



**ST. MARY'S UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**MBA PROGRAM**

**THE EFFECTS OF NON- FINANCIAL INCENTIVES ON EMPLOYEES'  
PERFORMANCE IN ETHIO TELECOM**

**BY: HEWAN KIROS**

**MAY, 2015**

**ADDSABABA, ETHIOPIA**

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**BY: HEWAN KIROS**

**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY SCHOOL OF  
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## TABLE OF CONTENTS

<b>ACKNOWLEDGMENTS</b> .....	iv
<b>LIST OF ACRONYMS AND ABBREVIATIONS</b> .....	v
<b>LIST OF TABLES</b> .....	vi
<b>LIST OF FIGURES</b> .....	vii
<b>ABSTRACT</b> .....	viii
<b>CHAPTER ONE: INTRODUCTION</b> .....	1
1.1. Background of the Study .....	1
1.2. Definition of Terms.....	4
1.3. Statement of the Problem.....	4
1.4. Basic Research Questions .....	6
1.5. Objective of the Study .....	6
1.6. Significance of the Study .....	6
1.7. Scope of the Study .....	7
1.8. Limitations of the Study.....	7
1.9. Organization of the Paper .....	7
<b>CHAPTER TWO: LITERATURE REVIEW</b> .....	9
2.1. Theoretical Literature Review .....	9
2.1.1. Incentives .....	9
2.1.2. The Importance of Incentives .....	10
2.1.3. Types of Incentives .....	10
2.1.4. The Meaning of Performance.....	11
2.1.5. Employee’s Performance .....	12
2.1.6. Performance Management .....	13

2.1.7. Performance Evaluation Factors: .....	14
2.1.8. Objectives of Performance Evaluation .....	15
2.1.9. Relationship between Non-Financial Incentives and Employee’s Performance .....	15
2.2. Conceptual Framework.....	16
2.2.1. Conceptualized Determinants of Non-Financial Incentives .....	17
<b>CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY .....</b>	<b>22</b>
3.1. Research Design.....	22
3.2. Sample Size and Sampling Technique.....	23
3.3. Source of Data.....	25
3.4. Data Collection Method .....	25
3.5. Procedures of Data Collection .....	26
3.5.1. Pilot-testing .....	26
3.5.2. Reliability analysis .....	26
3.5.3. Validity analysis .....	27
3.6. Model Specification.....	28
3.7. Data Analysis Technique .....	28
<b>CHAPTER FOUR: RESULTS AND DISCUSSION .....</b>	<b>30</b>
4.1. Respondent’s Characteristics .....	30
4.2. Descriptive Analysis .....	33
4.3. Inferential Analysis .....	36
4.3.1. Correlation Analysis .....	36
4.3.2. Regression Analysis .....	41
<b>CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION .....</b>	<b>47</b>
5.1. Summary of Findings.....	47
5.2. Conclusions.....	48

5.3. Recommendations.....	49
<b>REFERENCES.....</b>	<b>50</b>
<b>APPENDICES.....</b>	<b>55</b>
Appendix 1: Questionnaire .....	56
Appendix 2: Cross Tabulation .....	61
<b>DECLARATION.....</b>	<b>66</b>
<b>ENDORSEMENT .....</b>	<b>67</b>

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## LIST OF ACRONYMS AND ABBREVIATIONS

ET	Ethio Telecom
ANOVA	Analysis of Variance
CS	Customer Service
HR	Human Resource
IS	Information System
IA	Internal Audit
M&C	Marketing and Communication
PMO	Program Management Office
Q&P	Quality and Process
RMS	Residential Marketing and Sales
RS	Residential Sales
S&F	Sourcing and Facility
TEP	Telecom Expansion Program
SPSS	Statistical Package for Social Sciences



## LIST OF TABLES

Table 3.1: Sample Size among each Stratum.....	24
Table 3.2: Cronbach's alpha Coefficient Summary among Items of Questionnaire.....	27
Table 4.1: Respondents' Gender.....	30
Table 4.2: Respondents' Age.....	31
Table 4.3: Respondents' Education level.....	31
Table 4.4: Respondents' Work experience.....	32
Table 4.5: Respondents' Division.....	32
Table 4.6: Criterion-Referenced Definitions.....	33
Table 4.7: Means of Employees' Performance and Non-financial Incentive Factors.....	34
Table 4.8: Correlations between Recognition and Employees' Performance.....	37
Table 4.9: Correlations between promotion and Employees' Performance.....	37
Table 4.10: Correlations between Training and Employees' Performance.....	38
Table 4.11: Correlations between Performance feedback and Employees' Performance.....	38
Table 4.12: Correlations between Working Condition and Employees' performance.....	39
Table 4.13: Correlation among the Five Independent Variables.....	39
Table 4.14: Chi- Square Tests.....	40
Table 4.15: Normality of Distribution using Descriptive Statistics.....	42
Table 4.16: Test for Independent of Residuals.....	43
Table 4.17: Regression Coefficients.....	44
Table 4.18: Overall Model Fit.....	45
Table 4.19: Summary of the Result of Hypothesis from Regression Analysis Coefficients.....	46

## **LIST OF FIGURES**

Figure 2.1: Hypothesized Determinants of Non-financial incentives: A Conceptual Model.....	16
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## ABSTRACT

*The main objective of this study is to explore the effect of non-financial incentives on employees' performance. It is an explanatory research and was used quantitative research approach. The target population of the study was professional employees of the company. A sample size of 371 out of 5185 employees was taken. The relevant data was collected through survey questionnaire with stratified-random sampling technique for distributing the survey questionnaire. The response rate for the study was 81% of the distributed questionnaire. The data was analyzed mainly by using descriptive statistics, correlation and regression analysis and the proposed hypothesis were tested and all of them were accepted. Major finding of the study revealed that recognition, promotion training, performance feedback and working condition factors on employees' performance was positive and significant. According to the descriptive analysis the overall employees' performance in the company found at medium or average level. The multiple regression models explain 61.8% of the variance in the dependent variable (employees' performance) is accounted for by the independent variables (recognition, promotion, training, performance feedback and working condition). The regression model tells us that the five independent variables are significant predictors of the dependent variable employees' performance with the standardized beta coefficient levels of .181, .124, .212, .155 and .320 respectively.*

**Key words:** *Non-financial incentives, Recognition, Promotion, Training, Performance feedback, Working condition, Employees' performance.*

# **CHAPTER ONE**

## **INTRODUCTION**

This chapter introduces the concept of incentive and employee performance, the problem that this research stands to investigate, the basic research questions to be addressed, the objective that the study going to meet, the definition of key terms to be used throughout the study, the significance of the study, the scope that this study covered, and organization of the study.

### **1.1. Background of the Study**

The essential function of human resource management is to implement practices that enhance the satisfaction of employees with their jobs. Employees expect financial and non-financial incentives for their services and efforts. In the absence of equitable payment, training and development opportunities and recognition; employees get dissatisfied and do not perform to the standards. The dissatisfaction results from the unavailability of financial and non-financial incentive usually lead to poor performance. The benefits that employee foresee for themselves and their families motivates the employee to give their best. Incentives are considered one of the most important factors that encourage workers to put forth great efforts and work more efficiently. It is because incentives and reward system direct workers capabilities into more efficiency in their work in an attempt to achieve the institution's goals (Gana and Bababe, 2011).

Incentive refers to an inducement for a desired action (Hicks and Adams, 2003). Palmer (2012) also defines incentives as the external temptations and encouraging factors that lead the individual to work harder; they are given due to the individual's excellent performance since he/she will work harder and produce more effectively when he/she feels satisfied in the institution.

Incentives is a force that cause employees to behave in certain ways and on any given day, they may choose to work as hard as possible at a job, to work just hard enough to avoid a reprimand, or to do as little as possible (Griffin, 2002) as cited in (Olubusay, Stephen., Maxwell, 2014). Similarly (Nyakundi, et.al) explains incentive as something that intends to ignite one and or calls

for greater effort to act in a given manner. Incentives are used by organizations in order to reach certain goals, encourage a certain behavior and team-spirit for collective awards. Incentive systems are not universally applicable, but are likely to play a role in enhancing individual effort or performance where the conditions and the scheme designed are right (Manjunath and Rajesh, 2012).

Non-monetary or non-cash incentives do not involve direct payment of cash and they can be tangible or intangible. Non-monetary incentives are the tangible rewards, social practices or job related factors that are used in an organization to motivate employees without direct payment of cash (Yavuz, 2004).

According to Lesile and Lloyd (1992) employee performance is the degree of accomplishment of the tasks that make up an employee job and it reflects on how well an employee is fulfilling the requirements of a job. Armstrong (2010), also defined employee performance as it refers to the outcome, accomplishment of work as well as the results achieve. Armstrong Continues to indicate that performance has to be managed by taking systematic action to improve organizational, team and individual performance; where individual performance management process is associated with both financial and non-financial incentives. He concludes that Organizations are obliged to meet the needs of their stakeholders, in this case employees, by rewarding their employee equitably according to their contribution.

Aktar et al. (2012) contend that non-monetary incentives have been found to be an effective tool in motivating workers and consequently increase their performance. Adeb (2013) also concludes in his research that non-monetary incentives positively influence employee's job performance.

The introduction of telecommunications services in Ethiopia dates back to 1894, seventeen years after the invention of telephone technology in the world. It was Minilik II, the King of Ethiopia, who introduced telephone technology to the country around 1894, with the installation of 477 km long telephone and telegram lines from Harar to Addis Ababa (The capital city of Ethiopia). However the first Ethiopian pioneer of telephony was his cousin Ras Mekonnen who came back with telephone apparatus in 1889 after his visit of Italy. Gradually, the technological scheme was

proved to contribute to the integration of the Ethiopian society when the extensive open wire line system was laid out linking the Ethiopian capital city with all the important administrative towns of the country.

The company was placed under government control at the beginning of the twentieth century, and was later brought to operate under the auspices of the Ministry of Post and Communications. In 1952, telecommunications services were separated from the postal administration, and structured under the Ministry of Transport and Communications.

The Ethiopian government has decided to transform the telecommunication infrastructure and services to world class standard, considering them as a key lever in the development of Ethiopia. Thus, Ethio Telecom is born from this ambition in order to bring about a paradigm shift in the development of the telecom sector to support the steady growth of the country.

Successful companies can generally trace their success to motivated employees. The basic rule to create motivated workplace is to discover what employees want and create a way to give it to them or encourage them to earn it. Employees who have their motives met are happy employees and happy employees are productive. Therefore, the goal of motivation is to “create a working environment in which employees like working and in which employees work well, a working environment which helps to enrich the life of those who work” (Davidmann, 1989).

Motivational strategies “improve employee performance, reduce the chances of low employee morale, encourage teamwork and instill a positive attitude during challenging times. Employees with a high level of motivation typically work harder and can overcome common workplace challenges with ease; this helps the organization to reach its objectives and improve operations overall” (Yudhvir & Sunnita, 2012).

The major rationale of undertaking this study is that, non-financial incentives are very important issue that every organization look in to solutions and due attention. Thus, the study is important to see the effect of non-financial incentives on employees’ performance at ethio telecom.

## 1.2. Definition of Terms

- **Incentive:** the external temptations and encouraging factors that lead the individual to work harder (Palmer, 2012).
- **Non-financial incentive:** are the tangible rewards, social practices or job related factors that are used in an organization to motivate employees without direct payment of cash (Yavuz, 2004).
- **Performance:** the achievement of quantified objectives. But performance is a matter not only of what people achieve but how they achieve it (Armstrong, 2006).
- **Employees:** An individual who works part or full-time under a contract of employment, whether oral or written, express or implied, and has recognized rights and duties. Also called worker (Oxford English Dictionary).
- **Employee's performance:** the outcome or contribution of employees to make them attain organizational goals (Herbert, John & Lee, 2000).

## 1.3. Statement of the Problem

Employees are the major force behind an organizations success and they need to be motivated through means such as incentives. Well designed and implemented incentives can significantly enhance employee performance that is through improving their morale, provision of job security, motivation among others (Holtmann, 2004). The idea of incentives triggers much consideration especially from the beginning of looking for qualified employees who are able to effectively achieve the institutions goals. It is because incentives play a major role in the employee's productivity. The importance of incentives originates from the need for the employee to be recognized and appreciated for his/her efforts. The individuals own skills are not enough to let them work with high productivity unless there is an incentive system that encourages their internal motives and then leads very hardworking efforts (Locke and Braver, 2008).

Non-financial incentives are regarded as the most important tools to reward employees. Companies with excellent non-financial incentive plans can attract motivate and retain talented people Yavuz (2004). Non-financial incentives can have an even more substantial impact on employee satisfaction and performance than financial incentives. The absence of the suitable

non-financial incentives may negatively affect the hardworking employee's performance; it may also weaken their productivity at work which decreases the chances of attaining the promising goals of the institution. Employees listed work climate, career development, recognition and other non-financial issues as key reasons for leaving their jobs. Even financially well-compensated employees may leave their employing company if dissatisfied with the non financial incentive packages.

Currently Ethio telecom introduced major changes on the existing human resource that involve the introduction of new blood generation with a better educational qualification. However, introducing simply qualified employees is not the only way to increase revenues and to satisfy its customers. Employees of the company should perform to the best of their ability to maintain the continuity of the work in a powerful manner and help organizations to survive and broaden their skill to meet the organizational demands. For the fulfillment of the above performances the company needs to create and implement attractive non-financial incentive that lead to best performance of employees. But failure to create attractive non-financial incentives would adversely affect employees' performance as it might manifest in increase absenteeism, decrease productivity of the individual employees and the organization as a whole, decrease commitment of the employees, decrease creativity and innovation and increase error rate of the employees.

According to yearly GTP (Growth Transformation program) evaluation meeting held within the employee for the last three years, it is observed that top management of the company recommends different types of benefit packages such as salary increase and bonuses as a means to boost employee performance which might not work out always. It is the employee's non-financial incentives that have substantial impact on the level of motivation and subsequent performance. In favor of this, Maslow (1998) stated that, "many people are influenced more by non-financial incentives than financial considerations". Besides, the company tends to give more emphasis on increasing the number of its external customers than administering wide-range of non-financial benefits to its employees, who are its internal customers and capable of determining its success. Such little attention for employees leads to low organizational performance and competitiveness in terms of attracting competent personnel from the labor market. Besides these rewards are primarily unique to an organization and are less costly



alternative to financial incentives. Organizations face negative consequences when they ignore the importance of non-financial incentives on employee's retention (Hijazi, Anwar, & Mehbood, 2007). Therefore, based on this problem, the researcher has a feeling to examine the current practice pertaining to non-financial incentive administration and uncover the effect of non-financial incentive on the performance of employees' at Ethio Telecom.

#### **1.4. Basic Research Questions**

The study raised the following research questions:

- ✓ How do employees of Ethio Telecom rate the non-financial incentive packages offered to them?
- ✓ What is the relationship between non-financial incentives and employees' performance?
- ✓ To what extent non-financial incentives affect employee performance?

#### **1.5. Objective of the Study**

The general objective of this study is to investigate the effect of non-financial incentive on employees' performance at Ethio telecom.

Specific objectives:

- ✓ To assess the extent to which employees of Ethio Telecom rate the non-financial benefit packages offered to them.
- ✓ To investigate the relationship between non- financial incentives and employees' performance.
- ✓ To analyse the role of each non-financial incentives in determining employees' performance.

#### **1.6. Significance of the Study**

The findings of this research will become an additional asset to the contemporary body of knowledge and further research in the area of non-financial incentives.

Since the study seeks to examine the effect of non-financial incentives on employees' performance in the context of ET. It will have a practical significance to the case company's management as the study tries to address this in the company's context. It tries to evaluate the company's non-financial incentive implementation practice based on employees' response as well as on the basis of the literature, and this will be an important input to the company's management while setting strategies.

Furthermore; the conduct of this study will highly merit the researcher by creating a pleasing opportunity to explore the human resource management literature and integrate with practical knowledge. In addition, it will help those researchers with the same area of interest as a source of reference and will let them to think of the area in to different perspectives.

### **1.7. Scope of the Study**

The scope of this study is limited to Ethio Telecom employees of headquarters in Addis Ababa. And covered non-financial incentive factors such as Recognition, Promotion, Training, Performance feedback and Working condition, which is currently administered to employees.

### **1.8. Limitations of the Study**

As a matter of resource constraint, (Financial and time) the research is delimited to Ethio Telecom employees of headquarters found in Addis Ababa, had it been conducted across county level; the findings might have been different.

Even if the study examined and identified that respondents' educational level, division, and work experience are not independent of employees' performance, recognition, training, working condition, promotion and performance feedback, in the research the demographic variables were not analyzed in detail.

### **1.9. Organization of the Paper**

The paper consists of five chapters. The first chapter contains background of the study, statement of the problem, basic research questions, objective of the study, definition of terms, and significance of the study and delimitation/scope of the study and limitation of the study.

Chapter two continues with a literature review of non-financial incentive and employee performance and a conceptual framework. Chapter three offers a more detailed explanation of the research methods that is used in this thesis. Such as research design, sample size and sampling procedure, sources of data and data collection method and finally data analysis technique. In chapter four, the findings of the case study and interpretation of the finding is presented with answers to the research questions. Chapter five comprises four sections, which include summary of findings, conclusions, limitations of the study and recommendations. It concludes the major findings of the study and gives recommendations for actions as well as suggestions for future research.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

In this chapter relevant literatures will be discussed and the conceptual framework of the study will be presented. In the first section the definition of incentive, the importance of incentive, types of incentive, and definition of performance, employee performance, performance management, performance evaluation factors and finally objectives of performance evaluation are presented.

Under the second section, the conceptual framework which is developed based on the literature is described. It discusses how the model is formulated and the lists of hypothesis to test its applicability are also included.

#### **2.1. Theoretical Literature Review**

This section discusses the definition of Incentive, The importance of incentive, Types of incentive, and the definition of performance, employee performance, performance management performance evaluation factors and finally objectives of performance.

##### **2.1.1. Incentives**

According to Mohammed and Shabieb (2014) incentives are an external persuading factor that encourages the motive which positively directs the individual into working harder, matching the required performance in the institution, as to get the incentive.

Incentive refers to something that intends to ignite one and or calls for greater effort to act in a given manner (Atambo, 2013). He also defined incentives as both methods used by institutions to encourage employees to work with high spirits and as concrete and moral methods of satisfying the individuals' moral and material desires.

Palmer (2012) defines incentives as the external temptations and encouraging factors that lead the individual to work harder; they are given due to the individual's excellent performance since he will work harder and produce more effectively when he feels satisfied in the institution.

### **2.1.2. The Importance of Incentives**

According to Hicks and Adams (2003), incentives are mechanisms aimed at achieving a specific change in behavior. Organizations have resorted into the adoption of relevant and appropriate incentives in order to encourage employees to elicit their best skills while increasing their effort (Yap et al., 2009).

The importance of incentives originates from the need for the employee to be recognized and appreciated for his or her efforts. Actually, appreciating people for their efforts by giving them incentives is a very significant factor in satisfying the internal desires of an individual. The individuals' own skills are not enough to let them work with high productivity unless there is an incentive system that encourages their internal motives and then leads very hardworking efforts (Locke and Braver, 2008).

It is likely to say that successful organizations set an active incentive system capable of affecting the employees' performance in a way that pushes them into working harder and maintaining the goals of the institution. In addition, it is noticeable that motivating employees may help them to overcome a lot of their obstacles at work (Palmer, 2012).

### **2.1.3. Types of Incentives**

According to Yavuz (2004) incentives are divided into two categories: monetary incentives and non-monetary incentives. The non-monetary incentives further classified in to three: “Tangible Non-monetary Incentives”, “Social Non-monetary Incentives” and “Job Related Non-monetary Incentives.

Non-monetary incentives can take the form of improving working conditions, recognizing good work through verbal recognition or praise-informal recognition like a “thank you” note-letter of

commendation/appreciation, public recognition (in a meeting, newsletter, bulletin board, employee of the month award etc.), providing some services for the employees, organizing social activities in the work place, assigning challenging duties etc. Consequently, the use of non-monetary incentives may provide this variety to meet different individual needs and interests (Yavuz, 2004).

Second, some non-monetary incentives are related with the characteristics of the job such as encouraging the employees by providing them with autonomy in their job, assigning challenging duties, variety of tasks, giving more responsibility, growth opportunities such as training, promotion etc (Yavuz , 2004).

Third, non-monetary incentives contain elements from the work environment such as consideration of group interactions and leadership styles etc. providing feedback about performance, appreciating the good work, asking their ideas, greeting the employees are some of the non-monetary incentives that fall under the title of work environment characteristics affecting employee performance (Yavuz, 2004).

#### **2.1.4. The Meaning of Performance**

Bernardin *et al* (1995) believes that performance should be defined as the outcomes of work because they provide the strongest linkage to the strategic goals of the organization, customer satisfaction, and economic contributions.

Performance is often defined simply in output terms – the achievement of quantified the basis of performance management objectives. But performance is a matter not only of what people achieve but how they achieve it (Armstrong, 2006). Performance means both behaviors and results. Behaviors emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviors are also outcomes in their own right – the product of mental and physical effort applied to tasks – and can be judged apart from results (Brumbrach, 1988), cited in Armstrong (2006). For performance to be improved, it has to be measured (Armstrong, 1996).

All services and productive organizations interested in performance because it measures the efficiency and effectiveness of the organization as well as individuals and groups (Salah and Musa, 2015). Performance could be regarded as behavior – the way in which organizations, teams and individuals get work done (Campbell, 1990).

### **2.1.5. Employee's Performance**

According to Al-Rabayah (2003), employee's performance can be defined as doing different activities and duties that their work consists of. Campbell (1990) sees performance as behavior demonstrated or something done by the employee for organizational performance and is assessed through operational performance outcome, turnover, sales volume, income and declared shareholders dividend, and the quality as well as quantity of service. Employee performance refers to the outcome, accomplishment of work as well as the results achieved, which is linked to the strategic goals of the organization, customer satisfaction and economic contributions (Armstrong, 2010).

Employee performance is the fundamental element of any organization and the most important factor for the success of the organization and its performance. It is true that most of the organizations are dependent on its employees, but one or two employee cannot change the organization's future. The organization's performance is the shared and combined effort of all of its employees. Performance is the key multi character factor intended to attain outcomes which has a major connection with planned objectives of the organization Sabir (2012) as cited in Saddat. Kenney et al., (1992) stated that employee's performance is measured against the performance standards set by the organization. Good performance means how well employees performed on the assigned tasks.

Organizations need highly performance of its employees so that organization can meet their goals and can able to achieve the competitive advantage (Frese, 2002) as cited in (Iqbal, Ahmad, Haider, Batool, and Ain, 2013).

### **2.1.6. Performance Management**

According to Armstrong (2006) performance management can be defined as a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors and aims to provide the means through which better result can be obtained from the organization, teams and individuals by understanding and managing performance within agreed framework of planned goals, standards and competence requirement.

Performance management is a continuous process of identifying, measuring and developing the performance of individual and teams and aligning performance with the strategic goals of an organization. It involves a never- ending process of setting goals and objectives, observing performance, and giving and receiving ongoing coaching and feedback. Performance management requires that managers insure that employees' activities and output are congruent with the organizations' goals and, consequently, help the organization gain a competitive advantage. Performance management therefore, creates a direct link between employee performance and organizational goals and makes the employees' contribution to the organization explicit (Aguinis, 2009).

Managing human resource includes keeping track of how well employees are performing relative to objectives. The process of ensuring that employees' activities and outputs match the organizations goals called performance management. The activities of performance management include specifying the tasks and outcomes of job that contribute to the organization's success then various measures are used to compare the employees' performance over some time period with the desired performance (Steen, Neo, Hollenbeck and et al., 2009).



### **2.1.7. Performance Evaluation Factors:**

Employee performance indicators are those conditions that are put in place by organizations to determine how best employees are performing (Maxwell, 2011). Such indicators include Job knowledge, productivity and effectiveness, effectiveness of relationship, initiative, creativity, self-development, timeliness and problem solving.

**Job Knowledge:** how well the employee understands the methods and procedures required to perform their job, and its relationship to other jobs.

**Productivity and Effectiveness:** the quality of work produced, and the degree to which the employee achieved or exceeded the goals which were set for the review period, including organizational skills and judgment.

**Effectiveness of Relationships:** the effectiveness with which the employee conducts both internal and external work relationships, including teamwork, communication skills and the ability to adapt when flexibility is required.

**Initiative:** the degree to which the employee takes leadership in initiating productive work-related activities.

**Creativity/Originality:** the degree to which the employee demonstrates creativity and originality while performing their daily tasks.

**Service Orientation:** how effectively external customers and/or internal departments and Staffs are serviced.

**Self-Development:** the extent to which the employee makes a conscious effort to improve their job-related, knowledge, skills and/or capabilities.

**Timeliness:** How fast work is performed is another performance indicator that should be used with caution (Measures whether a unit of work was done correctly and on time.)

**Problem Solving:** The ability to analyze problematic situations, seeking relevant data diagnosing information in order to solve problems and generalizing alternative solutions to find the best solution.

### **2.1.8. Objectives of Performance Evaluation**

Evaluating performance can offer standard and scientific bases used to promote individuals such as giving incentives in order to increase the production and improve its quality. In addition to this, evaluating performance can also show the personal qualities of the employees that need training; also, such evaluation may suggest some steps to improve this performance (Al-Rabayah, 2003). According to Mohammed and Shabieb (2014) one of the most important evaluation systems is choosing qualified individuals whose abilities and qualifications suite the required work. Finally, performance evaluation program raises the morale of the employees by appreciating their efforts, which results in improving their salaries (Abbas and Hamadi, 2009).

### **2.1.9. Relationship between Non-Financial Incentives and Employee's Performance**

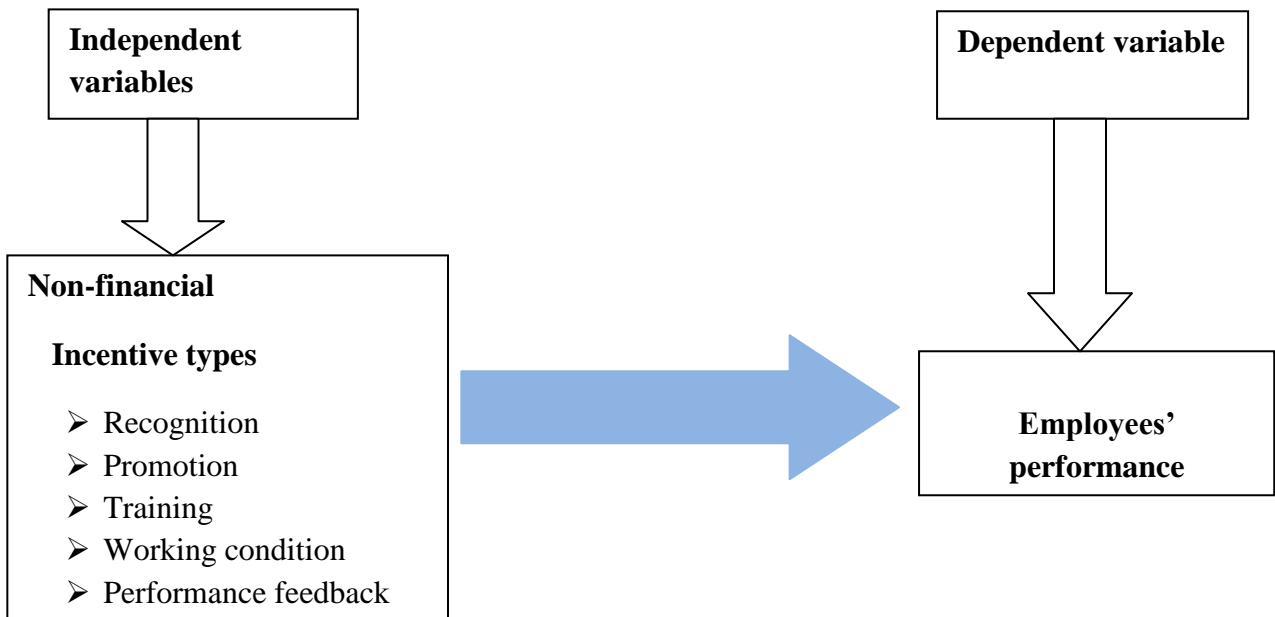
The effect of non-monetary incentives on employees' job performance has empirically been proven. Lewis (2013) suggests that praise and recognition are effective ways of motivating employee behavior in the organization as they are considered the most important rewards. Aktar et al. (2012) contend that non-monetary incentives which are represented by recognition, learning opportunities, challenging work and career advancement, have been found to be an effective tool in motivating workers and consequently increase their performance.

## 2.2. Conceptual Framework

Among the different non-financial incentive variables in the literature, this study uses the combination of the models constructed by (Adeeb, 2013) and (Olubusay, Stephen and Maxwell, 2014).

Except the two variables, free food and responsibility developed to consider non-financial variables to customize the model in the context of Ethio Telecom, all the other types of non-financial incentives (Recognition, Promotion, performance feedback, working condition and Training) is taken from (Adeeb,2013) and (Olubusay,Stephen,Maxwell,2014).

Subsequently, a conceptual framework is developed. The framework consisted of five independent variables (Recognition, Promotion, performance feedback, working condition and Training) and dependent variable (employees' performance). The following figure indicates the conceptual diagram of the research.



**Figure2.1. Hypothesized Determinants of non-financial incentives: a Conceptual Model**

Source: Adeeb (2003) & (Olubusay,Stephen, Maxwell,2014)

## **2.2.1. Conceptualized Determinants of Non-Financial Incentives**

### **A. Recognition**

Recognition refers to as "private or public praise, written notes of thanks, the use of recognition items or activities, etc., to thank, acknowledge or reinforce your employees for their performance or desired behavior when it occurs at work" (Hameed,2013).

Recognition is the most common and powerful tool that is being used in the organization to drive employee engagement (Sun, 2013). Sun (2013) further identifies three conditions that are necessary for the effective use of recognition tool. First, recognition should be used frequently; recognition needs to be provided every one week to employees so that they can feel valued. Second, recognition should be specific, and identifying what is recognized makes it meaningful and critical. Third, rewards should take place shortly after the employee action that deserves recognition occurs as cited in (Adeeb, 2013).

Deeprise (1994) argues that effective use of recognition results in improved performance of employees. Employees take recognition as part of their feelings of value and appreciation and as a result it increases employees' morale, which eventually increases efficiency of employees. It is for that reason, Danish and Usman (2010) affirm that when rewards and recognition are properly implemented, a good working atmosphere is provided that motivates employees to achieve high performance as cited in (Adeeb, 2013). Based on this literature, the following hypothesis is drawn for testing.

***H1. Recognition has positive effect on employees' performance.***

### **B. Promotion**

According to Pigors and Myers as cited by Murugesan (2012) "promotion is an advancement of an employee to a better job better in terms of greater responsibility, more prestige or status, greater skill". Monappan and Saiyadain also defined promotion as, "the upward reassignment of an individual in an organizations hierarchy, accompanied by increased responsibilities, enhanced status and usually with increased income though not always so" as cited by Murugesan (2012).

Promotion is the reassignment of a higher level job to an internal employee (which is supposed to be assigned exclusively to internal employees) with delegation of responsibilities and authority required to perform that higher level job and normally with higher pay (Murugesan, 2012).

Promotion in terms of a career, a promotion refers to the advancement of an employee's rank or position in a hierarchical structure. Job promotions usually include a new job title, a greater number of responsibilities and a pay increase (Mustapha and cha, 2013).

Promotion incentive could inspire workers, especially who has abilities try their best to develop their knowledge and skills, to contribute more for their organization, and as a result this incentive benefits both employees and the organization. Normally, people consider promotions as good opportunities for themselves which could give them more benefits. By getting to higher positions they could have more chances to express and develop their capability which will in turn to give them more motivation to perform better (Mary, 2010). Based on this literature, the following hypothesis is drawn for testing.

***H2.Promotion has positive effect on employees' performance.***

### **C. Training**

Training - the planned and systematic modification of behavior through learning events, programs and instruction, which enable individuals to achieve the levels of knowledge, skill and competence needed to carry out their work effectively (Armstrong, 2006).

Training is an essential activity for the management of human resources in any organization, training can be defined as the process through which change of behaviors, knowledge and motivation of employees can be achieved in order to improve the compatibility between the characteristics and capabilities of the employee and the job requirements (Dora and Sabag, 2008).

According to Murugesan (2012) training is an organized process for increasing the knowledge and skill of people for doing a particular job. It is a learning process involving the acquisition of skills and attitude. The main purpose of the training is to improve the current performance level of the employees in an organization. It includes the learning of such techniques as are required for the better performance of defined tasks.

In the development of organizations, training plays a vital role, improving performance as well as increasing productivity, and eventually putting companies in the best position to face competition and stay at the top. This means that there is a significant difference between the organizations that train their employees and organizations that do not (Sultana, 2012).

There exists a positive association between training and employee performance. Training generates benefits for the employee as well as for the organization by positively influencing employee performance through the development of employee knowledge, skills, ability, competencies and behavior (Benedicta and Appiah, 2010). Based on this literature; the following hypothesis is drawn for testing.

***H3. Training has positive effect on employees' performance.***

#### **D. Working condition**

According to Bezuidenhout (1994), working conditions refers to “the interaction of an employee with the physical work environment”. Working conditions include physical conditions such as working tools, equipment, materials, and schedules. Psychological conditions include work pressure and stress, and physical layout refers to a clean and comfortable environment.

Working conditions are created by the interaction of employee with their organizational climate, and includes psychological as well as physical working conditions. Therefore, the researcher adopted the definition of working conditions as follows: “Working conditions refer to the working environment and aspects of an employee’s terms and conditions of Employment” (Gerber et al, 1998).

According to (Bacotic and Babic, 2013) the conditions under which a job is performed can be different - from those completely comfortable to those very difficult and dangerous to employees' life and health. Difficult working conditions can be influenced by: (1) external factors that include climate - meteorological conditions, temperature, humidity, drafts, lighting in the workplace, noise and interference, gases, radiation, dust, smoke and other harmful factors; (2) subjective factors that include fatigue, monotony, etc.; (3) factors related to the organization of production such as duration of the work shift, work schedule, working time, work pace, excessive strain etc.

Difficult working conditions influence employees' performances. It is therefore necessary to take measures to eliminate uncomfortable working conditions or, if not possible, to take appropriate safety measures. Safety at work is carried out to ensure working conditions without danger to life or health, or, to avoid accidents, injuries, occupational diseases and, or at least mitigate their consequences (Bacotic and Babic, 2013). Based on this literature, the following hypothesis is drawn for testing.

***H4. Working condition has positive effect on employees' performance.***

## **E. Performance Feedback**

According to Hackman and Oldham (1980) performance feedback is the degree to which the individuals are provided direct and clear information about the effectiveness of their performance.

Feedback is defined as a management process for the acquisition of knowledge as to what degree of efficiency and productivity it has brought to the work related activities of the employee and what sort of results these activities have yielded (kaymaz, 2011).

Providing employees with feedback on performance can, according to Payne and Hauty (1955), serve the following two functions: (a) It can act as a directive to keep goal directed behavior on course; and (b) it can act as an incentive to stimulate greater effort among workers.

Effective feedback is critical to the success of each employee, team and company. It motivates employees to improve their job performance by enhancing ability, encouraging effort, and acknowledging results. If included in a managerial strategy and given consistently, effective feedback can reduce employee mistakes, enhance performance and increase efficiency within the workplace. It is therefore critical that managers seeking to increase productivity and reduce costs provide effective feedback to their employees. In order to be effective, feedback must be continual and should be part of a managerial strategy that includes goal setting and adequate rewards for performance: <http://blog.talkdesk.com>. On the basis of this logic the following hypothesis is drawn for testing:

***H5. Performance feedback has positive effect on employees' performance.***



## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

This chapter presents more concisely the research design and methods employed to conduct the research endeavor. It focuses on the areas such as the type of research, target population, sample size, sampling technique, sources of data, and instruments of data collection, procedures of data collection and method of data analysis.

#### **3.1. Research Design**

According to Bhattacharjee (2012), research design basically is a comprehensive plan for data collection, measurement and analysis in an empirical research project. It is a “blueprint” for empirical research aimed at answering specific research questions or testing specific hypotheses.

This research, entitled as the effects of non-financial incentives on employees performance: Empirical study of ethio telecom is categorized as explanatory type because of the fact that it attempts to identify causal factors and outcome of the target phenomenon. With this regard, to what extent a change in the five components of non-financial incentives as independent variables explains employees’ performance as dependent variable is the focus of this study.

Quantitative approach employed through the use of survey method in order to gather reliable and objective data. As Creswell (2009) pointed, quantitative design is a means for testing objective theories by examining the relationship among variables. These variables in turn can be measured typically on instruments, so that numbered data can be analyzed using statistical procedures.

Therefore, quantitatively this study used, structured survey questionnaire to collect objective data using Likert scales with five anchors ranging from ‘strongly disagree’ to ‘strongly agree’ and analyzed through descriptive and inferential statistics.

### 3.2. Sample Size and Sampling Technique

The target of this research is Ethio Telecom employees of headquarters accounted totally 5224 as of January 2015 in Addis Ababa according to Human Resource Department data of the company. Out of which 39 are non-professionals and the researcher believes these employees should not be included in the sample because their most educational background is less and they can't understand the questionnaire. A sample of 371 (using the below formula) respondents drawn from the total population (5185) using stratified random sampling technique. The rationale of administering this technique is because according to Kothari (2004), if population from which a sample is to be drawn does not constitute a homogeneous group, stratified sampling technique is generally applied in order to obtain a representative sample. ET has divided into different zonal and regional offices which are based on geographic area, but the researcher gave credit to divisions for a means to reach and decide the population and the sample size. This is because the researcher believed that employees with in different fields of divisions may have different perception about the effect of non-financial incentives on employees' performance. With this regard, the population of this research has classified by division (strata) in to 16 dissimilar segments such as CS division, Enterprise division, Finance division, HR division, IS division, IA division, Legal division, M&C division, Network division, Operations division, PMO division, Q&P division, RMS division, RS division, S&F division and TEP division.

There are several approaches to determine the sample size. These include using a census for small populations, imitating a sample size of similar studies, using published tables and applying formulas to calculate a sample size. Among all these alternatives, this study preferred the formula derived by Yamane (1967) because the population under the study is finite and it involves proportionate sampling through stratified random sampling. If the items selected from each stratum is based on simple random sampling the entire procedure, first stratification and then simple random sampling, is known as stratified random sampling (Kothari, 2004).

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

Where  $n$  = sample size,  $N$ = population size,  $e$ = level of precision given that 95% confidence level and  $P = \pm 5\%$  are assumed. Proportionate sample is drawn from the sixteen heterogeneous strata based on their percentage share from total population.

**Table 3.1: Sample size among each stratum**

NO.	Stratum	Total population	Percentage share	Sample size
1	CS	2151	41.5	154
2	Enterprise	159	3.1	11
3	Finance	136	2.6	10
4	HR	98	1.9	7
5	IS	263	5	19
6	IA	70	1.4	5
7	Legal	41	0.8	3
8	M&C	71	1.4	5
9	Network	1122	21.6	80
10	Operations	45	0.9	3
11	PMO	43	0.8	3
12	Q&P	56	1.1	4
13	RMS	64	1.2	5
14	RS	77	1.5	6
15	S&F	730	14.1	52
16	TEP	59	1.1	4
TOTAL		5185	100	371

As shown in the above table, the researcher has distributed 371 close ended questionnaires to the sixteen strata based on their percentage share of the total population. Out of the 371 distributed questionnaires, 330 were collected but 30 responses were discarded as useless due to invalid entries or too much missing values. Therefore, after screening, 300 questionnaires were found to be valid for further analysis. Consequently the survey has got an overall response rate of 81%.

### **3.3. Source of Data**

For the realization of this research objective, the researcher gathered quantitative data through the enquiry of both primary and secondary sources. The primary data is gathered using questionnaire from employees. Questionnaire are selected because, firstly, it is economical in terms of researcher time, effort and cost than most other methods. Secondly, it is found to be more appropriate to gather the feelings and responses of respondents. It keeps away from interviewer bias, guiding and cues that can impact the legitimacy and reliability of the data collection. Thirdly, it is through questionnaires that standardized responses are gathered (Bhattacharjee, 2012). Whereas, secondary data on the other hand was accessed from books, journal articles, published and unpublished dissertation papers of the graduate's through literature reviewing.

### **3.4. Data Collection Method**

The questionnaire contained two parts. The first part is designed to collect respondent's background information. It includes questions about their education which may have an effect on their understanding of non-financial incentives, about their service year that helps to capture their experiences in the working area and information about age and gender are also included.

The second part is the structured questions designed to measure each factors and the dependent variable. The structured questionnaire items were adopted and developed from (Mohammed & Shabieb, 2014), (Luthans,2000), (Bakotic & Batic, 2013), (Adeeb, 2013), (Olubusay, Stephen, Maxwell, 2014) and (Yavuz, 2004) these items were designed to explain each of the independent variables (Recognition, Promotion, Training, Performance feedback, working condition) and the dependent variable (Employees' performance). Except the items for the dependent variable, which were totally adopted from (Maxwell, 2011) all other items of the independent variables were developed based on the definitions and explanations given by the different researchers.

Totally 51 items were developed to describe both the independent and dependent variables with Five-point Likert scale (1= strongly disagree to 5= strongly agree) to prove each hypotheses. With this, the first three research questions were addressed.

### **3.5. Procedures of Data Collection**

After the adaption and customization of the instruments is done, all questionnaire items were prepared in English language. After it is commented by the advisor the final version is distributed for pre-testing purpose.

#### **3.5.1. Pilot-testing**

It is always desirable to pilot-test the data collection instruments before they are finally used for the study purposes at least using a convenience sample (Kothari, 2004). Such pre-testing may uncover ambiguity, lack of clarity or biases in question wording which should be eliminated before administering to the intended sample eventually to get high response rate (Bhattacharjee, 2012). To assure this rule, the researcher has distributed 10 questionnaires for conveniently selected respondents. Sekaran (2003) believed that pilot testing involves the use of a small number of respondents to test the appropriateness and comprehensiveness of questions. Thus, in the pilot-test, pilot respondents were asked to comment on substance of questions against objectives of the study, length of the instrument, format, wording, item redundancy and word sequencing.

Among 10 pilot-testing questionnaires, 8 of them (80%) were returned with relevant comments. Thus, based on which the questionnaire was significantly revised by the researcher on the aspects of wording and content of items. Once the revision is completed, it is distributed to the intended respondent for final data collection.

#### **3.5.2. Reliability analysis**

Reliability is the degree to which the measure of a construct is consistent or dependable. In other words, if we use a certain scale to measure the same construct multiple times, we will get pretty much the same result every time, assuming the underlying phenomenon is not changing (Bhattacharjee, 2012).

This research has administered the most commonly used internal consistency reliability measure of Cronbach's alpha which was originally designed by Lee Cronbach in 1951. According to

Sekaran (2003), reliabilities less than 0.6 are considered to be poor, those in the 0.7 range to be acceptable and those over 0.8 are good. The reliability coefficient closer to 1 is better. Therefore, cronbach's alpha coefficient of the pilot study is calculated as 0.91 and for the final survey it is 0.871 overall. The scale consistency of the independent variables-recognition, promotion, training, performance feedback and working condition are 0.802, 0.629, 0.832, 0.721, and 0.693 respectively for the dependent variable of employees' performance 0.817.

**Table 3.2: Cronbach's Alpha Coefficient Summary among items of Questionnaire**

<b>Measurement items</b>	<b>No. of items</b>	<b>Reliability</b>	<b>Results</b>
Recognition	7	0.802	Good
Promotion	5	0.629	Acceptable
Training	10	0.832	Good
Performance feedback	7	0.721	Acceptable
Working condition	9	0.693	Acceptable
Employees' performance	13	0.817	Good
<b>Overall Scale Reliability</b>	51	0.871	Good

Source: survey questionnaire, 2015

### **3.5.3. Validity analysis**

Validity, often called construct validity, refers to the extent to which a measure adequately represents the underlying construct that it is supposed to measure. For instance, is a measure of compassion really measuring compassion, and not measuring a different construct such as empathy? (Bhattacharjee, 2012).

So as to make sure that the questionnaire items of this research truly measures non- financial incentives and not of any other construct, firstly it is adopted partially from previous studies and partially based on definitions given by the different researchers listed above, secondly pilot-test was made for any error, finally, it was validated by the research advisor.

### 3.6. Model Specification

Multiple linear regression models are understandably the most valuable and widely used multivariate statistical techniques in most linkage studies that involve ratio/interval variables. The model uses two or more independent variables to predict the value of one dependent variable. The model is chosen to be used in this study owing to its appropriateness to analyze the causal relationship between dependent and independent variables. The model can be specified as:

**Model (1)**  $y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \dots + \beta_kx_k + \varepsilon$ .....first order linear model

**Model (2)**  $y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_{12}x_1x_2 + \beta_{11}x_1^2 + \beta_{22}x_2^2 + \varepsilon$ .....second order linear model

The multiple linear regression models have two orders. However, because of its simplicity and aptness with the empirical data that will be collected, the study will opt to use the first order model. Where:

Y = the dependent variable

$\beta_0$ = the constant term/intercept

$x_1 x_2 \dots x_k$  = the independent variables

$\beta_1 \beta_2 \dots \beta_k$  = the slope coefficient of continuous variable

$\varepsilon$  = Random error/ residual term

### 3.7. Data Analysis Technique

The quantitative data collected using the structured questionnaire were analyzed using different statistical tools in line with the research objectives with the aid of the Statistical Package for the Social Science Software (SPSS version 20).

In accordance with the type of data collected and the objectives set out, the data were analyzed using descriptive statistics such as frequency and percentage, mean, skewness, kurtosis are used

to describe the demographic information, to explain the importance of each dimension as rated by the respondents, to check normal distribution respectively.

Inferential statistics were also used to test the hypothesis and to answer the research questions raised, such as to measure associations between the dependent and the independent variables and the effect of independent variables on the dependent variable. Correlation also used to explore the association of independent variables (promotion, recognition, Training, working condition, and performance feedback) with the dependent variable (employees' performance). By this, the second research question addressed. Multiple linear regressions used to analyze the effect of each factor on employees' performance. With this the hypothesis were tested and thus, the third research question addressed.



## CHAPTER FOUR

### RESULTS AND DISCUSSION

This chapter tries to analyze and discuss the data collected using the appropriate statistical techniques mentioned in chapter three. It addresses the research questions raised in the first chapter and tests the hypotheses postulated based on the literatures in chapter two. The first part of this chapter reports the demographic characteristics of the respondents. The second part is the main part of the chapter that analyzes the data collected using the structured questions.

#### 4.1. Respondent's Characteristics

This section summarizes the demographic characteristics of the respondents such as gender, age, education, experience, and division.

To begin with the respondent's gender, the majority (62.7 percent) of the respondents are male followed by female (37.3 percent).

**Table 4.1: Respondents' Gender**

<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>
Female	109	37.3
Male	183	62.7
Total	292	100

Source: survey questionnaire, 2015

When we see the age of the respondents, (62.7 percent) of them are from 26-30, followed by (26 percent) from the age of 18-25. Respondents, from 31-35 and over 46 are (4.8 percent) and (3.4 percent) respectively. While the smallest group was those aged from 36-45 was (3.1percent).

**Table 4.2: Respondents' Age**

<b>Age</b>	<b>Frequency</b>	<b>percent</b>
18-25	76	26.0
26-30	183	62.7
31-35	14	4.8
36-45	9	3.1
Over 46	10	3.4
<b>Total</b>	<b>292</b>	<b>100</b>

Source: survey questionnaire, 2015

Regarding to respondents educational level the majority (77 percent) of the respondents are first degree holders followed by master holders (15.1 percent) and lastly the smallest group was diploma (7.9 percent) holders.

**Table 4.3: Respondents' Education Levels**

<b>Educational Levels</b>	<b>Frequency</b>	<b>percent</b>
Diploma	23	7.9
Degree	225	77.0
Masters & above	44	15.1
<b>Total</b>	<b>292</b>	<b>100</b>

Source: survey questionnaire, 2015

With respect to work experience, above half (57.9 percent) of the respondents have been working in the company from 6-10 years, followed by beginners (26.7 percent ) that is from 1-5 years the remaining (15.4 percent ) are 11 and above years.

**Table 4.4: Respondents' Work Experience**

<b>Work experience</b>	<b>Frequency</b>	<b>percent</b>
1-5 years	78	26.7
6-10years	169	57.9
11 & above years	45	15.4
Total	292	100

Source: survey questionnaire, 2015

When we see the respondent's distribution across the division the majority (40.4 percent) are from the CS followed by Network (18.8 percent) then S&F (14.0 percent), IS (5.5 percent), Enterprise (3.8 percent), Finance (3.4 percent), HR and TEP have equal proportion of (2.1 percent) followed by RMS (1.7 percent). M&C, IA, Q&P have equal proportion of (1.4 percent each), followed by RS, Operations, PMO, and Legal with equal proportion of (1.0 percent).

**Table 4.5: Respondents' Division**

<b>Division</b>	<b>Frequency</b>	<b>percent</b>
CS	118	40.4
Enterprise	11	3.8
Finance	10	3.4
HR	6	2.1
IS	16	5.5
IA	4	1.4
Legal	3	1.0
M&C	4	1.4
Network	55	18.8
Operations	3	1.0
PMO	3	1.0

Q&P	4	1.4
RMS	5	1.7
RS	3	1.0
S&F	41	14.0
TEP	6	2.1
<b>Total</b>	292	100

Source: survey questionnaire, 2015

## 4.2. Descriptive Analysis

The measuring instrument used to calculate recognition, promotion, training, performance feedback and working condition factors as well as the level of employees' performance are scaled from 1 to 5. 1=strongly disagree, 2= disagree, 3= neutral, 4=agree and 5=strongly agree. Then each factor takes its average for the questions under it with no decimal point. In order to elaborate the narrative results, the researcher used criterion-referenced definitions for rating scales to describe the collected data.

**Table 4.6: Criterion –Referenced Definitions**

Mean rating	Degree of agreement	Description
1.00 to 1.49	Strongly disagree	Very low
1.50 to 2.49	Disagree	low
2.50 to 3.49	Neutral	medium
3.50 to 4.49	Agree	high
4.50 to 5.00	Strongly agree	Very high

The value "3" means "neither agree nor disagree" while value "4" means "agree". Hence, if value three (3) is obtained as any of the subsequent measurement, it means that level is neither high nor low, or in other words it's in "average or medium level". If a value of four (4) is obtained, it means a "high" level. Similarly value one (1) and five (5) mean "very low" level and "very high" level respectively while value two (2) mean "low" level. Based on the above

table in the following sections the researcher elaborated on the results of the descriptive statistics of each construct by also providing criterion-referenced definitions of each construct according to table 4.6.

The mean summary of independent and dependent variables is shown in table 4.7 below. The average mean of the respondents from PMO, RS, Operations, Enterprise, RMS, Q&P, TEP, S&F, M&C, Finance, IA, Legal, IS, and HR are 3.38, 3.38, 3.33, 3.30, 3.14, 3.11, 3.07, 2.93, 2.89, 2.84, 2.79, 2.67, 2.64, and 2.57 respectively towards ‘recognition’. According to the earlier illustrated criterion-referenced definitions (Table 4.6), all mean of these divisions considered as medium, though the response for the individual question ranges from strongly disagree to strongly agree or very low to very high.

Respondents from Network and CS have mean of 2.40 and 2.33 which are considered as low. Totally, the cumulative mean for recognition is 2.59, medium. This implies that employees are moderately happy with the recognition schemes of Ethio Telecom. The same interpretation will apply for the other variables. (See also table 4.6)

**Table 4.7: Means of Employees’ Performance and Non-Financial Incentive Types**

Respondent's division	Recognition	Promotion	Training	Performance feedback	Working condition	Employees’ performance
CS	2.33	3.24	3.21	3.24	3.30	3.51
Enterprise	3.30	3.51	3.10	3.48	3.63	4.06
Finance	2.84	3.08	2.68	3.03	3.53	3.56
HR	2.57	3.90	3.75	3.21	3.70	3.97
IS	2.64	2.96	2.96	3.00	2.85	3.17
IA	2.79	3.15	3.00	3.29	3.00	3.50
Legal	2.67	3.67	3.23	3.71	3.33	3.56
M&C	2.89	3.15	3.18	3.36	3.86	3.96
Network	2.40	2.85	2.57	2.75	2.93	3.23
Operations	3.33	3.27	3.10	3.52	3.52	3.56
PMO	3.38	2.60	3.03	3.29	3.41	3.44
Q&P	3.11	3.15	2.95	3.39	3.33	3.62
RMS	3.14	3.56	3.38	3.20	3.31	3.72
RS	3.38	3.87	4.07	3.86	3.52	4.13
S&F	2.93	2.86	3.23	3.34	3.31	3.59

<b>TEP</b>	3.07	3.50	3.57	3.38	3.59	3.87
<b>Total</b>	2.59	3.13	3.08	3.17	3.25	3.48

Source: Survey questionnaire, 2015

While, the mean for promotion was also considered as high according to the earlier illustrated criterion-referenced definitions (Table 4.6) by the respondents of HR, RS, Legal, RMS, Enterprise and TEP with the mean score of 3.90, 3.87, 3.67, 3.56, 3.51 and 3.50 respectively. Operations (3.27), M&C (3.15), IA (3.15), Q&P (3.15), Finance (3.08), IS (2.96), S&F (2.86), Network (2.85) and PMO (2.60) are considered medium. Totally, respondents from all divisions have a cumulative mean score of 3.13. This represents the respondents level of agreement is neutral, this implies employees are moderately satisfied with the promotion opportunity in the company.

Training was found high by the respondents of RS, HR, and TEP with the mean score of 4.07, 3.75 and 3.57. While, it is finding at medium by the respondents from RMS, Legal, S&F, CS, M&C, Operations, Enterprise, PMO, IA, IS, Q&P, Finance, and Network with the mean score of 3.38, 3.23, 3.21, 3.18, 3.10, 3.10, 3.03, 3.00, 2.96, 2.95, 2.68, and 2.57 respectively. The cumulative mean score of this factor is 3.08, this represents the respondents are at neutral level of agreement, which means the training that the company offer is moderately acceptable by the employees.

Performance feedback was rated at medium level by the respondents from RS, Legal, Operations, Enterprise, Q&P, TEP, M&C, S&F, PMO, IA, CS, HR, RMS, and IS with the mean score of 3.86, 3.71, 3.52, 3.48, 3.39, 3.38, 3.36, 3.34, 3.29, 3.29, 3.24, 3.21, 3.20 and 3.00 respectively. The cumulative mean score of this factor is 3.17 i.e. neutral level of agreement, which implies that the performance feedbacks from the superiors to their subordinates are moderately acceptable.

Respondents from M&C, HR, Enterprise, TEP, Finance, RS and Operation are considered at high level with the mean score of 3.86, 3.70, 3.63, 3.59, 3.53, 3.52, and 3.52 respectively for the variable of working condition. For this factor, Respondents from PMO (3.41), Legal (3.33), Q&P

(3.33), S&F (3.31), RMS (3.31), CS (3.30), IA (3.00), Network (2.93) and IS (2.85) are at medium level. The cumulative mean score of this variable is 3.25 i.e. neutral level of agreement; this implies the employees are moderately attracted by the working condition of the company.

When we see the respondent's mean on the dependent variable- Employees' performance: almost all divisions are considered as high being mean of RS and IA as the highest and lowest means within the high range respectively. In a decreasing order higher means are scored by respondents from RS (4.13), Enterprise (4.06), HR (3.97), M&C (3.96), TEP (3.87), RMS (3.72), Q&P (3.62), S&F (3.59), Finance (3.56), Legal (3.56), Operations (3.56), and IA (3.50), means it considered as high. Whereas, respondents from PMO (3.44), Network (3.23), and IS (3.17) are at medium level. The cumulative score of the dependent variable is 3.48 i.e. neutral level of agreement, which implies that the employees' performance is moderately satisfactory.

### **4.3. Inferential Analysis**

Inferential statistics are the statistical procedures that are used to reach conclusions about associations between variables. They differ from descriptive statistics in that they are explicitly designed to test hypotheses. As far as one of the objectives of the research is to explore whether the five variables of non-financial incentives namely recognition, promotion, training, performance feedback and working condition have significant effect on employees' performance in the case of Ethio Telecom, the researcher undertook hypothesis testing using correlation and regression analysis to draw conclusion in the area.

#### **4.3.1. Correlation Analysis**

According to Marczyk, DeMatteo and Festinger (2005), correlations are perhaps the most basic and most useful measure of association between two or more variables expressed in a single number called a correlation coefficient ( $r$ ). Correlations provide information about the direction of the relationship (either positive or negative) and the intensity of the relationship ( $-1.0$  to  $+1.0$ ). In general, one of the most common correlation coefficients is called Pearson  $r$ . It's also referred

to as the Pearson product moment correlation. Cohen (1998) suggests the following guidelines on the strengths of the relationship of variables:-

Small ( $r = .10$  to  $.29$ ),

Medium ( $r = .30$  to  $.49$ ),

Large ( $r = .50$  to  $1.0$ )

The following correlation tests are made to assure whether there exist a relationship between independent and dependent variable.

### Recognition

**Table 4.8: Correlations between Recognition and Employees' performance**

<b>Pearson Correlation</b>	Recognition	Employees' Performance
Recognition	1	.492 <sup>**</sup>
Employees' Performance	.492 <sup>**</sup>	1
**. Correlation is significant at the 0.01 level (2-tailed).		

Source: survey questionnaire, 2015

Correlation result in the table 4.8 revealed that recognition has a moderately significant positive effect on employees' performance ( $r = 0.492$  at a significance level of 0.01).

### Promotion

**Table 4.9: Correlations between Promotion and Employees' performance**

<b>Pearson Correlation</b>	Promotion	Employees' Performance
Promotion	1	.555 <sup>**</sup>
Employees' Performance	.555 <sup>**</sup>	1
**. Correlation is significant at the 0.01 level (2-tailed).		

Source: survey questionnaire, 2015



The table above shows that correlation coefficient between promotion and employees' performance is 0.555 at a significance level of 0.01. Therefore, one can conclude that promotion has large significant positive relationship with employees' performance.

### Training

**Table 4.10: Correlations between Training and Employees' performance**

<b>Pearson Correlation</b>	Training	Employee Performance
Training	1	.657**
Employees' Performance	.657**	1
**. Correlation is significant at the 0.01 level (2-tailed).		

Source: survey questionnaire, 2015

Correlation result in the table 4.10 revealed that training has a large significant positive effect on Employees' performance ( $r= 0.657$  at a significance level of 0.01).

### Performance Feedback

**Table 4.11: Correlations between Performance Feedback and Employees' performance**

<b>Pearson Correlation</b>	Performance Feedback	Employee Performance
Performance Feedback	1	.655**
Employees' Performance	.655**	1
**. Correlation is significant at the 0.01 level (2-tailed).		

Source: survey questionnaire, 2015

The table above shows that correlation coefficient between performance feedback and Employees' performance is 0.655 at a significance level of 0.01. Therefore, one can conclude that performance feedback has large significant positive effect on employees' performance.

## Working Condition

**Table 4.12: Correlations between Working Condition and Employees' performance**

<b>Pearson Correlation</b>	Working condition	Employee Performance
Working Condition	1	.706**
Employees Performance	.706**	1
**. Correlation is significant at the 0.01 level (2-tailed).		

Source: survey questionnaire, 2015

Regarding the association between working condition and employees' performance Pearson correlation reported that the relation is 0.706 at a significance level of 0.01. Hence, it is possible to decide that working condition has large significant positive relationship with the employees' performance.

## Inter Component Correlation

**Table 4.13: Correlation among the Five Independent Variables**

<b>Pearson correlation</b>	Recognition	Promotion	Training	Performance feedback	Working condition
Recognition	1	.290**	.354**	.471**	.399**
Promotion	.290**	1	.502**	.529**	.596**
Training	.354**	.502**	1	.682**	.666**
Performance feedback	.471**	.529**	.682**	1	.642**
Working condition	.399**	.596**	.666**	.642**	1
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: survey questionnaire, 2015

Furthermore, the association among five independent variables (recognition, promotion, training, performance feedback and working condition) was tested and found to be from small to large

significant and all independent variables were positively related to each other at significant level of 0.01 as presented in table 4.13.

### Chi- Square Tests:

Chi-square is a statistical test that tests for the existence of a relationship between two categorical variables.

**Table 4.14: Chi- Square Tests**

	Employees' performance* Division			Recognition* Educational level			Recognition* Work experience			Recognition* Division		
	Value	Df	Asymp . Sig. (2- sided)	Value	df	Asymp . Sig. (2- sided)	Value	df	Asymp . Sig. (2- sided)	Value	df	Asymp . Sig. (2- sided)
Pearson Chi-Square	701.78	480	.000	114.94	34	.000	52.72	34	.021	678.51	255	.000
Likelihood Ratio	347.37	480	1.000	126.28	34	.000	57.57	34	.007	452.70	255	.000
N of Valid Cases	292			292			292			292		
	Training* Division			Working condition* Educational level			Working condition* Division			Promotion* Educational level		
	Value	Df	Asymp . Sig. (2- sided)	Value	df	Asymp . Sig. (2- sided)	Value	df	Asymp . Sig. (2- sided)	Value	df	Asymp . Sig. (2- sided)
Pearson Chi-Square	809.91	435	.000	69.60	42	.005	829.91	315	.000	48.95	34	.047
Likelihood Ratio	456.14	435	.233	80.98	42	.000	527.99	315	.000	53.89	34	.016
N of Valid Cases	292			292			292			292		
	Promotion* Division			Performance feedback* Division								
	Value	Df	Asymp . Sig. (2- sided)	Value	df	Asymp . Sig. (2- sided)						
Pearson Chi-Square	456.35	255	.000	381.62	315	.006						
Likelihood Ratio	297.59	255	.034	278.01	315	.934						
N of Valid Cases	292			292								

Source: survey questionnaire, 2015

The Chi- Square tests for Employees' performance\*Division, Recognition\*Educational level, Recognition\*Work experience, Recognition\*Division, Training\*Division, Working

condition\*Educational level, Working condition\*Division, Promotion\* Educational level, Promotion\*Division, and Performance feedback\*Division shows the probability of the test statistic (Asymp. Sig. of the Pearson Chi-Square) are .000, .000, .021, .000, .000, .005, .000, .047, .000, .006 respectively which are less than the level of significance of 0.05. This implies that division is not independent of employees' performance, recognition, and training, working condition, promotion and performance feedback. Similarly, educational level is dependent of recognition, working condition and promotion. The Chi-Square test also shows that respondents' working experience is not independent of recognition. Examining the residuals within these demographic variables, some of the categories were under- represented while others were over-represented in the study i.e. The observed cell frequencies are not equal to the expected cell frequencies (refer appendix 2). For example, in the Employees Performance \* Division cross tab network is under- represented in the 'Agree' category and over- represented in the 'Neutral' category. While, enterprise under- represented in the 'neutral' category and over- represented in the 'Agree' category.

#### **4.3.2. Regression Analysis**

Regression is a method of estimating or predicting a value on some dependent variable given the values of one or more independent variables. Like correlations, statistical regression examines the association or relationship between variables. Unlike with correlations, however, the primary purpose of regression is prediction (Marczyk, DeMatteo and Festinger, 2005).

This research has preferred to administer multiple regression analysis since the numbers of independent variables to predict the dependent variable are five namely recognition, promotion, training, performance feedback and working condition. Multiple regressions is a statistical technique through which one can analyze the relationship between a dependent variable and a set of independent or predictor variables (Ho, 2006).

But before running the regression, the assumptions of normality of the distribution, independency of residuals, and multicollinearity of variables should be analyzed. Normal distribution is detected based on skewness and kurtosis statistics. Skewness is a measure on the asymmetry of a distribution. Whereas, kurtosis measures the extent to which observations cluster

around a central point. The acceptable range for normality for both statistics is between -1.0 and +1.0. As depicted in table 4.15, except the kurtosis statistics of recognition, (-1.337), and promotion (1.031) all variables are within the acceptable range for normality (-1.0 to +1.0). The Skewness statistics for all variables are within the suggested range of normality (-1.0 to +1.0).

**Table 4.15: Normality of Distribution Using Descriptive Statistics**

Descriptive Statistics						
Variables	N	Mean	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Employees' performance	300	3.4810	.513	.141	-.579	.281
Recognition	300	2.5934	.188	.141	-1.337	.281
Promotion	300	3.1288	-.825	.141	1.031	.281
Training	300	3.0774	-.247	.141	-.547	.281
Performance feedback	300	3.1717	-.088	.141	-.684	.281
Working condition	300	3.2523	.191	.141	-.423	.281

Source: survey questionnaire, 2015

Next, multicollinearity was checked. This analysis is basically done for the sake of testing whether multicollinearity is the problem of this research or not before proceeding to regression analysis. According to Ho (2006), when the predictor variables are correlated among themselves, the unique contribution of each predictor variable is difficult to assess. As per statisticians' suggestion cited by Negi (2009), if a correlation coefficient matrix demonstrates the degree of association between variables about 0.75 or higher, there may be multicollinearity and should be rectified before using such variables as predictors in regression analysis. Hence specific to this study, as long as all the five correlation coefficients are below 0.75, as shown in table 4.13 above there is no problem of multicollinearity being assumed thus, allow using the data in regression analysis.

Multicollinearity can be also detected with tolerance values and Variance Inflation Factor (VIF) for each independent variable. Multicollinearity exists when tolerance is below 0.10 and the average VIF is larger than 2.5. As shown in table 4.17, the tolerance and average VIF of

recognition, promotion, training, performance feedback and working condition are .762, .604, .444, .422, .428 and 1.312, 1.654, 2.254, 2.371, 2.338 respectively. Thus, the model fits the requirement and collinearity is not a problem.

Multiple regression assumes also residual are independent. Residuals are the prediction errors or differences between the actual score for a case and the score estimated by the regression equation. The Durbin-Watson statistic is used to test for independent of residuals. It measures how residuals are related each other across cases. No serial correlation implies that the size of the residual for one case has no impact on the size of the residual for the next case. The value of the Durbin-Watson statistic ranges from 0 to 4. As a general rule, the residuals are independent (not Correlated) if the Durbin-Watson statistic is approximately 2 and an acceptable range is 1.50 - 2.50. In this case (as shown in table 4.16 below Durbin-Watson is 1.556 which is within the acceptable range.

**Table 4.16: Test for Independent of Residuals**

<b>Model Summary<sup>b</sup></b>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.790 <sup>a</sup>	.624	.618	.34100	1.556
a. Predictors: (Constant), Working condition, Promotion, Training, Recognition, Performance feedback b. Dependent Variable: Employee performance					

Source: survey questionnaire, 2015

After checking normality of distribution, independency of residuals and multicollinearity, multiple regressions was carried out.

### **Evaluating the Strength of Prediction**

In regression analysis, apart from prediction, strength or magnitude of the relationship requires further attention. According to Ho (2006), a measure of the strength of the computed prediction

equation is R-square, sometimes called the coefficient of determination. In the regression model, R-square is the square of the correlation coefficient between the observed and predicted value of dependent variable. If R- square is 1, there exists a perfect linear relationship between the predictors and dependent variable. An R square of 0 indicates no linear relationship. In this research, since adjusted R square of all the five components is 0.618 from table 4.16, we can say that 61.8% of the variability in the level of employees' performance is accounted for by non-financial incentives. The results are justified. The strength of relationship between recognition, promotion, training, performance feedback and working condition components as predictors and employees' performance as dependent variable is significant.

**Table 4.17: Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	.879	.125		7.036	.000		
	Recognition	.142	.033	.181	4.352	.000	.762	1.312
	Promotion	.096	.036	.124	2.655	.008	.604	1.654
	Training	.171	.044	.212	3.890	.000	.444	2.254
	Performance feedback	.126	.045	.155	2.781	.006	.422	2.371
	Working condition	.319	.055	.320	5.774	.000	.428	2.338

Source: survey questionnaire, 2015

### Testing for Model Fit

To test how well the regression model fits the data, ANOVA (analysis of variance) provides F value. Table 4.18 revealed an F value to be 97.570. This shows that the F Statistics is significant at 0.000 levels which show the fitness of the model. As per the rule, the significance (P-Value) has to be < 0.05 that will indicates all factors as significant with a value of 0.000. Therefore, we

reject the null hypothesis that there is no relationship between the independent variables and the dependent variable.

**Table 4.18: Overall Model Fit**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	58.888	5	11.778	97.570	.000 <sup>b</sup>
	Residual	35.489	294	.121		
	Total	94.377	299			
a. Dependent Variable: Employees' performance						
b. Predictors: (Constant), Working condition, Promotion, Training, Recognition, Performance feedback						

Source: survey questionnaire, 2015

**Predicting the level of Employees' Performance from the Five Components namely Recognition, Training, Promotion, Performance feedback and Working condition**

In the regression coefficients table 4.17 standardized beta coefficients dictate that how intensely five independent variables (recognition, promotion, training, performance feedback and working condition) components predict the behavior of dependent variable (employees' performance). This can be interpreted as from the total variance occurred in employees' performance (dependent variable), 18.1% is the reflection of recognition, 12.4% because of promotion, 21.4% because of training, 15.5% because of performance feedback and the other 32.0% is as a matter of working condition variations with a significance levels of .000, .008, .000, .006 and .000 respectively where all are below 0.05. From this result, one can deduce that, working condition is the major predictor of overall employees' performance, followed by training, recognition, and performance feedback and promotion elements respectively.

**Relationship of the variables**

The positive sign of  $\beta$  coefficient (it is the slope) in the table 4.17 shows the direct relationship between the independent variables and the dependent variable. 0.142 of  $\beta$  coefficient for



recognition represents as it has a positive impact on employees' performance, the same is true for the rest of  $\beta$  coefficients 0.096 for promotion, 0.171 for training, 0.126 for performance feedback and 0.319 for working condition which has a direct relation with the employees' performance. The *Constant* (0.879) in SPSS refers to the intercept in 'Y' axis where the regression line crosses the axis. By referring to this respondent's analysis, the equation for the employees' performance of the studied organization is:

$$Y_{ep} = 0.879 + 0.142r + 0.096pr + 0.171t + 0.126pf + 0.319wc + e$$

Where:

$Y_{ep}$  = level of employees' performance

R=Recognition, Pr=promotion, T=training, Pf=performance feedback, WC=working condition

### Summary of Hypothesis Results

**Table 4.19: Summary of Hypothesis Testing Results from Regression Analysis Coefficients.**

No.	Hypothesis	Result	Reason
1	Recognition has significant positive effect on employees' performance	Supported	Beta= 0.142 at 0.000 sig.
2	Promotion has significant positive effect on employees' performance	Supported	Beta= 0.096 at 0.008 sig.
3	Training has significant positive effect on employees' performance	Supported	Beta= 0.171 at 0.000 sig.
4	Performance feedback has significant positive effect on employees' performance	Supported	Beta= 0.126 at 0.006 sig.
5	Working condition has significant positive effect on employees' performance.	Supported	Beta= 0.319 at 0.000 sig.

Source: survey questionnaire, 2015

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter presents the summary of findings from which conclusions are drawn and this will precisely answer the basic research questions of the study. The limitation of the study and suggestions for further study will be indicated. Finally, recommendations to the case study company will be forwarded.

#### 5.1. Summary of Findings

The mean score for the independent variables of recognition, promotion, training, performance feedback and working condition was 2.59, 3.13, 3.08, 3.17 and 3.25 respectively while the mean score for the dependent variable of employees' performance was 3.48. Here the mean score for working condition is highest while the mean score for recognition is lowest. This implies employees in the company have relatively good feeling towards the working condition such as, relationship with colleagues, provision of appropriate social security while, their feeling towards recognition, which includes the superior and colleagues appreciates the effort at work is low.

The correlation coefficient statistics shows that employees' performance (dependent variable) is associated with recognition (0.492), promotion (0.555), training (0.657), performance feedback (0.655), and working condition (0.706). Significance relationship was also detected among the independent variables. All independent variables are correlated each other for instance; recognition is associated with promotion (0.290) and training (0.354) and with performance feedback (0.471) and working condition (0.399). Relatively stronger correlation is (0.682) is scored between training and performance feedback.

The regression analysis tells us that the model explained 61.8 % (R Square= 0.624, Adjusted R Square= 0.618) by the independent variables the R statistics 0.790 that indicates strong relationship between dependent variable and independent variables. The  $\beta$  statistics for recognition, promotion, training, performance feedback and working condition are 0.142, 0.096, 0.171, 0.126 and 0.319 respectively with  $p < 0.05$  significance level. Thus the five hypotheses

(H1, H2, H3, H4, and H5) postulated as recognition. Promotion, training performance feedback and working condition has positive effects on employees' performance are accepted.

## **5.2. Conclusions**

The primary objective of this study was to examine the effects of non-financial incentives on employees' performance in the context of Ethio Telecom. Accordingly, five non-financial incentive factors (recognition, promotion, training, performance feedback and working condition) were hypothesized to determine employees' performance.

Descriptive statistics of the study indicates much of the responses for the dependent and independent variable fall within the medium category. This shows at what performance level that, most employees of the company are found. In addition, when the number of respondents for the variables at the medium level of performance is compared, the number for recognition is the lowest relative to others. From this the researcher concludes that majority of respondents found on the medium level of performance but with regard to the recognizing employees great number of respondents found on the low level of performance. This indicates that recognition effect on employees' performance in the company is somewhat negative.

Considering this report, correlation statistics was undergone to check the relationship with employees' performance (dependent variable). Then it is assured that significance association is existed between employees' performance and recognition, Promotion, training, performance feedback and working condition. The independent variables are also interrelated. Particularly the stronger association of training and performance feedback indicates their interdependence.

To investigate whether the independent variable determine employees' performance, regression was carried out. Thereby it revealed that recognition, promotion, training, performance feedback and working condition are the significant factors that positively determine employees' performance. These variables explained 61.8 percent of the variation in employees' performance and are 79.0 percent related. Therefore, all of projected hypothesis (H1, H2, H3, H4, H5) were accepted as the result of the tests support the proposed hypothesis with a p value significance level less than 0.05.

### 5.3. Recommendations

As drawn in our conclusion recognition, promotion, training, performance feedback, working condition determines employees' performance significantly. Considering this the following recommendations are provided.

- As the study indicates the mean score of majority's response towards employees' performance is falling on the medium category, hence the company has to try to take action which result in employees' performance improvement. When taking actions to improve the performance of its employees the company should consider and give due attention to all non-financial incentive factors. But more attention should be given to working conditions, as the result of the study indicated impact of working condition on employees' performance is more than the other non-financial incentive factors. So ET should develop approaches to enrich these factors so as to improve the performance of its employees and thereby make them committed to accomplish assigned tasks. Especially, ET should allow conducive working condition that gives appropriate social security to its employees and well-furnished offices.
- Since the study also indicates the effect of training on employees' performance is high ET managements should develop training policies that create adequate opportunities for employees to learn in order to improve the performance of employees.
- As indicated in the respondents' profile, it is clear that majority of the company's work force are young and educated. However, according the response there is disagreement with regard to recognizing employees for their effort at work. This all contributed employees' performance to be low and Ethio Telecom should make improvements in those areas by recognizing employees for their effort.

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# **APPENDICES**

## Appendix 1: Questionnaire



**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
**MBA PROGRAM QUESTIONNAIRE TO BE FILLED BY THE**  
**RESPONDENTS**

**Dear Respondents,**

This questionnaire is designed to study **Effects of Non-Financial Incentives on Employees' Performance** at Ethio Telecom context for the partial fulfillment of the requirements of Master of Business Administration (MBA). Knowing that the data obtained will be used for academic purpose you are kindly requested to reflect your genuine opinion. I want to assure you that your responses are kept confidential and the output is generated in aggregate terms, where anonymity of respondents is maintained. For this purpose there is no need to write your names or put any identifying remarks in the questionnaire.

Thank you in advance for your understanding and cooperation!

Hewan Kiros

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## Part I: Respondent's Information

Please put 'X' in the box in front of the option that suits you.

### Gender:

Male  Female

### Age:

18-25 years  26-30 years  31-35 years

36-45 years  Over 46 years

### Educational Level:

Below grade 12  grade 12 completed  Certificate

Diploma  Degree  Masters and above

### Work Experience in Ethio Telecom:

1-5 year  6-10 years  11 and above

Division: \_\_\_\_\_

## Part II: Non-financial incentives factors

Please circle a number (1= if you are strongly disagree, 2= Disagree, 3= Neutral, 4= Agree

And 5= strongly agree) based on your level of agreement/disagreement in the following statement in the context of **ETHIO TELECOM**.

No.	Statements	Level of Agreement				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<b>1</b>	<b>Recognition</b>					
R1	My superior adequately appreciates my effort at work.	1	2	3	4	5
R2	My colleagues adequately appreciate my effort at work.	1	2	3	4	5
R3	The organization grants certificates of appreciation for efficient employees.	1	2	3	4	5
R4	The company announce employee of the month.	1	2	3	4	5
R5	Annual ceremony commemorate in honor of creative	1	2	3	4	5

	employees.					
R6	I am acknowledged for my years of service to the company.	1	2	3	4	5
R7	I receive recognition to my work on a regular basis.	1	2	3	4	5
<b>2</b>	<b>Promotion</b>					
P1	There are adequate promotion opportunities in the organization.	1	2	3	4	5
P2	Most of the job promotions are reasonable.	1	2	3	4	5
P3	I have equal opportunities of getting promotion with other colleagues with similar qualification.	1	2	3	4	5
P4	There is an increasing responsibility within my job.	1	2	3	4	5
P5	Promotions are openly communicated to employees.	1	2	3	4	5
<b>3</b>	<b>Training</b>					
T1	The company has created adequate opportunities for employees to learn.	1	2	3	4	5
T2	The organization place appropriate methods to raise the level of learning for employees.	1	2	3	4	5
T3	I received trainings on continual basis.	1	2	3	4	5
T4	Training is tailored in a way that boosts my performance in the organization.	1	2	3	4	5
T5	Training paves the way for promotion to higher positions.	1	2	3	4	5
T6	I have been trained all skills that are needed for doing my work.	1	2	3	4	5
T7	I am satisfied by the training programs that I received from the company.	1	2	3	4	5
T8	I receive training when new assignment is given to me.	1	2	3	4	5
T9	The training opportunities are fairly allocated across employees or work units.	1	2	3	4	5
T10	Job security has provided by the company as a result of	1	2	3	4	5

	training.					
<b>4</b>	<b>Performance Feedback</b>					
PF1	Performance standard in the organization are reasonable.	1	2	3	4	5
PF2	I receive regular job performance feedback.	1	2	3	4	5
PF3	My immediate supervisor evaluates my performance fairly.	1	2	3	4	5
PF4	The organization genuinely addresses employees post performance feedback complaints.	1	2	3	4	5
PF5	The superior's feedbacks are accepted by employees.	1	2	3	4	5
PF6	Performance feedback is accompanied by fair measures (positive and negative reinforcements).	1	2	3	4	5
PF7	There are timely feedbacks from superiors.	1	2	3	4	5
<b>5</b>	<b>Working Condition</b>					
WC1	There is good relationship with colleagues.	1	2	3	4	5
WC2	I like to attend meetings as they allow free flow of ideas.	1	2	3	4	5
WC3	I am happy that the company provided me well-furnished offices.	1	2	3	4	5
WC4	The company ensures appropriate social security for employees.	1	2	3	4	5
WC5	The working hours are convenient for me.	1	2	3	4	5
WC6	I am engaged in a meaningful work that makes difference.	1	2	3	4	5
WC7	I have access to discounted services.	1	2	3	4	5
WC8	I have more freedom in performing my duties.	1	2	3	4	5
WC9	I get annual leave in accordance with the company rules.	1	2	3	4	5
<b>6</b>	<b>Employee Performance</b>					
	<i>Ethio telecom's current non-financial incentive provision affects my performance: i.e.</i>					

EP1	I do my work activity according to rules of the organization.	1	2	3	4	5
EP2	I achieved the goals that were set for the review period.	1	2	3	4	5
EP3	I deal effectively with coworkers.	1	2	3	4	5
EP4	I have excellent communication ability to discharge my duties.	1	2	3	4	5
EP5	I have ability to adapt when flexibility is required.	1	2	3	4	5
EP6	I take leadership in initiating productive work related activities.	1	2	3	4	5
EP7	I have demonstrated creativity while performing my daily tasks.	1	2	3	4	5
EP8	I do work without supervision as necessary.	1	2	3	4	5
EP9	I perform my job on time.	1	2	3	4	5
EP10	I am willing to work hard.	1	2	3	4	5
EP11	I arrive for work on time.	1	2	3	4	5
EP12	I take responsibility for the work I assigned for.	1	2	3	4	5
EP13	I have good knowledge in my working area.	1	2	3	4	5

***I thank you for completing the questionnaire!***

*Sincerely,*

*Hewan Kiros*

## Appendix 2: Cross Tabulation

A. Employees Performance * Division																		
		Division of employees																Total
		S&F	TEP	RMS	legal	M&C	Q&P	Operations	PM O	Network	CS	HR	Finance	Enterprise	RS	IA	IS	
Neutral	Count	20	2	1	2	1	1	2	1	42	63	1	5	0	0	3	13	157
	Expected Count	22	3.2	2.7	1.6	2.2	2.2	1.6	1.6	29.6	63.4	3.2	5.4	5.9	1.6	2.2	8.6	157
	Residual	-2	-1.2	-1.7	0.4	-1.2	-1.2	0.4	-0.6	12.4	-0.4	-2.2	-0.4	-5.9	-1.6	0.8	4.4	0
Agree	Count	19	4	4	1	2	3	0	2	12	48	4	5	10	2	0	3	119
	Expected Count	16.7	2.4	2	1.2	1.6	1.6	1.2	1.2	22.4	48.1	2.4	4.1	4.5	1.2	1.6	6.5	119
	Residual	2.3	1.6	2	-0.2	0.4	1.4	-1.2	0.8	-10.4	-0.1	1.6	0.9	5.5	0.8	-1.6	-3.5	0
Strongly Agree	Count	2	0	0	0	1	0	1	0	1	7	1	0	1	1	1	0	16
	Expected Count	2.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	3	6.5	0.3	0.5	0.6	0.2	0.2	0.9	16
	Residual	-0.2	-0.3	-0.3	-0.2	0.8	-0.2	0.8	-0.2	-2	0.5	0.7	-0.5	0.4	0.8	0.8	-0.9	0
Total	Count	41	6	5	3	4	4	3	3	55	118	6	10	11	3	4	16	292
	Expected Count	41	6	5	3	4	4	3	3	55	118	6	10	11	3	4	16	292
B. Recognition * Division																		
		Division of employees																Total
		S&F	TEP	RMS	legal	M&C	Q&P	Operations	PM O	Network	CS	HR	Finance	Enterprise	RS	IA	IS	
Strongly Disagree	Count	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1
	Expected Count	0.1	0	0	0	0	0	0	0	0.2	0.4	0	0	0	0	0	0.1	1
	Residual	-0.1	0	0	0	0	0	0	0	-0.2	-0.4	1	0	0	0	0	-0.1	
Disagree	Count	9	1	1	1	0	0	0	0	29	77	3	3	1	0	2	7	134
	Expected Count	18.8	2.8	2.3	1.4	1.8	1.8	1.4	1.4	25.2	54.2	2.8	4.6	5	1.4	1.8	7.3	134
	Residual	-9.8	-1.8	-1.3	-0.4	-1.8	-1.8	-1.4	-1.4	3.8	22.8	0.2	-1.6	-4	-1.4	0.2	-0.3	0
Neutral	Count	25	4	2	2	4	3	2	1	25	33	0	7	5	2	1	8	124
	Expected Count	17.4	2.5	2.1	1.3	1.7	1.7	1.3	1.3	23.4	50.1	2.5	4.2	4.7	1.3	1.7	6.8	124
	Residual	7.6	1.5	-0.1	0.7	2.3	1.3	0.7	-0.3	1.6	-17.1	-2.5	2.8	0.3	0.7	-0.7	1.2	0
Agree	Count	7	1	2	0	0	1	1	2	1	8	2	0	5	1	1	1	33
	Expected Count	4.6	0.7	0.6	0.3	0.5	0.5	0.3	0.3	6.2	13.3	0.7	1.1	1.2	0.3	0.5	1.8	33
	Residual	2.4	0.3	1.4	-0.3	-0.5	0.5	0.7	1.7	-5.2	-5.3	1.3	-1.1	3.8	0.7	0.5	-0.8	0



Total	Count	41	6	5	3	4	4	3	3	55	118	6	10	11	3	4	16	292
	Expected Count	41	6	5	3	4	4	3	3	55	118	6	10	11	3	4	16	292

**C. Training \* Division**

		Division of employees																Total
		S&F	TEP	RMS	legal	M&C	Q&P	Operations	PMO	Network	CS	HR	Finance	Enterprise	RS	IA	IS	
Strongly Disagree	Count	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1
	Expected Count	0.1	0	0	0	0	0	0	0	0.2	0.4	0	0	0	0	0	0.1	1
	Residual	-0.1	0	0	0	0	0	0	0	-0.2	-0.4	0	0	1	0	0	-0.1	
Disagree	Count	2	0	0	0	0	1	1	0	24	14	1	5	2	0	1	0	51
	Expected Count	7.2	1	0.9	0.5	0.7	0.7	0.5	0.5	9.6	20.6	1	1.7	1.9	0.5	0.7	2.8	51
	Residual	-5.2	-1	-0.9	-0.5	-0.7	0.3	0.5	-0.5	14.4	-6.6	0	3.3	0.1	-0.5	0.3	-2.8	0
Neutral	Count	23	3	1	2	3	2	1	3	30	54	0	3	2	1	2	14	144
	Expected Count	20.2	3	2.5	1.5	2	2	1.5	1.5	27.1	58.2	3	4.9	5.4	1.5	2	7.9	144
	Residual	2.8	0	-1.5	0.5	1	0	-0.5	1.5	2.9	-4.2	-3	-1.9	-3.4	-0.5	0	6.1	0
Agree	Count	16	3	4	1	1	1	1	0	1	50	5	2	6	1	1	2	95
	Expected Count	13.3	2	1.6	1	1.3	1.3	1	1	17.9	38.4	2	3.3	3.6	1	1.3	5.2	95
	Residual	2.7	1	2.4	0	-0.3	-0.3	0	-1	-16.9	11.6	3	-1.3	2.4	0	-0.3	-3.2	0
Strongly Agree	Count	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1
	Expected Count	0.1	0	0	0	0	0	0	0	0.2	0.4	0	0	0	0	0	0.1	1
	Residual	-0.1	0	0	0	0	0	0	0	-0.2	-0.4	0	0	0	1	0	-0.1	
Total	Count	41	6	5	3	4	4	3	3	55	118	6	10	11	3	4	16	292
	Expected Count	41	6	5	3	4	4	3	3	55	118	6	10	11	3	4	16	292

**D. Working condition\* Division**

		Division of employees																Total
		S&F	TEP	RMS	legal	M&C	Q&P	Operations	PMO	Network	CS	HR	Finance	Enterprise	RS	IA	IS	
Disagree	Count	0	0	0	0	0	1	0	0	0	16	0	0	0	0	2	0	19
	Expected Count	2.7	0.4	0.3	0.2	0.3	0.3	0.2	0.2	3.6	7.7	0.4	0.7	0.7	0.2	0.3	1	19
	Residual	-2.7	-0.4	-0.3	-0.2	-0.3	0.7	-0.2	-0.2	-3.6	8.3	-0.4	-0.7	-0.7	-0.2	1.7	-1	0
Neutral	Count	30	3	3	2	1	0	2	2	48	59	2	6	3	1	1	15	178
	Expected Count	25	3.7	3	1.8	2.4	2.4	1.8	1.8	33.5	71.9	3.7	6.1	6.7	1.8	2.4	9.8	178

	Residual	5	-0.7	0	0.2	-1.4	-2.4	0.2	0.2	14.5	-12.9	-1.7	-0.1	-3.7	-0.8	-1.4	5.2	0
Agree	Count	11	3	2	1	2	3	1	1	6	41	4	4	8	2	1	1	91
	Expected Count	12.8	1.9	1.6	0.9	1.2	1.2	0.9	0.9	17.1	36.8	1.9	3.1	3.4	0.9	1.2	5	91
	Residual	-1.8	1.1	0.4	0.1	0.8	1.8	0.1	0.1	-11.1	4.2	2.1	0.9	4.6	1.1	-0.2	-4	0
Strongly agree	Count	0	0	0	0	1	0	0	0	1	2	0	0	0	0	0	0	4
	Expected Count	0.6	0.1	0.1	0	0.1	0.1	0	0	0.8	1.6	0.1	0.1	0.2	0	0.1	0.2	4
	Residual	-0.6	-0.1	-0.1	0	0.9	-0.1	0	0	0.2	0.4	-0.1	-0.1	-0.2	0	-0.1	-0.2	0
Total	Count	41	6	5	3	4	4	3	3	55	118	6	10	11	3	4	16	292
	Expected Count	41	6	5	3	4	4	3	3	55	118	6	10	11	3	4	16	292

**E. Promotion\* Division**

		Division of employees																Total
		S&F	TEP	RMS	legal	M&C	Q&P	Operations	PMO	Network	CS	HR	Finance	Enterprise	RS	IA	IS	
Strongly disagree	Count	9	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	10
	Expected Count	1.4	0.2	0.2	0.1	0.1	0.1	0.1	0.1	1.9	4	0.2	0.3	0.4	0.1	0.1	0.5	10
	Residual	7.6	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-1.9	-4	-0.2	-0.3	0.6	-0.1	-0.1	-0.5	0
Disagree	Count	2	0	0	0	1	0	0	1	14	10	0	4	0	0	1	3	36
	Expected Count	5.1	0.7	0.6	0.4	0.5	0.5	0.4	0.4	6.8	14.5	0.7	1.2	1.4	0.4	0.5	2	36
	Residual	-3.1	-0.7	-0.6	-0.4	0.5	-0.5	-0.4	0.6	7.2	-4.5	-0.7	2.8	-1.4	-0.4	0.5	1	0
Neutral	Count	15	4	2	2	1	3	2	2	38	69	1	3	2	0	2	10	156
	Expected Count	21.9	3.2	2.7	1.6	2.1	2.1	1.6	1.6	29.4	63	3.2	5.3	5.9	1.6	2.1	8.5	156
	Residual	-6.9	0.8	-0.7	0.4	-1.1	0.9	0.4	0.4	8.6	6	-2.2	-2.3	-3.9	-1.6	-0.1	1.5	0
Agree	Count	15	2	3	1	2	1	1	0	3	39	5	2	8	3	0	3	88
	Expected Count	12.4	1.8	1.5	0.9	1.2	1.2	0.9	0.9	16.6	35.6	1.8	3	3.3	0.9	1.2	4.8	88
	Residual	2.6	0.2	1.5	0.1	0.8	-0.2	0.1	-0.9	-13.6	3.4	3.2	-1	4.7	2.1	-1.2	-1.8	0
Strongly agree	Count	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	0	2
	Expected Count	0.3	0	0	0	0	0	0	0	0.4	0.8	0	0.1	0.1	0	0	0.1	2
	Residual	-0.3	0	0	0	0	0	0	0	-0.4	-0.8	0	0.9	-0.1	0	1	-0.1	
Total	Count	41	6	5	3	4	4	3	3	55	118	6	10	11	3	4	16	292
	Expected Count	41	6	5	3	4	4	3	3	55	118	6	10	11	3	4	16	292

**F. Performance feedback\* Division**

		Division of employees																Total
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		S&F	TEP	RMS	legal	M&C	Q&P	Operations	PMO	Network	CS	HR	Finance	Enterprise	RS	IA	IS	1
Strongly disagree	Count	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1
	Expected Count	0.1	0	0	0	0	0	0	0	0.2	0.4	0	0	0	0	0	0.1	1
	Residual	-0.1	0	0	0	0	0	0	0	-0.2	-0.4	0	1	0	0	0	-0.1	
Disagree	Count	5	1	0	0	0	0	0	0	22	17	1	2	1	0	1	3	53
	Expected Count	7.4	1.1	0.9	0.5	0.7	0.7	0.5	0.5	10	21.4	1.1	1.8	2	0.5	0.7	2.9	53
	Residual	-2.4	-0.1	-0.9	-0.5	-0.7	-0.7	-0.5	-0.5	12	-4.4	-0.1	0.2	-1	-0.5	0.3	0.1	0
Neutral	Count	17	2	3	2	3	3	2	2	27	57	3	4	3	1	2	11	142
	Expected Count	19.9	2.9	2.4	1.5	1.9	1.9	1.5	1.5	26.7	57.4	2.9	4.9	5.3	1.5	1.9	7.8	142
	Residual	-2.9	-0.9	0.6	0.5	1.1	1.1	0.5	0.5	0.3	-0.4	0.1	-0.9	-2.3	-0.5	0.1	3.2	0
Agree	Count	19	3	2	1	1	1	0	1	6	42	2	3	7	1	0	2	91
	Expected Count	12.8	1.9	1.6	0.9	1.2	1.2	0.9	0.9	17.1	36.8	1.9	3.1	3.4	0.9	1.2	5	91
	Residual	6.2	1.1	0.4	0.1	-0.2	-0.2	-0.9	0.1	-11.1	5.2	0.1	-0.1	3.6	0.1	-1.2	-3	0
Strongly agree	Count	0	0	0	0	0	0	1	0	0	2	0	0	0	1	1	0	5
	Expected Count	0.7	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.9	2	0.1	0.2	0.2	0.1	0.1	0.3	5
	Residual	-0.7	-0.1	-0.1	-0.1	-0.1	-0.1	0.9	-0.1	-0.9	0	-0.1	-0.2	-0.2	0.9	0.9	-0.3	0
Total	Count	41	6	5	3	4	4	3	3	55	118	6	10	11	3	4	16	292
	Expected Count	41	6	5	3	4	4	3	3	55	118	6	10	11	3	4	16	292

G. Recognition * Educational level of respondent						H. Working condition * Educational level			
		Educational level of respondent			Total	Educational level of respondent			Total
		diploma	degree	masters and above		diploma	degree	masters and above	
Strongly Disagree	Count	0	1	0	1	0	0	0	0
	Expected Count	0.1	0.8	0.2	1	0	0	0	0
	Residual	-0.1	0.2	-0.2		0	0	0	0
Disagree	Count	1	132	1	134	0	19	0	19
	Expected Count	10.6	103.3	20.2	134	1.5	14.6	2.9	19
	Residual	-9.6	28.7	-19.2	0	-1.5	4.4	-2.9	0
Neutral	Count	17	70	37	124	19	128	31	178
	Expected Count	9.8	95.5	18.7	124	14	137.2	26.8	178

	Residual	7.2	-25.5	18.3	0	5	-9.2	4.2	0
Agree	Count	5	22	6	33	4	76	11	91
	Expected Count	2.6	25.4	5	33	7.2	70.1	13.7	91
	Residual	2.4	-3.4	1	0	-3.2	5.9	-2.7	0
Strongly Agree	Count	0	0	0	0	0	2	2	4
	Expected Count	0	0	0	0	0.3	3.1	0.6	4
	Residual	0	0	0	0	-0.3	-1.1	1.4	0
Total	Count	23	225	44	292	23	225	44	292
	Expected Count	23	225	44	292	23	225	44	292

I. Promotion* Education level						J. Recognition * working experience of employees			
		educational level of respondent			Total	Work experience of employees			Total
		diploma	degree	masters and above		5-Jan	10-Jun	11 and above	
Strongly disagree	Count	0	10	0	10	0	1	0	1
	Expected Count	0.8	7.7	1.5	10	0.3	0.6	0.2	1
	Residual	-0.8	2.3	-1.5	0	-0.3	0.4	-0.2	0
Disagree	Count	5	31	0	36	26	90	18	134
	Expected Count	2.8	27.7	5.4	36	35.8	77.6	20.7	134
	Residual	2.2	3.3	-5.4	0	-9.8	12.4	-2.7	0
Neutral	Count	13	111	32	156	42	62	20	124
	Expected Count	12.3	120.2	23.5	156	33.1	71.8	19.1	124
	Residual	0.7	-9.2	8.5	0	8.9	-9.8	0.9	0
Agree	Count	5	71	12	88	10	16	7	33
	Expected Count	6.9	67.8	13.3	88	8.8	19.1	5.1	33
	Residual	-1.9	3.2	-1.3	0	1.2	-3.1	1.9	0
Strongly agree	Count	0	2	0	2	0	0	0	0
	Expected Count	0.2	1.5	0.3	2	0	0	0	0
	Residual	-0.2	0.5	-0.3	0	0	0	0	0
Total	Count	23	225	44	292	78	169	45	292
	Expected Count	23	225	44	292	78	169	45	292

## **DECLARATION**

I, Hewan Kiros, hereby declare that this thesis is originally produced by me with the guidance of Tiruneh Legesse (Assistance Professor). I confirm also that all the references of other people's work referred and the ideas adopted are fully acknowledged at the reference section .No part of this thesis has either been presented whole or in part to any other institutions for any award. I take full responsibility for any errors that may be included in this report.

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Signature

**May, 2015**

## **ENDORSEMENT**

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

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Advisor

**St. Mary's University, Addis Ababa**

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Signature

**May, 2015**