Effects of Reward Policy on the Performance of Employees of Humanitarian organization: The Case of Hope International Ethiopia, Addis Ababa

Yeshimebet Hailekiros & Loice Koskei
Africa International University, Nairobi, Kenya

Abstract

The human resource of any given organization is a determinant of its success or failure. The success of an organization comes in with the performance of its workforce and with sustained financial status. Humanitarian organizations play a significant role in society. A proper human resource (HR) policy in the humanitarian organizations helps it in achieving organizational goals in terms of recruiting the right people, training and developing them, rewarding employees based on performance and making sure there is equal opportunity in the organization. The policy also facilitates a fair reward system that motivates employees to help the organizations meet its goal thereby addressing the societal needs. Most Humanitarian organizations have the policy to guide them achieve their goal but there has been a challenge in terms of following through and implementing HR Policies. The study, sought to determine the effects of reward policy on the performance of employees of Hope International Ethiopia, Addis Ababa. The scope of the study was the head-quarter of Hope Ethiopia, which is located in the capital city Addis Ababa. The study adopted a descriptive research design using a target population of 50 employees. Data was collected by use of a questionnaire and analyzed through regression analysis and ANOVA. The results showed significant relationship between reward policy and employee performance at 0.01 percent level of significance. The employees affirmed that the reward policy is fair and transparent. The study recommended a broader review of reward policy for it to be more effective in motivating employees at Hope International for the purpose of attaining a positive employee performance. The study further recommended clear communication of salary scales and grades so that employees in each job grade knew what is expected of them to move to the higher level.

Keywords: *Reward policy, employee performance, Humanitarian organization*

Introduction

Humanitarian organizations have been providing enormous support to the societal needs globally. They help in balancing the gender-related discrimination by providing different forms of training where this is deemed necessary. Poverty reduction is also another contribution made by the humanitarian organization.

They are the voice to the voiceless, power to the powerless and give sustainable growth environment across the world (Brunt, 2016).

Barbieto (2004) posits that organizations have different policies for different departments and human resource policy is one of those. Organizations reflect their values and strategies in the HR Policy statement. The HR policy is open to every interested party and most of the time is referred to for different measures. Employees would refer to it to ask their rights as well as know their responsibilities.

The HR policy is what gives guidance to the human resource practice that is recruitment, training, and development, reward, and diversity in an organization. Human resource management (HRM) is playing an increasingly significant role in providing solutions to business problems at the global level, and it has been challenged to review and adjust the policies and practices to fit in the International Human Resource Practice (Briscoe, Schuler, & Tarique, 2012).

Reynolds (n.d) states that human resource practices are the means through which the human resource personnel can develop the leadership of the staff. This occurs through the practice of developing extensive training courses and motivational programs such as devising systems to direct and assist management in performing ongoing performance appraisals. She further posits that clear HR policies have become the way to go in terms of showing what is expected of employees, and organizations in terms of employee rights and obligations. Policies are the governing rules in any management functions and the absence of clear policy can bring about rumors, underperformance, and unrest in the workforce. While policies communicate values and expectations for how things are done at any organization, they also keep them in compliance with legislation, provide protection against employment claims, document and implement best practices appropriate to the organization, support consistent treatment of staff, and assure fairness and transparency. Policies help management to make decisions that are consistent, uniform and predictable, and protect individuals and the organization from the pressures of convenience (Kouhy, Vedd, Yoshikawa, & Innes, 2010).

In the past two decades, human resource management practices have witnessed a dramatic change due to globalization and technological advancements. This highly competitive business environment has compelled the organizations to adopt high-class standards of the human resources practices that can enable them to survive in the international market to achieve high performance. The performance level of staff in the global market gives the organization a competitive advantage over its competitors which leads to sustainability of the organization and hence high returns on the investor's income. Global HRM are devoted to human resource management policies and practices in multinational enterprises with specific activities of global HRM policies and practices such as global compensation, global staffing, global performance management (Scullion & Collings, 2011).

Africa as a continent is witnessing tremendous changes in many aspects as it tries to emulate the developed continents. The policy on human resource developments go hand in hand in determining the success or failure of the policies in the

enhancement of employee performance. To sustain the process of positive change, each country requires an innovative transformational and development-oriented public service at regional, national, local and community levels. The humanitarian organization works with Haiti, Zimbabwe, Sierra Leone, Syria, Honduras, South Sudan, Uganda, Niger, Iraq, Turkey, Sudan, and Malawi. Therefore, one of the areas of Africa's public service that must undergo radical transformation is the management of human resource, beginning with the managers themselves. Human resource development is desperately needed if African environmental policies are to be translated into powerful resource management tools (Salih, 2012).

Research Objective

To determine the effect of reward policy on the performance of employees of humanitarian organization in Hope International Ethiopia, Addis Ababa.

Statement of the Problem

The humanitarian organizations play a significant role in society. A proper reward policy in the humanitarian organizations helps it in achieving organizational goals in terms of recruiting the right people, training and developing them, compensating employees based on performance and making sure there is equal opportunity in the organization. The policy also facilitates a fair reward system that motivates employees to help the organizations meet its goal thereby addressing the societal needs.

Most humanitarian organizations have the reward policy to guide them achieve their goals; however, there has been a challenge in terms of following through and implementing it. Many humanitarian organizations have come into existence for varied reasons and the reputations of some organizations have been discouraging. There have been some that have hired and remunerated employees based on some bias and have been known to give promotions to their relatives with the funds that were supposed to benefit the society. The Ethiopian government regulatory body crackdown made many humanitarian organizations to close and over 100 being denied permits. Some have appealed to the court with no hope of regaining the permit (Dupuy, Ron & Prakash, 2015).

This raises the question of whether there is a direct relationship between reward policy and performance of employees in humanitarian organization. Therefore, the researcher sought to find out whether the reward policy affects performance of employees in the context of Hope International in Ethiopia.
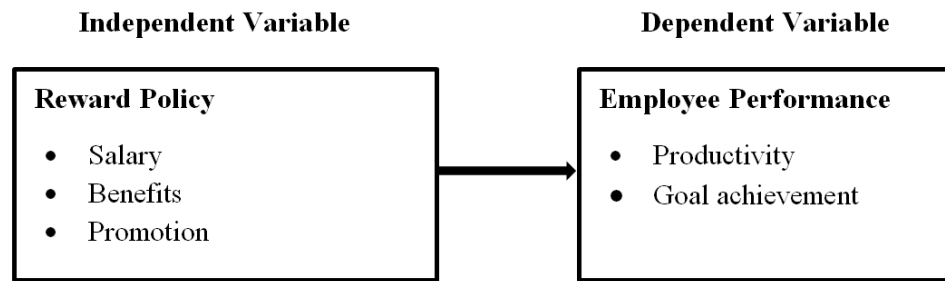
Conceptual Framework

Independent Variable   Dependent Variable

Reward Policy	Employee Performance
• Salary • Benefits • Promotion	• Productivity • Goal achievement

Figure 1: *Conceptual Framework*

Literature Review

Agency Theory

Agency Theory was found by Stephen Ross and Barry Mitnick, they both have a different point of view. Ross found the agency in terms of problems of compensation and Mitnick has given the theory a different dimension. Mitnick believed that institutions form around agency and they evolve to deal with the agency (Kouhy et al., 2010). The researcher chooses the agency theory because it reflects the agency relationship between the founders of any humanitarian organizations and the employed managers who are leading the workforce. Another dimension to this theory is all the employees of the organization must be dealt with in terms of compensation. The agency theory believes that a proper incentive towards the performance of the agent avoids problems that are caused by self-interest. This belief further explains that the principal should have a plan to audit the organization to know whether it is achieving the intended purpose and goal or not.

Reward Policy and Employee Performance

Eployee reward is what is offered by the organization as compensation for the work done and motivate on individual and/or group levels (Brandy, 2005). Clear pay conditions help an employer and employee to have a harmonious relationship. Salary is what the organization and the employee have agreed on while signing the contract and benefit may also be stated depending on the organizational financial status. Some organization does not state the benefits. Promotion is not promised at the hiring stage, promotion is experienced for work well done. Promotion tends to motivate employees to take more responsibilities and perform better. (Martocchio, 2017).

Reward is a very key aspect of Human Resource Practice. How a reward is done in terms of salary increment, over time payment, benefits and promotions should be stated on the policy and should be accessible to the employees. The policy helps to understand the expected result of the assignment and the associated result by either recognition or another form of appreciation. The policy guides everyone

in the organization to know what is expected of them and it should not be used to benefit any individual without qualifications.

Remuneration and rewards policies are vital in ensuring that adequate benefits and rewards packages significantly increase the motivation of individual employees so as to increase their productivity and hence achieve goals that have been set. Rewards systems have traditionally been formulated to attract and retain productive employees as well as to motivate them to increase their effort and output towards achieving the organizational goals (Phillips and Fox 2003). Salaries, benefits and promotion have in fact been seen to be a necessary tool in employee performance. This is because a well-rewarded employee feels valued by the company. The employee therefore has morale to work harder and better if they know that their well-being is taken care of by their employers, and that their career and self-development are also being considered by their company thus increasing employee performance, (Condly, Clark & Harold, 2005).

Research was done on higher education employee performance by Clark & d'Ambrosio, (2005) reveals that higher education institution strives for growth and competitive advantage and there needs to be good HR policy with recruitment plans of highly qualified personnel. The research emphasized on the retirement plan as a competitive advantage. It further revealed that employee gets satisfied and secured with any organization that has a good retirement policy for recruitment and retirement. Although it was proved that the recruitment policy was planned well, the retirement policy was not given the necessary attention. The research also found that the recruitment, retention, retirement, and compensation policies result in competitive advantage for the tested organizations. Employees get attracted to the organization with good/quality or clear HR policies.

Methodology

The study adopted descriptive research design which takes into consideration the "What is approach" and it is also used to compare two or more variables.

The population in Hope International in Ethiopia's main office is comprised of 50 full-time employees and the researcher adopted a census method due to its small number and to enhance representativeness of the population.

Data was collected from Hope International in the main office in Ethiopia. The researcher dropped the questionnaires and waited for them to be filled and collected the same day. The researcher analyzed the data by use of SPSS software with the help of linear regression model used when one wants to predict the value of a variable based on the value of another variable. The independent variable was used to predict the dependent variable (Julie, 2013). The following regression model was used in the study:

$$Y = \beta 0 + \beta 1\, X1 + \dots \epsilon$$

Where;

Y = Employee Performance (Dependent Variable)

$X1$ = Reward Policy

$\beta 0$ = Co-efficient of the model

$\beta 1$ = Beta Co-efficient of Determination

ϵ = Stochastic Error Term

Findings

Correlation Analysis

The study used correlation analysis to establish the association among the variables of the study. A Pearson correlation was used, which indicates the direction in one variable if another variable changes. A negative Pearson correlation value indicates negative correlation while a positive Pearson correlation value is a positive correlation. The strength of the association increases as the value approaches either negative 1 or positive 1.

Table 1: *Correlation Matrix*

		Reward Policy	Employee Performance
Reward Policy	Pearson Correlation Sig. (2-tailed)	1	
Employee Performance	Pearson Correlation Sig. (2-tailed)	.768** 0	1
	N	44	44

Correlation matrix results showed that reward policy has positive and strong correlation with employee performance at Hope International in Ethiopia. The value of Pearson correlation was r= 0.768 with a p=0.000 which was significant at 0.01 level significance. This implied that improvement in reward policy at Hope International leads to improvement in employee performance.

Analysis of Variance (ANOVA)

Kothari and Garg (2014) described ANOVA as a procedure for testing the difference among different groups of data for homogeneity. The essence of ANOVA is that the total amount of variation in a set of data is broken down into

two types, that amount which can be attributed to chance and that amount which can be attributed to specified causes while F- test was also used in the context of the analysis of variance (ANOVA) for judging the significance of correlation coefficients.

Table 2 *ANOVA Results*

Model		Sum of Squares	df	Mean Square	F	Sig.
1 a	Regression	21.794	4	5.448	25.367	.000b
	Residual	8.376	39	0.215		
	Total	30.17	43			

a. Dependent Variable: Employee Performance
b. Predictors: (Constant) Reward Policy

The ANOVA results in table above indicated that Reward Policy was a significant predictor variables of employee performance at Hope International in Ethiopia. This was indicated by the F-statistics results (F=25.367, p=0.000) indicating that the model used to link the independent variables and dependent variable was statistically significant.

Regression Analysis

Regression was adapted to further test the nature of relationship between independent variables and dependent variable. According to Kothari and Gard (2014), regression is the determination of a statistical relationship between two or more variables. In simple regression, there are two variables, one variable (defined as independent) is the cause of the behavior of another one (defined as dependent variable).

Table 3 *Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.850a	0.722	0.694	0.46345

a.   Predictors: (Constant), Reward Policy

The result showed that reward policy had a significant association with the employee performance at Hope International in Ethiopia (R=0.850). Furthermore, the results revealed that reward policy accounted for 72.2% of the variation in employee performance at Hope International in Ethiopia. This means 27.8% is explained by other factors.

Table 4 *Regression Coefficient*

Model		B	Std. Error	Beta	t	Sig.
1 a	(Constant)	2.25	0.944		2.383	0.022
	Reward Policy	0.828	0.146	0.561	5.652	0.000

a. Dependent Variable: Employee Performance

The reward policy (β = 0.828, p=0.000) had a positive significant relationship with employee performance at Hope International. The p-value was less than 0.05 implying that reward policy had a significant effect on the employee performance and therefore, an improvement on reward policy would result in positive employee performance at Hope International in Ethiopia.

Discussion of Findings

Effects of Reward Policy on Employee Performance

The findings showed that reward policy had a strong positive correlation to employee performance at Hope International. Majority of the respondents agreed with matters that dealt with reward like salary, benefit and promotions. This finding agrees with Munthali (2010) who argued that the pay discrepancies leads to demotivation of employees and suggest that the proper pay policy should be implemented if the organization is striving to productivity. Therefore, when reward policy is improved employees tend to be productive in the work place.

The findings of this study are also in line with the work of various scholars. Kwenin (2013) asserted that rewards motivate employees to stretch themselves so as to be productive and to outperform others at workplace. This is because it creates a compelling urge among employees to achieve predefined targets. The compelling desire created by the organizational rewards creates a positive attitude and a feeling of ownership of the company's goals. These in turn results in high performing units in organizations that determined the overall success and growth of the companies. Previous studies conducted by Agwu, (2013) also posit that there is a strong relationship between rewards and employee performance, implying that organization's productivity depends on the level of motivation or compensation schemes available. Majority of employees therefore, would wish to equate their output in terms of performance with the level of motivation generated from the incentives they get at workplace. According to survey conducted by Scot, McMullen and Bowbin (2010), 42% of the respondents agreed that their organization's total reward system had a positive effect on employee engagement and performance. This is because those organisations that encouraged their managers to engage employees and have clear reward criteria foster team work that result into high yields for the organization. Rizwan and Ali (2010) also found in their study that rewards and organizational performance cannot be divorced because rewards provide the much needed stamina that encourages employee

performance. Organizations with poor motivation system tend to perform dismally; which also supported the findings of this study.

Conclusion

Reward policy is an important factor in improving employee performance. The results showed significant relationship between reward policy and employee performance. The employees affirmed that the reward policy is fair and transparent.

Recommendation

The study recommends continuous review of reward policy at Hope International as it is one of the most effective policies in enhancing productivity and goal achievement which in turn help in attaining a positive employee performance. The salary scale and grade should be stated well such that employees in each job grade know what is expected of them to move to the higher level.

References

Agwu, M. O., (2013) Impact of fair reward system on employees' job performance in Nigerian Agip Oil Company Limited Port-Harcourt. *British Journal of Education, Society & Behavioral Science,* 3(1), pp 47-64.

Brandy, J. (2005). 9 Ways to keep employees engaged. *Entrepreneur.* https://www.entrepreneur.com/article/77158

Briscoe, D., Schuler, R., & Tarique, I. (2012). *International human resource management: Policies and practices for multinational enterprises.* Taylor & Francis

Brunt, C. (2016). *Human resource management in international NGOs: exploring strategy, practice and policy.* London: Palgrave Macmillan.

Condly, S. Clark, E. & Harold, D. (2005). The Effects of Incentives on Workplace Performance, *Performance Improvement Quarterly, 16(3) pp. 46-63*

Clark, R. L., & d'Ambrosio, M. B. (2005). Recruitment, retention, and retirement: compensation and employment policies for higher education. *Educational Gerontology*, *31*(5), 385–403. https://doi.org/10.1080/ 0360127059092166 3.

Dupuy, K. E., Ron, E., & Prakash, A. (2015) *Who survived? Ethiopia's regulatory crackdown on foreign-funded NGOs, Review of International Political Economy*, 22:2, 419-456, DOI: 10.1080/09692290.2014.903854

Julie, P. (2013). *SPSS Survival Manual*. New York: McGraw-Hill Education (UK)

Kothari, C. R., & Garg, G. (2014). *Research Methodology.* Third Edition, New Age International Publishers, New Delhi

Kouhy, R., Vedd, R., Yoshikawa, T., & Innes, J. (Eds.). (2010). *Management accounting, human resource policies and organisational performance in Canada, Japan and the UK* (1st edition). Amsterdam: Cima Pub

Kwenin, D. (2013) Influence of employee rewards, HR policies and job satisfaction on the retention of employees in Vodafone Ghana Limited. *European Journal of Business Management,* 5 (12)

Martocchio, J. J. (2017). *Strategic compensation: a human resource management approach* (Ninth Edition). Boston: Pearson.

Munthali, A., Matagi, L., & Tumwebaze, C. (2010). Remuneration discrepancies in the landlocked economies of Malaŵi and Uganda. *International Journal of Psychology, 45*(5)

Reynolds, Michelle. (n.d.). What Is the Difference Between HR Activities vs. HR Practices? *Small Business - Chron.com*. Retrieved from http://smallbusin ess.chron.com/difference-between-hr-activities-vs-hr-practices-61580.htm

Rizwan & Ali (2010) Impact of Reward and Recognition on Job Satisfaction and Motivation. An Empirical Study from Pakistan. *International Journal of Business and Management*, 5 (2)

Salih, M. A. (2012). *Local Environmental Change and Society in Africa*. Berlin, Germany: Springer Science & Business Media

Scott, K. D., McMullen, T., & Royal, M. (2010). The Role of Rewards in Building Employee Engagement. *World at Work Journal*, 19, 4: 29-40

Scullion, H., & Collings, D. (2011). *Global Talent Management*. London: Routledge