

First Degree Masters PHD

5. Service years in EEP _____

6. Marital status

Single Married Divorced

7. Monthly income _____ Birr

PART TWO: REWARD AND PERFORMANCE RELATED ISSUES

Instruction: Please indicate the extent to which you either **agree** or **disagree** with the following statements by marking a **tick mark (✓)** in the appropriate column to the right side where **1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree**

S.N	Question Items	1	2	3	4	5
1	EEP's total reward package (financial and non financial rewards) are attractive enough to retain employees					
2	Employees reward system is merit based					
3	The total reward package provided to employees is adequate					
4	The financial rewards provided to employees is adequate					
5	The financial rewards provided to employees are appropriate					
6	The financial rewards provided to employees contribute meaningfully to their livelihoods					
7	The non-financial rewards provided to employees is adequate					
8	The non-financial rewards provided to employees are appropriate					
9	The non-financial rewards provided to employees contribute meaningfully to their livelihoods					
10	EEP's reward system is based on individual performance results					
11	EEP pursues benefits/incentives plan consistently					
12	The implementation of EEP's reward system is transparent					
13	EEP's reward policy is formulated in consultation/participation with stakeholders					
14	EEP's reward policy is implemented fairly/equitably					
15	EEP implements the reward policy consistently in accordance with the organization's values					
16	EEP designed appropriate reward strategies in order to implement the reward policy					
17	EEP's reward system is fundamentally expresses /reflects employees' commitment					
18	EEP's reward system has motivational effect towards high organizational performance					

19	EEP’s reward system helps to obtain/attract new employees					
20	The salary scale (grade) and pay structure implemented by EEP satisfy employees					
21	EEP’s job evaluation process appropriately measures the relative worth of jobs in terms of salary and wage scales					
22	The total reward package provided by EEP to employees is comparable to that of similar organizations					
23	The newly designed BSC model will solve the problems related to the implementation of the reward system					
24	The existing reward system enhances organizational (EEP’s) performance					

PART THREE: EXPLANATION QUESTIONS RELATED TO REWARD SYSTEM

Instruction: Please give your answers for the following questions genuinely as far as possible.

1. What could be the main challenges related to reward package (financial and non-financial rewards)

- Challenges related to financial reward -----

- Challenges related to non-financial reward -----

2. What measures do you suggest to alleviate the problems stated in the above?

- Measures suggested to alleviate financial reward related problems-----

- Measures suggested to alleviate non-financial reward related problems -----

APPENDIX-TWO
ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS & ECONOMICS
MANAGEMENT DEPARTMENT
EMBA PROGRAM

INTERVIEW QUESTIONS FOR EEP'S MANAGEMENT BODY

Dear Respondent,

I am a final year Executive Masters of Business Administration (EMBA) program student at Addis Ababa University. As a partial fulfillment of the program, I am undertaking a research on the topic **–The Effect of Organization’s Reward System on Organizational Performance: the Case of Ethiopian Electric Power**”. The research results could be used as an input for EEP policy makers and managers, academicians and other interested parties in designing and implementing appropriate reward system for enhancing organizational performance.

It is expected that your participation in this research will contribute in improving the performance of the organization through improved reward system. Thus, the quality of your response towards the question items determines the quality of the research result. Therefore, please answer the questions as thoroughly, objectively and honestly as possible according to the instructions contained in the body of the questionnaire. Finally, I want to assure you that all information that you will provide will be treated confidentially and used only for the intended purpose.

Thank you in advance for your cooperation!!

Note: No need to write your name in the questionnaire

PART ONE: GENERAL INFORMATION

Instruction: Please provide the appropriate answer by putting a tick mark (✓) or filling in the space provided.

14. What is your gender? Male Female

15. What is your age? _____ years

16. What is the size of your nucleus family? _____

17. Your highest academic qualification

Certificate TVET Diploma University-level Diploma

First Degree Masters PHD

18. Service years in EEP _____

19. Marital status

Single

Married

Divorced

20. Monthly income _____ Birr

Instruction: Please give your responses as completely as possible

1. How do the salary scale (grade) and pay structure of EEP developed or formulated?

2. How effective are EEP's salary administration policies, procedures and practices?

3. What are the associated problems related to the above issues?

4. How much the reward system is effective in implementing it?

5. To what extent that the BSC model developed can effectively contribute towards the administration of reward package?

6. What specific features the new organizational structure incorporates to obtain and retain talented work force in relation to reward package?

7. What challenges have you faced while implementing reward packages and what could be the possible solutions?

APPENDIX-THREE

The revised salary scale structure of Ethiopian Electric Power (EEP)

Level	salary scale	Exp	Rel	levelling	Min	1st step	2nd step	3rd step	4th step	5th step	6th step	7th step	8th step	9th step	10th step	11th step	12th step	13th step	14th step	15th step	16th step	17th step	18th step	Max	
CEO	E9	18	1	2	1	19480	20360	21280	22240	23250	24300	25400	26550	27750	29000	30310	31680	33110	34600	36160	37790	39500	41280	43140	45090
SM	E8	15	9	1	1	15040	15720	16430	17170	17950	18760	19610	20500	21430	22400	23410	24470	25580	26740	27950	29210	30350	31910	33350	34860
	E7	10	7	1	1	13680	14260	14910	15590	16300	17040	17810	18620	19460	20340	21260	22220	23220	24270	25370	26520	27720	28970	30280	31650
MM	E6	9	7	2	2	10730	11220	11730	12260	12820	13400	14010	14650	15310	16000	16720	17480	18270	19100	19960	20860	21800	22790	22820	24900
	E5	7	5	2	2	10380	10850	11340	11860	12400	12960	13550	14160	14800	15470	16170	16900	17670	18470	19310	20180	21090	22040	23040	24080
	E4	5	4	2	2	9680	10120	10580	11060	11560	12090	12640	13210	13810	14440	15090	15770	16480	17230	18010	18830	19680	20570	21500	22470
JM	E3	5	3	3	3	6940	7260	7590	7940	8300	8680	9080	9490	9920	10370	10840	11330	11840	12380	12940	13530	14140	14780	15450	16150
	E2	3	1	3	3	5480	5730	5990	6260	6550	6850	7160	7490	7830	8190	8560	8950	9360	9790	10240	10710	11200	11710	12240	12800
	E1	0	0	3	3	4750	4970	5200	5440	5690	5950	6220	6500	6800	7110	7430	7770	8120	8490	8880	9280	9700	10140	10600	11080
sup/tec 1/2	S2	5	3	4	4	3230	3380	3540	3700	3870	4050	4240	4440	4640	4850	5070	5300	5540	5790	6060	6340	6630	6930	7250	7580
	S1	0	2	4	4	2150	2250	2360	2470	2590	2710	2840	2970	3110	3250	3400	3560	3730	3900	4080	4270	4470	4680	4900	5130
Worker	W3	5	0	5	5	1390	1980	2070	2170	2270	2380	2490	2610	2730	2860	2990	3130	3280	3430	3590	3760	3930	4110	4300	4500
	W2	2	0	5	5	1600	1680	1760	1840	1930	2020	2120	2220	2320	2430	2540	2660	2780	2910	3050	3190	3340	3500	3660	3830
	W1	0	0	5	5	1310	1370	1440	1510	1580	1660	1740	1820	1910	2000	2090	2190	2290	2400	2510	2630	2750	2880	3010	3150

CEO= Chief Executive Officer

SM= Senior Management

MM= Middle Management

JM= Junior Management

Sup/tec 1/2=supervisor / Technician 1/2

Rel= Releted

Exp= Experience

