



EFFECTS OF REWARD MANAGEMENT ON EMPLOYEES' RETENTION: THE CASE OF MOTOR AND ENGINEERING COMPANY OF ETHIOPIA

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ABSTRACT: *The purpose of this study was to investigate effects of reward management practice on employee retention at MOENCO Addis Ababa Main Branch. To this end, four research questions were set to guide the study. A sample of 231 employees out of 550 populations were selected by simple random sampling techniques but only 226 respondents who correctly fill the questionnaire were used for analysis. In addition, seven management body of the company were selected purposively for interview. Questionnaires and semi-structured interview were used to collect the data. Descriptive statistics, one sample t-test, Pearson's correlation coefficient and multiple linear regression methods were employed to analyze the Quantitative data. The qualitative data were interpreted and narrated for triangulation purpose. The finding of this study showed that employees have less perception on the existing three rewards Practice (DFP, CD, and WLB) in the company especially on the direct financial reward system and on the career development system. The one sample t-test applied to answer the level of Reward practice on MOENCO revealed that the level of DFP and CD reward practice is below the expected level in MOENCO. However the level of WLB reward system is found as it is expected and do not have significance difference from the expected level. The Pearson's correlation depicted that intention to stay (IS) had statistically significant positive and strong correlation with all the three Variables (DFP, CD, and WLB). The regression analysis also revealed that the independent variables (i.e. Direct financial pay (DFP), Career Development (CD) and Work life balance (WLB)) explains $R^2 = 0.609$ which is 60.9% of the dependent variable (Intension to stay). This implies 60.9% of the employees' propensity to stay in MOENCO clearly depends on the independent variables DFP, CD and WLB. Moreover, the model reveals a statistically significant relationship between retention and predictor variables DFP, CD and WLB, with $F = 115.23$, $p < 0.01$. The above findings were triangulated by the qualitative data obtained from the interview. The quantitative data were supported by the results obtained from Interview. The result showed the need to increase Reward practices to retain qualified employees in MOENCO. The Company should exert its utmost effort in providing rewards, and maintaining a good organizational to retain talented employees.*

Key words: *Reward management, organizational performance, Motivation and retention strategy*

1. INTRODUCTION

1.1. Background of Study

In this competitive world, organizations have seen striving to achieve their objectives in order to survive. However, without having effective and satisfied employees in their organization; it is difficult for organizations to achieve their objectives. It seems that reward management policy is



one of the mechanisms that each organization has to implement effectively to satisfy its employees. The reward management system supports the achievement of organizational goals. The fundamentals of reward management are consistency, equity, transparency, fairness, strategic alignment, procedural justice, culture fit and distributive justice. Reward management is much concerned about the value given to the employees who contribute with their skills, experience and efforts to the success of the organization (Ramlall, 2014).

The objective of an effective reward management system is attraction and retention of workers. According to Gehart and Mikovich (2017), the more the organization have reward systems that are better the higher the satisfaction level of employees the longer the length of service and reduce labour turnover rate. This causes the organization to retain more competent and committed workers to work.

Previous researches suggested several factors, which play pivotal role in employee retention. Cole (2000) suggested that, the reasons to stay employee in organization are organization reward system, growth and development, pay package and work life balance. Employees retaining is the most imperative target for the organization because hiring of qualified candidate is essential for organization but their retention is more important than hiring, because a huge amount is spending on the orientation and training of the new indicated employees. Research finds that the cost of replacing of old employees with new is estimated up to twice the employee annual salary. When employee leaves the job, organization lost not only employee, but also lost the customers & client who are loyal with the employee, knowledge of production, current projects, competitor and history of the organization. Organizations make enormous efforts to attract handfuls of employees and sustain them in the organization.

Reward management is one of a major motivational tool for keeping and retaining quality staff in most industries. This aspect of employee retention has always been contentious issue in the field of human resources management the world over. However, the literature on human resources in organizations has proved there is an important lack of research on the impact of reward management systems on employee retention especially in Ethiopia. Many authors think that rewards and reward managements in organizations are not well implemented. Especially to MOENCO, the employee retention rate is decreasing from time to time. The main branch human



resource manager of this company heard many times about the increasing turnover from time to time in different meetings. Based on the above notes, this research is design to study effects of reward management on employee retention: the case of The Motors and Engineering Company of Ethiopia (MOENCO).

1.2. Statement of the Problem

Various studies have been done in relation to employee retention; Allen, (2000) did research on talent management as an organization strategy to increase the rate of employee retention and concluded that organizations need to analyze employee talents and abilities to align them to their roles and responsibilities assigned to them. Hosseini (2010) concluded that among the eight dimensions of quality of work life, pay fair and adequate pay size, integration and social cohesion, continuing security, the integration and development of human capabilities and career development opportunities, are related to employee retention. Pegg (2009) on his study entitled “The impact of benefits on talent retention, motivation and productivity levels” concluded that organizations are to inform their people about the type of benefits on offer.

According to Wright (2015), the relationship between reward management and job satisfaction is very vital to have happy employees. Employees, who have high level of job satisfaction, perform much better and less levels for turnover. Treating employees as assets can lead to better performance and happy workers this can intend the organization to achieve its employee retention. This shows how reward management is vital for the sustainability of organizations. Although much has been written about the significance of rewards and reward management systems in organizations not much research has been done to establish the effect of rewards and reward management systems on employee retention. The literature on human resources in organizations has proved there is an important lack of research on the impact of reward management systems on employee retention especially in Ethiopia. Many authors think that rewards and reward managements in organizations are not well implemented.

In Ethiopia, Automotive companies are increasing from time to time. Those companies are always exerting their effort on acquisition of new customer and retaining of the existing customers to achieve their production goal. Retaining customer for the organization is indispensable target for survival and maximizing profit. Different studies show that customer



retention has as many advantages over customer acquisition as the cost of attracting new customer is five to twelve times.

The Motor and engineering company of Ethiopia (MOENCO) is one of these types of companies working in Ethiopia. MOENCO is in a move to increase its service by increasing its branches and by diversifying its products, though the company is still one of the profitable companies, but the employee retention rate is decreasing from time to time. According to the information I have got from the company's main branch human resource manager, the turnover is increasing from time to time especially in the last 5 to 8 years. This may be due to the existed problem of the reward management system of the organization.

Identifying the factors that affect employee retention is very important for MOENCO and for other similar companies in order to devise appropriate retention strategy, maximize profit, and increase market share. However, as far as my knowledge, no research is conducted on these issue specific to MOENCO Company. Therefore, this study is designed to examine effects of reward management practice on employee retention: the case of The Motor and Engineering Company of Ethiopia / MOENCO.

1.3 Research Questions

1. How do employees perceive the existing reward practice of MOENCO?
2. What is the level of Reward Practice in MOENCO?
3. What is the relationship between reward and employee retention?
4. Which rewards' component significantly influence employee retention?

2. LITERATURE REVIEW

2.1 Reward Management

2.1.1 Definition of Reward Management

Armstrong (2010) defines Reward management as “the strategies, policies and processes required to ensure that the value of people and the contribution they make to achieving organization, departmental and team goals is recognized and rewarded”. According to Armstrong and Murlis, reward management refers to “the process of formulating and implementation of strategies and policies that aim to reward people fairly, equitably and constantly in accordance with their value to the organization” (Armstrong and Murlis (2004:3)). It also deals with the design, implementation and maintenance of reward processes and practices that are geared



towards the improvement of organizational, team and individual performance (Armstrong and Murlis, 2004). It must be emphasized that reward management is not only about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility. Thus, reward management comprises of examining and controlling worker compensation, remuneration and all other benefits for the employees.

2.1.2 Reward System

According to Armstrong (2014), strategic reward leads to the design of reward system. The methods to achieving the purposes of reward management are integrated in the reward system of an organization. The reward system consists of the interrelated processes and practices of financial and non-financial rewards that combine into a total rewards approach ensure that reward management is carried out effectively to the benefit of the organization and people who work there. The business drivers are unique from one organization to other organization, but would often include elements such as high performance, profitability, productivity, innovations, customer service, quality, cost/price leadership, the need to satisfy stakeholders which comprise investors, shareholders, employees, elected representatives and local authorities.

2.1.3 Reward Strategies

Armstrong (2014) defines reward strategy as what an organization wants to do about the reward in the next few years and how intend to do it. It is showing the general direction in which it is supposed the reward management should go. It is therefore, deals with both as a means and an ends. Rewards management strategies can be used to increase employee commitment by creating a sense of belongingness in the organization. It set out what the organization intends to do in the longer term to develop and implement reward policies, practices and process that will further the achievement of its business goals. It provides a sense of purpose and direction. It is based on understanding the needs of the organization and its employees and how they can best be satisfied.



2.1.4 Reward Policy

Reward policy in an organization deals with the main elements of reward management practices that to be implemented. These practices must be aligned with the overall business strategy to help the organization attain its organizational and individual goals. Armstrong (2006) stated that reward management adopts a total reward approach, which emphasizes the importance of considering all aspects of rewards as a coherent whole that is integrated with other HR initiatives designed to achieve the motivation, commitment, engagement and development of employees. All the elements of total reward base pay, pay contingent to performance, competency or contribution, employee benefits and non-financial rewards are deliberately linked together so that they are supportive.

2.1.5 Total Reward

According to Cole (2004), total reward combines two major categories of reward: transactional and relational. Transactional rewards are tangible rewards arising from the transactions between the employer and the employees concerning pay and benefits such as base pay, contingent pay, shares, pensions and holidays. Relational rewards are those intangible rewards concerned with learning and development and the work experience, like training, career development, performance management, employee voice and recognition.

Each aspect of reward such as, base pay, contingent pay, employee benefits and non-financial rewards which include intrinsic rewards from the work itself, are connected together and treated integrated and coherent whole (Armstrong, 2006). Elements of reward management are interrelated, complementary and mutually reinforcing. Non-financial rewards include job security, recognition, responsibility, promotion, career development, pleasant and interesting job, status, working environment, and work-life balance.

2.1.6 Financial Rewards

Monetary payments are regarded as direct compensation and employee benefits are considered as indirect rewards. Financial rewards act as indirect motivators because they provide a tangible means recognizing achievements as long as people expect that what they do in the future will produce something worthwhile, as expectancy theory suggest. Total earnings are financial



rewards consist of the value of all cash payments that are base pay, contingent pay and allowance.

2.1.7 Performance Management

According to Armstrong (2014), performance management is a method of getting better results by providing a means for the individuals to perform well within an agreed framework of planned goals, standards, and competency requirements. Performance management if conducted properly can reward people by recognition through feedback providing opportunities to attain the scope to develop skills, and guidance on career paths. It is considered as non-financial rewards that can encourage job and organization engagement and make a longer lasting and more powerful impact than financial rewards such as performance related pay. The purpose of performance management in some organizations is also connected with pay by creating the information required to decide on pay rises or bonuses related to performance, competency or contribution. However, it is much more about developing people and rewarding them in the widest sense.

2.1.8. Non-Financial Rewards

Non-financial rewards do not involve any direct payments and mostly arise from the work itself. Non-finical rewards include job security, recognition, responsibility, promotion, career development, pleasant and interesting job, status, working environment, and work-life balance etc. out of non-financial components this study focused only on career development and work life balance.

2.1.9. Employee Retention

According to Abraham (2007) retaining the best employees is paramount to a firm's long-term success. By taking proactive approach to develop an effective employee retention program, the anxiety of turnover can be reduced. The best employee retention practices take time, effort and resources but the rewards can be valuable. Turnover has negative side effects on productivity, product and service quality, and profitability. The cost involved in hiring new employees is high and finding skilled employees can be difficult Boyens (2007). Replacing a lost valuable employee can be more expensive than employing a new one. Cappelli (2008) believes that retaining the organizations valuable employees has been very challenging for many organizations.



Abraham (2007) in his research states that one of the major drivers for investing in retention program is the financial impact of recruiting and training valued employees. There are two general categories of forces that operate in employee retention; engagement and coercion. Engagement occurs when an employer connects emotionally with his/her work while coercion occurs when forces outside the employee ability encourage either attachment to or disengagement from an employer. Good managers help the employee stay engaged but poor ones push them towards disengagement (Glen, 2007).

2.1.10. Employee Retention Strategy

Many companies, particularly larger ones with fully developed Human Resource departments, engage in elaborate planning exercises in order to develop a cohesive and unitary strategy to deal with employee retention or, more generally, human resources management, which often includes retention as one of its objectives will roll out particular interventions with explicit reference to an overall organizing principle.

Indeed, many experts within the Human Resource literature emphasize the importance of such exercises, and emphasize that good retention is best assured when companies take a strategic approach to the question. Yet it is clear that taking a strategic approach to Human Resource management can require considerable resources, and may prove to be too resource-intensive for smaller companies, particularly companies that are too small to have a department dedicated to Human Resource matters, or even too small to have an executive exclusively devoted to Human Resource questions (Muchinsky, 1977).

2.1.11 Factors Affecting Retention

Reward Levels

While there is general agreement about the importance of competitive reward for employee retention, there is also a growing consensus that competitive, or even generous reward will not single-handedly guarantee that a company will be able to keep its most valuable employees. Lockwood (2006) maintained that, the key issue in retention is the amount of total compensation relative to levels offered by other organizations. “Organizations that have high levels of compensation,” he wrote, “have lower turnover rates and larger numbers of individuals applying to work for them.” Furthermore, he argued, high wage workplaces may create a “culture of excellence.”



It is worth remembering that building “affective commitment” (Muchinsky, 1977) involves much more than paying well, and that retention based on the principle of “compensation-based commitment” is of course sensitive to changes in compensation within the company. Employers that base their retention on compensation-based commitment will always be vulnerable to the possibility that their competitors will be able to offer better wages and thus lure away their employees.

Benefits

Benefits can demonstrate to employees that a company is supportive and fair, and there is evidence to suggest that stable benefits are at the top of the list of reasons why employees choose to stay with their employer or to join the company in the first place (Hom, 1997). However, it is often the case that many employees do not realize the "true value" of the benefits they receive. Nor are they always sure what motivates the employer to provide these benefits. Thus, the link between benefits and employee commitment is not always strong. Adequate communication with employees is, as with most other retention practices, essential (Trevor, 2001).

The range of benefits offered by companies includes the following categories: health, dental, visions, vacation, parental/family leave, disability, retirement/pension, employee assistance programs, life insurance, extended leave, etc. Employee benefits are constantly evolving as the workforce itself evolves, and as people identify new priorities as being important. It is important to note that the relative importance of benefits will vary according to the specific needs of each individual. The importance of a benefit plan to an employee with dependents may assume far greater importance particularly in an environment where benefits costs are increasing rapidly (Tompkins and Beech, 2002).

2.1.12 Relationship between Reward Management Systems and Employee Retention

As Price (2007) stated the reward that people receive for their contribution to an organization includes monetary and non-monetary components. Remuneration does not simply compensate employees for their efforts but also has an impact on the recruitment and retention of talented employees. Sutherland and Canwell (2004), demonstrates that reward is the basic element, which indicates how much employees, gain by dedicating their time and effort towards the achievements of company objectives, therefore employers have the responsibility to design an



attractive reward package to attract and retain valuable employees. Promotion as a component of reward enhances employee retention. There is a close and positive correlation between promotions and job satisfaction and which in turn helps in retaining employees. Eyster, Johnson and Toder (2008) state that job flexibility along with lucrative career options, is a critical incentive for all employees.

Messmer (2000) found that one of the important factors in employee retention is investment on employee training and career development. Organization always invests in the form of training and development on those workers from whom they expect to return and give output on its investment. According to Abraham (2007) rewards and recognition are crucial components to the success of any employee retention program because they confirm to the employee that their efforts are meaningful and appreciated. This can be through commending employee for work well done, commendation letters signed by top executives and service awards. Cappelli (2008) believes that retaining the organizations valuable employees has been very challenging for many organizations.

2.2. Conceptual Framework

The objective of this study is to examine the relation between reward management and retention in MOENCO. The three independent variables such as direct financial compensation, career development and work-life balance. Employee retention is dependent variable. Direct financial compensation involves monetary payments to employees for time worked or results obtained and refers to wages paid by employers to employees in exchange for work. Direct financial compensation also includes variable pay in the form of short- and long-term incentives, such as cash bonuses, commissions and company stock awards. It has a high effect on employee retention within a company because with satisfactory compensation, employees will feel that the company is caring about employee needs.

Employee satisfaction will be shown by the stay of employees at the company or retention. Indirect financial compensation involves expenditures made by an employer on behalf of all employees and is typically referred to as "fringe benefits." Intangible compensation involves non-monetary rewards; such as career development and work life balance. Career

development also can help with retention because employees can develop a sense of loyalty for employers who are willing to invest in them. Likewise, when it is time to hire new employees, career development programs can be attractive to job-seekers. The company can develop its own unique career development programs to increase employee retention and hopefully increase productivity and profits.

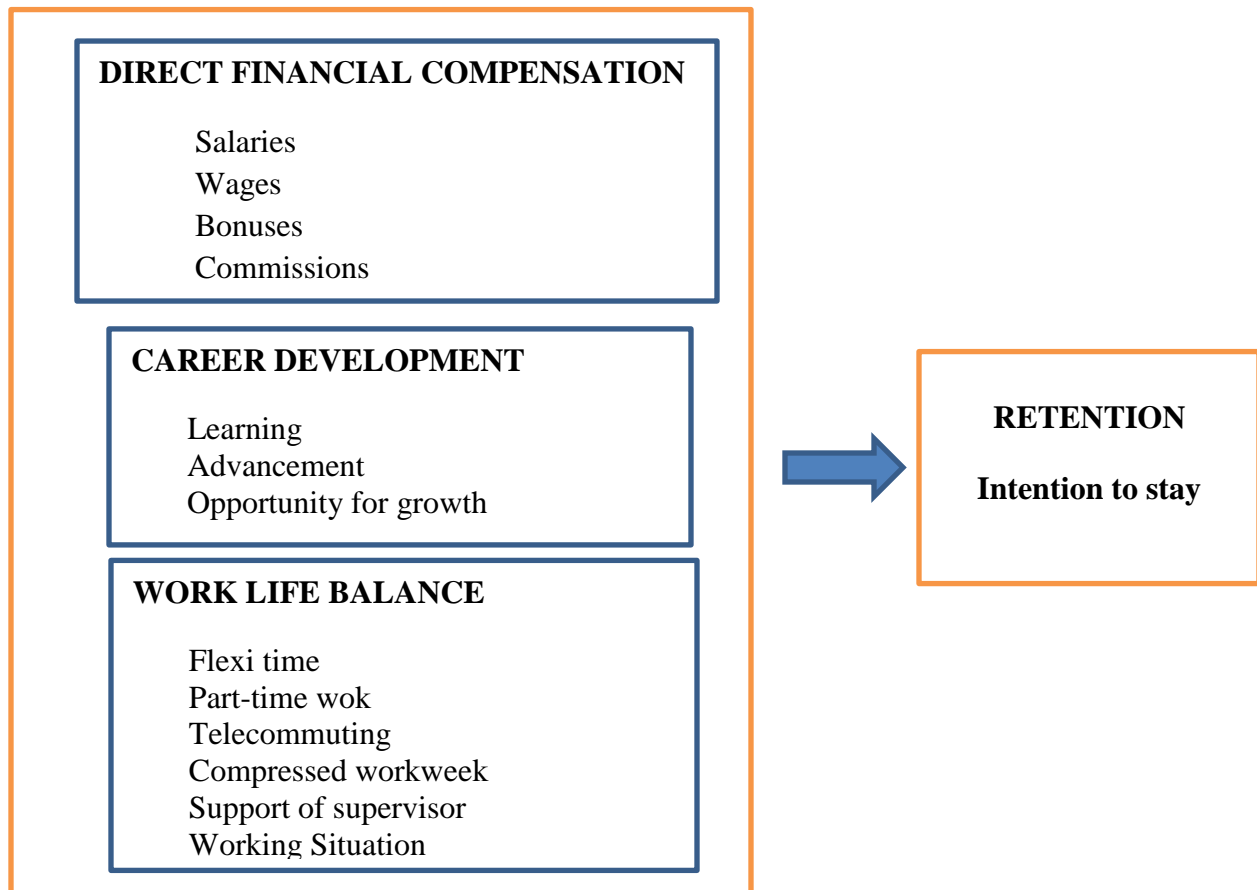


Figure 2.1. Conceptual framework

Source: From Unpublished MSc Thesis Research conducted in Addis Ababa University.

When employees have a positive work-life balance, employees will feel satisfaction working for the company and increase their productivity which makes the company try to retain employees because they have shown good performance and provide benefits for the company and it is called employee retention. At higher levels of work environment, WLB is associated with an increase



in job satisfaction than at lower levels of work environment. Further, when WLB is increasing from low to high, job satisfaction is higher when work environment is higher than at lower levels. As a result, establishing WLB can lead to better performance, greater motivation, lower absenteeism, and reduced psychological disorders among employees.

2.4. Research Hypotheses

Based on extensive literature review, the following hypotheses are developed for study. They are:

(H₀₁). Direct financial compensation has no significant effect on employee retention.

- **(H₁).** Direct financial compensation has significant effect on employee retention.

(H₀₂). Career development has no significant effect on employee retention

- **(H₂).** Career development has significant effect on employee retention.

(H₀₃). Work life balance has no significant effect on employee retention.

- **(H₃).** Work life balance has significant effect on employee retention.

3. RESEARCH METHODOLOGY

3.1. Research design

The main objective of this study is to investigate the effects of reward management practice on employee retention at The Motor and Engineering Company of Ethiopia (MOENCO). To this effect, descriptive and explanatory design was employed. This method is selected because it is helpful to identify present conditions and point to present needs, immediate status of a phenomenon and facts findings (Youesh, 2006). Descriptive research is a method used to obtain information relating to the existing status of an issue or phenomenon to describe "what exists" within the variables or conditions of the situation. Explanatory approach was employed to identify or establish the existence of cause and effect of variables and to test relationships between independent and dependent variables. Moreover, the study applied a mixed research approach. This method helps the researchers to collect in both qualitative and quantitative ways and triangulate the result.



3.2. Target Population, Sample size and sampling techniques

MOENCO has 9 Branches and 17 Dealers in different regions of the country. Branch offices of MOENCO are located in Addis Ababa, Kality Machinery Branch, Southern Addis, Adama, Hawassa 1 and 2, Bahirdar 1 and 2, and Dire Dawa Branch. It is the major distributor for Toyota, Suzuki vehicles New Holland and Komatsu construction and Agricultural Machineries and other 20 Models with Automotive Sales, Service and Parts Sales. According to the information obtained from the company, MOENCO has 892 permanent staff members. Out of 892, the 550 are positioned in the Head Office. There are also 120 staff on contract basis and 150 outsourced staff. The target populations of this study would be permanent employees of MOENCO in the Head Office, Addis Ababa. Therefore, the population of this study is the 550 employees working on MOENCO Head Office Addis Ababa branch.

Sekaran (2003) provides a simplified formula to calculate sample sizes of finite population, which was used to determine the sample size for the particular study. A 95% confidence level is assumed for this formula to determine the sample size, at $e=0.05$ and the sample size is determined in the following formula.

$$n = \frac{N}{1 + N(e)^2}$$

Where n = Sample size, N = Total number of Employees and e = Standard error.

In Our Case

$$n = \frac{550}{1 + 550(0.05)^2} = \frac{550}{2.375} = 231$$

Hence, the sample size for this research was 231 employees of MOENCO who are working on Addis Ababa Main Branch. Hence, 231 respondents will be chosen by a simple random sampling method (Lottery Methods). The Sampling Method is simple Random Sampling since it gives every employee equal chance irrespective of its division and job grade.

The distribution or sub- sample of size for each working place was determined using the formula Krecjie and Morgan (1970) as follow:

$$s = \frac{XS}{p}$$

Where s =sub-sample size for each working place, X = population of employees in each working place, S = Total sample size for the study, P = Total number of population



Accordingly, the researchers apply the above formula on each department to select the participants by random sampling method.

Table 3.1: The sub- sample size for each Department of MOENCO.

Department	No of employees in each department	Total sample size in percent	Sample size
Auto sales	24	4.3	10
After Sales	406	74.1	171
Finance	66	11.7	27
Human Resource	45	8.2	19
Marketing	9	1.7	4
Total	550	100	231

In addition to the above, since the research design is mixed, the leaders of the head of the MOENCO Main Branch were participated for interview. A total of 7 leaders in the company (i.e. The after sell director, custom relation manager, Automotive director, Finance director, Human Resource Head, Machinery and equipment director, and Digital marketing director) were selected as a sample for interview by purposive sampling techniques. The sampling is purposive since the selected leaders will give brief information about the existing reward management and retention rates and are important for collecting further information. It is assumed that these leaders know the company’s strategy as well as the interest and need of employees and are extremely important for conducting this research and triangulating with the data collected in questionnaire.

Thus a total of 238 Employees of MOENCO Addis Ababa Main Branch were selected by both Random and purposive sampling methods for conducting this research.

3.3. Data Type, Source, and Collection Tools

In this research, the necessary data for this study were collected from both primary and secondary sources. The primary data were collected through questionnaires and interviews from the employee of MOENCO. The secondary information were collected from books, journals, published/unpublished materials, from the corporation website and newsletters of the organization



Close-ended question items were developed based on the literature review. The question items developed using Likert-type five point rating scales. The five points weigh according to the degree of agreements: Strongly Agree (5), Agree (4), Neutral (3), Disagree (2), and Strongly Disagree (1). The second part of the Questionnaire was items on reward strategy of the company and the effect of it with retention of employees. This part contains 33 questions in rating scale. Furthermore, interview were taken in the form of person-to-person encounters using semi structured and un-structured questions enabling respondents to address matters in their own terms and words. The interview was prepared to collect additional data from seven heads of the MOENCO Company. Finally, validity and reliability are tested, which resulted in acceptable range.

3.4. Regression Functions

Where Y is the dependent variable which is Employee Retention and X1, X2 and X3 are the independent variables. β_0 is the intercept term it provides the mean or average effect on Y of all the variables excluded from the equation, although its mechanical interpretation is the average value of Y when the stated independent variables are set equal to zero. β_1 , β_2 , β_3 refer to the coefficient of their respective independent variable which are the change in the mean value of Y, per unit change in their respective independent variables. The following regression equation used to show the effect of independent variable on employee retention.

$$Y_i = \beta_0 + \beta_1DFP + \beta_2CD + 3WLB$$

Necessary diagnostic tests on the variables were done to test whether the sample is consistent with the CLRM assumptions: Normality, Linearity, Pearson Correlation, Multicollinearity. and Homoscedasticity. The output affirmed that the model fits. Furthermore, the study was employed Cronbachs' alpha to assess reliability of the questionnaire that testify all variables have a reliability coefficient (alpha) of 0.76 and above, which is accepted.

4. RESULTS AND DISCUSSION

4.1 Descriptive Statistics Analysis

The questionnaires respondent rate was calculated and found 97.8%. The following analysis has been made based on the data collected via questionnaires.

One of the objectives of this research was to investigate the perception of employees on the existing reward practice at MOENCO. Therefore, Descriptive statistics will help us to see



perceptions. According to Zaidatol and Begheri (2009), cited by (Wogari, 2016) the mean score below 3.39 is considered low, whereas the mean score ranging from 3.40 up to 3.79 is considered moderate, and mean score above 3.80 is considered high. The researchers were used the aggregated mean of the Independent Variables (Direct Financial Reward (DF), Career Development (CD), Work Life Balance (WLB)) and the dependent Variable Intention to stay (IS).

Table 4.1:- The Aggregated Mean and Standard Deviation of the variable DFP, CD, WLB and IS.

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Direct Financial Pay	226	1.13	4.63	1.9226	.57369
Career Development	226	1.11	4.89	2.1740	.61027
Work Life Balance	226	1.36	4.55	2.9280	.76865
Intention to stay	226	1.00	5.00	2.3248	.79275
Valid N (list wise)	226				

Table 4.1 indicates the aggregate means and standard deviations of the variables. Accordingly, the aggregate means and standard deviations were used to summarize the findings of the study. Most employees were not satisfied with both direct financial compensation, and career development of their company. Most items had low ratings which include direct financial compensation (Aggregate Mean=1.92, Agg.SD=.57), career development (Aggregate Mean=2.17, Agg.SD=0.61). This clearly shows that most of the respondents do not enjoy the direct compensation reward offered by the company as well as the carrier development given by the company. This shows clearly that employees do not have good perception on the existed reward practice regarding to the direct financial reward system and the career development reward system of their Organization. The analysis above indicates that the majority of the employees agreed that they are not offered opportunities to grow and develop. The company do not have a well-defined succession plan, the company do not encourage employees to upgrade their skills, and there is no practice of job rotation in the company through the rating of career development (Aggregate Mean=2.17, Aggregate SD=0.61).



Table 4.1 indicates also the mean of the work life balance reward system in MOENCO. The aggregated mean and Standard deviation (Aggregate Mean= 2.93, Agg.SD= 0.77) revealed that most of the respondents were neutral on the work life balance practices available in the company. This means existence of family support, such as alternative schedules, supervisor support, co-workers support, flex time, work –family culture and family benefits etc. perceived undecided to stay within the organization.

Table 4.1 also indicates the aggregated mean and Standard deviation of employees on the dependent Variable Intention to stay in the company. The Intention to stay score was (Aggregate Mean=2.32, Aggregate SD=0.79). This indicates that the majority of the employees do not likely to stay to the company. The standard deviation 0.79 indicated the respondent’s deviation from the mean was too little. Hence, we can analysis that most of the respondents agreed that their intention to stay in the company was too little.

Based on the study employee’s retention is likely to be higher in an organization that offer higher salaries, bonuses, allowances, career advancement opportunities and facilitate work life balance. Due to unsatisfactory perception on the existing reward system in the company, especially on the direct financial reward system and on the career development system, the intention to stay in the company is low.

4.2 One-Sample T-Test

One of the objectives of this study was to answer reward practices that influence employee retention significantly in MOENCO. To examine research question 4, i.e what are the reward components that influence employee retention significantly, One-Sample Test were applied for with the test value = 3.00 on each reward components (DFP, CD and WLB). One sample t-test will help to identify the independent variables (DFP, CD and WLB) that significantly influence the employee’s retention to stay in their organization.

Table 4.2:- The one sample t-test of the independent variable

One-Sample Statistics	
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	N	Mean	Std. Deviation	t	df	Sig. (2-tailed)	Mean Difference
Direct Financial Pay	226	1.9226	0.57369	-28.234	225	0.000	-1.07743**
Career Development	226	2.1740	0.61027	-20.347	225	0.000	-0.82596**
Work life Balance	226	2.9280	0.76865	-1.408	225	0.160	-0.07200

** 1= strongly disagree, 2 = disagree, 3 =neutral 4 = agree, 5= strongly agree. p<0.05

Table 4.2 indicates that, only factors indicated by ** on their t-test value have significance difference with the test value = 3.00 because their calculated t- value is greater than the t-critical with df = 225 at 0.05 level of significance in a two-tailed significance test. This means the mean of Direct financial pay and Career Development have significance difference with the expected mean or test value = 3.00. In addition table 4.2 indicated that the mean difference of both direct financial pay and Career Developments are both negative. This shows that most respondents reply that career development reward system and direct financial pay reward system are influencing their intention to stay in the organization. However, work life balance reward system didn't show a significance difference with the test value = 3.00 because their calculated t- value is Less than the t-critical with df = 225 at 0.05 level of significance in a two-tailed significance test. This means the existed work life balance reward system do not have significance influence on the intention of employees in the organization.

4.3 Correlations

One of the objectives of this study was to answer the relationship between reward system and employee retention. Therefore, correlation analyses were employed to answer this objective. The result of correlation was displayed in table 4.3 below.

Table 4.3: Correlation of the independent variable (DFP, CD and WLB) and the dependent variable (IS).

Correlations	
25	<p><i>International Journal in Management and Social Science</i> http://ijmr.net.in, Email: irjmss@gmail.com</p>



		Intention to stay	Direct financial pay	Career development	Work life balance
Intention to stay	Pearson Correlation	1	0.587**	0.634**	0.640**
	Sig. (2-tailed)		0.000	0.000	0.000
	N		226	226	226
Direct financial pay	Pearson Correlation		1	0.819**	0.270**
	Sig. (2-tailed)			0.000	0.000
	N			226	226
Career development	Pearson Correlation			1	0.389**
	Sig. (2-tailed)				0.000
	N				226
Work life balance	Pearson Correlation				1
	Sig. (2-tailed)				
	N				

****.** Correlation is significant at the 0.01 level (2-tailed).

The correlation coefficient is a statistical measure of the strength of the relationship between the relative movements of two variables. The values range between -1.0 and 1.0. A calculated number greater than 1.0 or less than -1.0 means that there was an error in the correlation measurement. A correlation of -1.0 shows a perfect negative correlation, while a correlation of 1.0 shows a perfect positive correlation. A correlation of 0.0 shows no linear relationship between the movements of the two variables (Cohen, 1988).

In relation to the magnitude of correlation coefficient, Cohen (1988) stated that a correlation coefficient between, 0.01 to 0.29 can be considered as small or weak, from 0.30 to 0.49 medium and from 0.50 to 0.99 large or strong. In this study, in order to see the relationship of independent variables (DF, CD and WLB) with the dependent variable Intention to stay (IS), Pearson’s correlation analysis was employed and the result is shown above in table 4.3.

As can be seen in table 4.3, retention had statistically positive significant relationship with all independent variables (DFP, CD and WLB). Intention to stay (IS) had statistically significant positive and strong correlation with DFP, $r = 0.587$, $p < 0.01$. On the same manner, Intention to stay (IS) had statistically significant positive and strong correlation with CD, $r = 0.634$, $p < 0.01$ and WLB, $r = 0.640$, $p < 0.01$. This implies that better opportunities for Career Development (CD), Direct Financial Pay (DFP) and Work Life Balance (WLB) have positive relation on



employee retention. As one variable increases, the other variable also increases and vice-versa. This means as the company Direct Financial compensation, Career Development and Work Life Balance increases employees' retention in the company also increase and vice-versa.

4.4. Regression Analysis

4.4.1. Result of Multiple linear regression analysis

A) Overall Regression Model

To assess the influence of the reward practice on retention, multiple linear regression analysis was computed. Regression analysis mainly concerned on using the relationship for prediction i.e. if two variables were correlated perfectly, then knowing the value of one score permits a perfect prediction of the score on the second variable Ho (2006). Mathematically speaking the prediction equation is termed as $Y' = A + BX$ where Y' is the predicted dependent variable, A is constant, B is unstandardized regression coefficient and X become the value of the predictor variable.

As shown in the table 4.4 the value of $R = 0.780$ and the value of adjusted R square is 0.609. This value tells how much of the variance in the dependent variable intention to stay in the company is explained by the model (WLB, DF, and CD). Therefore, the independent variables (i.e. Direct financial pay (DFP), Career Development (CD) and Work life balance (WLB)) explains $R^2 = 0.609$ which is 60.9% of the dependent variable (Intension to stay).

Table 4.4: The Influence of Predictor Variables (DFP, CD and WLB) on Retention (IS): Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.780 ^a	.609	.604	.49908
a. Predictors: (Constant), WLB, DFP, CD				
b. Dependent Variable: ISMEAN				

This implies 60.9% of the employees' propensity to stay in MOENCO clearly depends on the independent variables Direct Financial Pay (DFP), Career Development (CD) and Work Life Balance (WLF) while remaining 39.1% is determined by other factors, which is not stated in this study.



B) The regression ANOVA Result

The ANOVA result of the regression analysis was presented in table 4.5 below. This ANOVA result tells us to see whether there is a statistically significant relationship between retention and predictor variables DFP, CD and WLB.

According to table 4.5, the model reveals a statistically significant relationship between retention and predictor variables DFP, CD and WLB, with $F = 115.23$, $p < 0.01$. In other words, the model was statistically significant. This means the independent variables DFP, CD and WLB have high influence to retention in MOENCO. But it does not mean that all independent variables have equally significant correlation with retention. To see the contribution of each variable, we need to look at the beta coefficient table in the regression analysis below.

Table 4.5: The Regression ANOVA

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	86.105	3	28.702	115.228	.000 ^b
	Residual	55.297	222	.249		
	Total	141.401	225			
a. Dependent Variable: ISMEAN						
b. Predictors: (Constant), WLBMEAN, DFPMEAN, CDMEAN						

C) Regression Coefficient Beta

The beta value which is presented in the regression coefficients beta table 4.6 above presents beta coefficients between the predictor variables (i.e. DFP, CD, and WLB) and the dependent variable (i.e. employee retention). The table 4.6 shows that, all the three predictor variables, i.e. DF, CD and WLB made a statistically significant prediction in predicting the dependent variable, Retention with $B = -0.481$, $t = -3.108$, and $p = 0.002 < 0.01$ which specifies the beta coefficient is positive and statistically significant at 0.01 level. In order to evaluate the contribution or influence of each independent variable to the dependent variable, we can see the Beta value. Accordingly the higher the beta value the greater the effect of the predictor variable on the criterion variable.



Table 4.6: Regression Coefficient –Beta result

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.481	.155		-3.108	.002
	DFP	.385	.102	.278	3.786	.000
	CD	.284	.100	.219	2.849	.005
	WLB	.494	.047	.479	10.478	.000

a. Dependent Variable: ISMEAN

According to table 4.6 above, the Beta value for predictor variable, WLB was 0.479, which implies that this predictor variable made the first strong positive and statistically significant influence in explaining or predicting the dependent variable retention when the variance explained by all other variables in the model is controlled for.

In addition, DFP made a statistically significant positive prediction to the dependent variable with Beta value of 0.278. This means DFP is the second strong influence in explaining the dependent variable retention. Moreover, CD made the third strong positive influence/contribution in predicting the dependent variable, with Beta value of 0.219.

4.5 Hypotheses Testing

In order to assess the effect of predictor variables on retention multiple linear regressions was computed. All the three predictor variables DFP, CD and WLF made a statistically significant prediction in predicting dependent variable employee retention. The Beta value for predictor variable, WLB was 0.479, which implies that this predictor variable made the first strong positive and statistically significant influence in explaining or predicting the dependent variable retention when the variance explained by all other variables in the model is controlled for. In addition, DFP made a statistically significant positive prediction to the dependent variable with Beta value of 0.278. This means DFP is the second strong influence in explaining the dependent variable retention. Moreover, CD made the third strong positive influence/contribution in predicting the dependent variable, with Beta value of 0.219.

Therefore, based on these findings the following hypothesis:

(H0₁). Direct financial compensation has no significant effect on employee retention.



- **(H₁)**. Direct financial compensation has significant effect on employee retention.
- (H₀₂)**. Career development has no significant effect on employee retention
- **(H₂)**. Career development has significant effect on employee retention.
- (H₀₃)**. Work life balance has no significant effect on employee retention.
- **(H₃)**. Work life balance has significant effect on employee retention.

4.6 Interview Results

The researchers have prepared a set of semi-structured interview questions that was administered face to face with 7 leaders in the company (i.e., After sells director, custom relation manager, Automotive director, Finance director, Human Resource Head, Machinery and equipment director, and Digital marketing director). The purpose of the interview was to assess the overall reward practices that MOENCO offers to its employees, to observe its effect on employee's retention and further scrutinize the management expectation. The interview is commenced at the interviewee convenient time.

Accordingly, the first question raised was to make the interviewee explain about the reward practice they implemented in their organization. Most of the interviewee explained the existence of direct financial pay and work life balance reward practice. However, they strongly give stress on the difference in the level of the two reward system in their company. One of the interviewee reported that

“Both Direct financial compensation that includes salaries and bonus and Indirect financial compensation such as paid vacations, sick leave, and medical insurance, maternity leave are implemented in the company”.

The other interviewee also indicated that

“Direct financial pay like giving the employees up to six months’ salary as a bonus per year is implemented in their company”.

However, almost all of them indicated that this kind of reward is given to the whole workers regardless of their performance. In addition, the career development reward system existed in the company reported weak by the majority of the interviewee. They reported that even though the company encourages the workers to upgrade their skill but the commitment to make the employee upgrade their skill was weak and do not have well-structured plan.



One of the interviewee reported that

“Trainings will be given to the employees in the company, however in my stay of this company, I never seen an employee to get a chance of off work training that took more than a month”.

This shows the career development reward system in the company was found low.

The work life balance reward system was also reported by most of the interviewee in MOENCO, they reported that the working environment of the company didn't give too much stress as well as give time to do personal things. One of the interviewee states the following word by word.

“I believe that the working hours of the company are reasonable and employees have sufficient time for work and time for their personal life”

The other question raised for the interviewee was to briefly explain the turnover rate over the past recent years and the reason for it. All of them reported as they do not come to interview of having the exact turnover rate. However, the majority of the interviewee reported that the turnover rate of the company is increasing from time to time especially during the last three to four years.

When they explain why their employee leaves their company, the majority relate with the salary of the organization, personal issues as well as the existed reward system of the company. One of the interviewee indicated that

“Salary, benefit, Conducive environment, personal/family issues, problems, discipline measures can be considered as factors that urge employees to leave their organization as mentioned by the interviewees. However, the majority leave due to the salary of the company”.

This shows the reward system especially the Direct Financial Pay reward system and the Career Development reward system of MOENCO as well as the company salary is making the employees to not to stay in the company. This finding strengthened the finding of the quantitative results reported above. What surprises from the above two question is that the existence of bonus in the company and the increment of turnover in the company. This might be due to the low extent of the bonus couldn't stay the employee in the company.



The other question raised for the interviewee was to state the kind of employee retention practice does MOENCO currently implementing. The majority reported that providing attractive salary and bonus is the company's number one objective in order to attract and retained talented employees. Three of the interviewee gave a hint about the salary adjustment planned to be implemented at the end of this financial year.

In addition benefit packages: (i.e. Bonus, Allowances, health Insurance) are also reported by the majority of the interviewee as employee retention mechanism. The quantitative result shown above shows the existed reward practice of the company was too little to make employees stay in the company. Therefore, the company need to strengthen further the existed reward practice as well as creating another reward package for minimizing the increasing turnover rate reported by the interviewee.

The last question raised for the interviewee was to explain the reward practice that they think is appreciated by the employees. Accordingly, most of the interviewee indicated the bonus given for all employees as well as the existed chance of buying a car in a low cost after giving service more than 5 years for managers only are the two best reward systems they believe to be appreciated by the employees. One of the interviewee further explain that.

“Mostly, the company have a habit of giving 6 months’ salary as bonus to the whole employee per year around January. This I believe is what most employees make to stay in the company. In addition the company have a habit of selling the used cars giving service for managers after working 5 years in the company in a very low price, this makes managers to stay in the company including me to buy the car giving service for me now”

Generally, the interviewee indicates that even though the existed reward practice makes most of the employee retain in the company, the low type of reward practice, the salary, and the existed motivation mechanism might make the employee to not to stay in the company and increase the turnover rate especially in the last four years. This finding further strengthen the quantitative data results obtained.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusions



Despite the importance of reward practice for employee retention, the perception and level of employees of MOENCO Addis Ababa main branch about the existed reward system is too weak. The company has low level of reward system and the employee's intention to stay in the company was too little. Especially the level of DFP and CD reward practice in MOENCO Addis Ababa Branch needs improvement. Most of the employees were not satisfied with direct financial compensation system of the company. The career development opportunities that exist in the company are not also encouraging.

In the Company, Career Development (CD), Direct Financial Pay (DFP) and Work Life Balance (WLB) have positive relation on employee retention. This means as the company Direct Financial compensation, Career Development and Work Life Balance increases employees retention in the company also increase and vice-versa. 60.9% of the employees' propensity to stay in MOENCO clearly is influenced by Direct Financial Pay (DFP), Career Development (CD) and Work Life Balance (WLB) reward system while remaining 39.1% is determined by other factors, which are not stated in this study. This means DFP, CD and WLB reward system have high influence to retention in MOENCO. WLB is the first strong positive influence in predicting retention In MOENCO following DFP and CD respectively.

5.2 Recommendations

From the findings of the study, the researchers recommend the following for better retention of employees of MOENCO Addis Ababa main Branch:

1. The MOENCO Company need to exert its utmost effort in providing rewards, maintaining a good organizational climate, job satisfaction, employee commitment and employee well-being to meet its expectation which is retaining talented employees.
2. The MOENCO management unit should develop a reward plan that includes financial and non-financial compensation and offers to its employees. The financial and non-financial rewards should match the performance achieved against set targets of each employee.
3. One of the finding of this study revealed that the employee's perception to the existed reward system is too little and needs to leave the company if they have a chance to join other organizations. Therefore, MOENCO should work on the perception of employees



to make sure that they have an opportunity for further development and it should be communicated to ensure that employees are kept informed about their development and advancement opportunities.

4. Additionally, the MOENCO management should reinforce its employees with a knowledge and skill that would enable them to accomplish their activities in the desired way.
5. The bonus given in each year for the employee in MOENCO, the health insurance coverage as well as the habit of selling the used cars giving service for managers after working 5 years in the company in a very low price are appreciated and have to be strengthened.
6. The company should adjust its employees' salaries and benefits within reasonable time. When prices rise over a period of time and pay does not, the real pay value is actually reduced. Therefore, a pay increase must be made at least equivalent to increased cost of living. The adjusted salary should be externally competitive, and internally fair and consistent based on the employees' performance, competency, educational levels and experiences.

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