



ST. MARY UNIVERSITY
SCHOOL OF GRADUATE STUDIES DEPARTMENT OF MBA

**THE EFFECT OF REWARD MANAGEMENT PRACTICE ON EMPLOYEE
PERFORMANCE: THE CASE OF ETHIOPIAN AIRLINES**

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JUNE 2021
ADDIS ABABA, ETHIOPIA

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THESIS SUBMITTED TO ST.MARY UNIVERSITY, SCHOOL OF GRADUATE STUDIES
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DECLARATION

I, Miss. Tigist Yifru hereby declare that the research work entitled; “**THE EFFECT OF REWARD MANAGEMENT PRACTICE ON EMPLOYEE PERFORMANCE: THE CASE OF ETHIOPIAN AIRLINES**” submitted by me for the partial fulfillment of, in the department of Marketing management under the guidance of Yirgalem Tadele(Ph.D) is original work and it has not been presented for the award of any other Degree, Diploma, Fellowship or other similar titles of any other University or Institution.

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CERTIFICATION

This is to certify that the research thesis titled “The effect of reward management practice on employees performance: the case Ethiopian airlines), has been reviewed and submitted in partial fulfillment of the requirements for award of the degree of Master of business administration complies with the rules and regulations of St. Mary University.

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Advisor

June, 2021

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Abstract

In the current competitive business environment, airlines industry is facing a lot of challenges particularly getting the qualified employees and retaining them. This study provides an overview of evidence of effect of reward management practice on employee performance in in Ethiopian airlines specifically on airport operation personnel, the objective of this research was to assess and examine the relationship between reward management practice and employee performance. The theoretical part of the study introduces different theories of rewards, motivation and performance. Both qualitative and quantitative research approach used through primary data collected from 291 customer service agents and supervisors and 9 passenger service managers respondents. Simple random sampling has been chosen to select respondents from a total of 1057 population using Yamane's formula. A structure Likert Scale format questionnaire has been used and semi structured interview were prepared for data collection. Both questionnaire and interview questions consist of two parts; the first part of questionnaire comprises demographic respondent data while second part comprises three variables questions. The data obtained were analyzed using Statistical Packages for Social Science (SPSS) program, descriptive analysis, normality test, reliability test; multi collinearity test Person's Correlation and Multiple Liner Regression were conducted in order to analyze the data. The main findings indicate that there is high and moderate relationship between intrinsic and extrinsic reward management practice on employee performance and has a high positive significant effect reward management practice on employee performance within the company. To improve employees work performance, the researcher recommended that adopting different kind of reward management practice, seek and obtain feedback on how employees perceive rewards and develop a sound retention and attraction mechanisms so as to get better performing employees as well as competitive airline. This study will help the company management to an implementation of attractive reward management practice.

Keywords: *reward management system, extrinsic reward, intrinsic reward and Employee Performance.*

Chapter one

1. Introduction

1.1 Background of the Study

Human resources are now often regarded as the key source of a company's competitive advantage. As a result, how a firm treats its people are increasingly determining whether it will grow or even survive. Organizations are recognizing the need to maintain an appropriate balance between employee contribution to the organization and the organization's contribution to the employee in order to ensure that individuals are treated equitably. The primary goal of firm reward management is to keep high-performing personnel, as well as to recruit, encourage, gratify, and maximize employee performance so that owners can achieve their aims by attaining higher results and better quality. Organizations frequently utilize incentives to motivate their staff to work hard (Armstrong & Taylor, 2014).

Compensation is a critical and significant part of every business, and management assesses it thoroughly on a regular and annual basis. The compensation package includes salary, incentives, bonuses, and other benefits that a corporation must pay to its employees. Employees today anticipate not only monetary pay but also additional benefits in the twenty-first century workplace. Employees who are satisfied with their jobs and salary are more motivated to work harder because they know they will be rewarded if they achieve certain goals. Employees who are dissatisfied with their jobs and incentives become demotivated, which leads to an increase in absenteeism and the rate of job turnover in the business (Decenzo & Robbins, 2006). Organizations are currently functioning in a very dynamic and competitive environment in order to stay relevant in the market, and they are expected to respond rapidly to constantly changing client needs (Najanja, Maina and Najagi, 2013). Interpersonal relationships, job satisfaction, customer satisfaction, internal processes, and the organization's innovation and improvement activities are all expected to improve under reward management. All of this should have a long-term impact on the company's performance (Carolina, 2010). As part of an employment relationship, a reward management system is a set of methods for distributing both tangible and intangible returns. Each compensation, such as base pay, cost of living, and merit pay, as well as short and long term incentives and benefits such as income protection and tuition reimbursement,

are all part of an employee's tangible return. Intangible returns, on the other hand, are utilized by firms to achieve certain goals and encourage specific behaviors in employees, such as recognition and status, job stability, demanding work, and learning opportunities in behavior and team spirit for collective awards. It also refers to pay tied to performance that is paid to boost employee enthusiasm and productivity. While reward systems are not uniformly applicable, they are likely to play a role in improving individual effort or performance when the circumstances and scheme are correct (Manjunath and Rajesh, 2012).

The recognition that an individual has wants or expectations that they desire to meet is the first step towards motivating them. These requirements constitute a driving force for achieving desired outcomes. When intended goals are met, a sense of achievement or satisfaction is felt, which leads to improved performance and productivity. As a result, the necessity of the company's employees to achieve the intended outcome on employee satisfaction, motivation, and performance influences the company's incentive plan (Armstrong & Taylor, 2014).

The main focus is on employee motivation, which is accomplished by rewarding them. Though rewards come in a variety of forms, well-designed employee incentive programs can have a significant impact on the productivity, efficiency, and quality of a company's operations.

Poorly designed reward systems, on the other hand, might have major negative consequences. Employees who are influenced by the reward system should be able to quickly understand the mechanics of the computation (Wiley, 1997). As a result, the system should be simple, with as many objective aspects as possible and as few subjective variables as possible.

Employee perception is a factor that can have a significant impact on workplace quality. Perception is the process by which people select, organize, and interpret information from their surroundings in order to make sense of it (Daft, 2000). Employee performance relates to the outcome, completion of work, and outcomes obtained, all of which are tied to the organization's strategic goals, customer happiness, and economic contributions. Armstrong continues to emphasize the importance of managing performance by taking systematic steps to improve organizational, team, and individual performance (Armstrong, 2009).

In order to survive this situation, Ethiopian Airlines must maintain high-quality human resources at all levels. These individuals must be capable of both planning and executing the approach. By attracting and retaining talented individuals, an effective and sufficient compensation system can assist an organization in achieving its business objectives. Ethiopian will be able to maximize its retention and attraction capabilities, allowing it to get the most out of its employees. The goal of this study was to see how reward management systems affected employee performance in Ethiopian airlines. Incentives, both financial and non-financial, are used to drive people to work more and achieve greater results in their organizations.

1.2 Statement of the Problem

Human resources are the most significant assets of any firm. The acquisition of human resources is one of the essential competences in a business. Administering an effective reward management system is one of the most significant instruments at any firm management's disposal for attracting and retaining competent human resources. Employee performance can be considerably improved by well-designed and implemented reward management practices, which improve morale, job security, and motivation, among other things (Holtmann, 2005). According to a study on employee motivation, incentive awards can improve employee performance. In essence, just a few of these research are backed up by an explanation of how workplace rewards influence employee performance (Torrington 2008)

For example, according to a World Bank Group (2015) analysis on Ethiopian export development, the airline plays a key role due to increased passenger and cargo services.

In a review article on Ethiopia's role in regional security, Kosowicz (2019) claims that the Ethiopian Airline is one of the three airlines in Africa with the best safety precautions, and that it acquired Star Alliance membership in 2017 for its safety services.

Furthermore, the International Air Transport Association (IATA) ranked Ethiopian Airlines as Africa's largest airline in terms of revenue and profit in 2017. Its CEO claimed that this success was due to the combined efforts of the board of directors, management, and the airline's more than 16,000 employees (Hawkins, 2019).

Besides, in 2017, the International Air Transport Association (IATA) graded the Ethiopian Airlines as the largest air carrier in Africa in relation with revenue and profit; besides, its CEO claimed that this success is because of collective effort of the board of directors, management and its more than 16,000 employees (Hawkins, 2019). In Ethiopia, it appears that the working population does not receive standardized and sufficient motivational rewards, whether in the public or private sector. The majority of the present rewarding systems are tied to the accomplishment of labor regulations and legal obligations, such as retirement pensions, basic salary, retirement pensions, medical insurances, leave, and maternity pays.

Furthermore, according to (Meseret's 2017) research, employees from various departments expressed similar feelings of dissatisfaction and motivation in their current jobs due to a lack of adequate rewarding systems such as salaries, bonuses, remuneration, recognition, career development programs, promotions, and so on. They also indicate that they are working in their current employment because they have no other options; yet, the majority of them feel that their pay is not commensurate with their performance, and that present rewards are not dispersed evenly among employees.

According to Ethiopian Airlines Ground Service's 2020 Human Resource Manager annual report, Ethiopian has constructed a better employee incentive system that most employees are satisfied with, taking into account the nature of the work because some occupations are created on hardship, stress, and obstacles. Employees, on the other hand, are protesting that the company's existing reward structure isn't comparable to other similar organizations and isn't strong enough to withstand current inflationary conditions. Employees are leaving the organization due to a lack of adequate compensation. Furthermore, according to the recently formed Ethiopian Airlines group basic trade union, the bulk of employees depart in quest of better wages and join other competing companies. The trade union also argued that the corporation was unable to keep its voluble internal customers and was unable to satisfy and bring in better performing staff due to bad reward management practices.

As a result, the researcher attempted to evaluate the available rewarding systems, their distribution rationality, and the relationship between existing reward practices and the level of

performance of employees in the organization in this study. The categories of rewarding and the sorts of incentives used have been evaluated in the current study.

1.3 Research Questions

Based on the above stated problems the study attempts to address the following research questions.

1. What is the perception of the employees on the reward management practices?
2. What is the relationship between reward management practice and employee performance?
3. What is the effect of reward management practice on employee performance?

1.4 Objective of the Study

1.4.1 General objective

The main objective of the research was to assess and examine the reward management practice of the company and conducted study their relationship with the employee performance.

1.4.2 Specific objectives

The specific objectives of the research are stated as follows.

1. To assess the employees perception towards the reward management practices.
2. To examine the relationship between reward management practice and employee performance;
3. To determine the effect of reward management practice on employee performance;

1.5 Significance of the Study

Reward management practice is one of the motivational instruments to enhance employee's performance in certain organization and move forward in order to achieve the organizational vision, mission and goals successfully. Therefore, this research may help to;

- Contribute its share improving policy makers' of employee's reward management practice in the organization.
- Asses the relationship between reward management practice and employee performance
- Serve as initial reference to conduct existing stop of further researches.

1.6 Scope of the Study

The research focused on the employee of Ethiopian Airlines, since the company involves many employees working in different areas, in order to limit the scope of the study the research focused on the ground staff passenger service department only.

The sources of information were gathered from the current employees of the organization by using random sampling. Data's was collected through questioner and that was applied for team leaders (supervisors) and operational level employees specifically on airport operation staff. And semi-structured interview was prepared for passenger service managers' availability in considering their number and aimed to get detailed information regarding the effect of reward management practice on employees' performance.

Furthermore, the scope was set on theories used to analyze the effect reward management practice on employee's performance. This system includes both dependent and independent variables. The dependent variable includes employee's performance, which involves level of employee performance, loyalty and turnover. And the independent variable will include both intrinsic and extrinsic reward systems. Intrinsic rewards are related to recognition, achievement, responsibility and the opportunity to use and develop skills, working environment and extrinsic rewards are related to (Pay) wage/ salary, benefits and promotion (Armstrong, 2009)

1.7 Definition of terms

Extrinsic rewards- extrinsic rewards are those external to the task of the job such as pay, work condition, fringe benefits, security, promotion, contract of service, and the work environment (Ajils, 1997).

Intrinsic rewards- are inherent in the job itself and which the individual enjoys because of successfully completing the task of attaining his or her goal (Ajils, 1997).

Incentive: Something that motivates employees to achieve certain objectives or meet a target.

Compensation: The results or rewards that the employees receive in return for their work.

Rewards: Recognition to employees for their achievements and contributions.

Incentive Schemes: A mechanisms that has been designed to recognize some specific change in behavior.

Financial Incentives: Money based rewards given when an employee meets or exceeds expectations.

Motivation: The realization that individuals have needs or expectations that they want to meet.

Employee Performance: A person executes their specific job duties and responsibilities well.

Employee Perceptions: An individual gives meaning and interpreting to the work environment.

1.8 Organization of the Study

This research was organized in to five main chapters. Each chapter contains their sub divisions. The first chapter deals with background of the study, statement of the problem, objectives of the study, basic research questions, significance of the study, limitation of the study delimitation of the study and definition of key terms. The second chapter consisted of review of the related literature .chapter three was constituted research design and methodology. Chapter four focused on the presentation and analysis of the data obtained from respondent while chapter five covered the summery, conclusion and recommendations and finally reference question, interview guide and other important documents were annexed to the last part of the research.

Chapter Two

2. Review of Related Literature

2.1 Introduction

The chapter provides the literature review of all findings related to this research. The theoretical foundation has explained on the theory that is closely related with this research. Also, a review of past empirical studies which is related to this research topic is also included in this chapter. The proposed conceptual framework or research model was developed.

2. 2 Theoretical related literature

Theoretical literature reviews aid in determining what theories already exist, their relationships, and the extent to which existing theories have been investigated, as well as developing new hypotheses to test. The analysis unit can be a single theoretical concept or an entire theory or framework.

2.2.1 Overview of reward management

Reward management practice is integral and utmost part of any organization and the management periodically and annually examines it in detail. The compensation comprises incentives, salary, bonus and other benefits that a firm has to give to their workers. In the 21st century the work scenario has been changed, the employee not only demands monetary rewards but extra benefits also. Satisfied employees with their work and salary are more motivated and they work harder because they know that after completing a certain level of goals they would be rewarded. Dissatisfaction from job and incentives demotivate the employee that lead to increasing in absenteeism, and job turnover rate in the organization (Decenzo & Robbins,2006).

2.2. 2 Reward management practice

Reward management practice is concerned with the development of appropriate organizational cultures, underpinning core values and increasing the motivation and commitment of employees. There is no such best practice; there is only good practice which is best for the organization. And also what is best practice for an organization at one stage of its development may no longer be best practice as it moves its life cycle. Practices, which were effective when they were introduced, may degenerate as the organization evolves or it degenerates. Reward management is not only about money, it is also concerned with intrinsic, as well as extrinsic motivation; with

non-financial, as well as financial rewards. The design and operation of reward management process and practices should start from understanding of the implications of the psychological contract concept, motivation theory and the factors affecting pay levels. But it must focus on the needs of the organization and the people who work in it. These needs are most likely to be met if reward processes are based on an articulated and integrated approach to the development of the framework of reward philosophies, strategies and policies that will support the achievement of the organization's business strategies, as well as acting as levers for change.(Armstrong, 2010) When we see the reward history in Ethiopia in 1995 Ethiopia raised salaries for public officials for the first time since 1975. This gave special salary increase for professional group such as doctors and teachers. Nevertheless, like other African countries, it has not succeeded in paying salaries in the private sectors, international and non-governmental organizations. Likewise, the most serious challenge that confronts many African countries in the area of reward is not only how to develop systems of performance-related pay and incentive, but also lacking the resource to pay for scarce skills these countries have focused their efforts on monetizing benefits, since benefits often constitute a large percentage of total compensation. (Accessed Jan 2, 2017)

Reward is the compensation which an employee receives from an organization for exchanging for the service offered by the employee or as the return for work done (Lin, 2007). It also refers to the collection of brain structures that try to control and regulate behavior by inducing pleasure (Ajila and Abiola, 2004). Human resource can be rewarded and optimally utilized through rewarding it using different techniques of significance importance. There should be an effective reward system for organization performance and reward should be related to employees' productivity. Thus, organizations must make policies and procedures and formulate such reward system under those policies and procedures which increase employee satisfaction.

2.2.4 Objectives of Reward Management

Objectives of reward management are achieved by developing and implementing strategies, policies, processes and practices that are founded on a philosophy, operate in accordance with the principles of distributive and natural justice, function fairly, equitably, consistently and transparently, are aligned to the business strategy, fit the context and culture of the organization, are fit for purpose and help to develop a high performance culture (Armstrong, 2010)

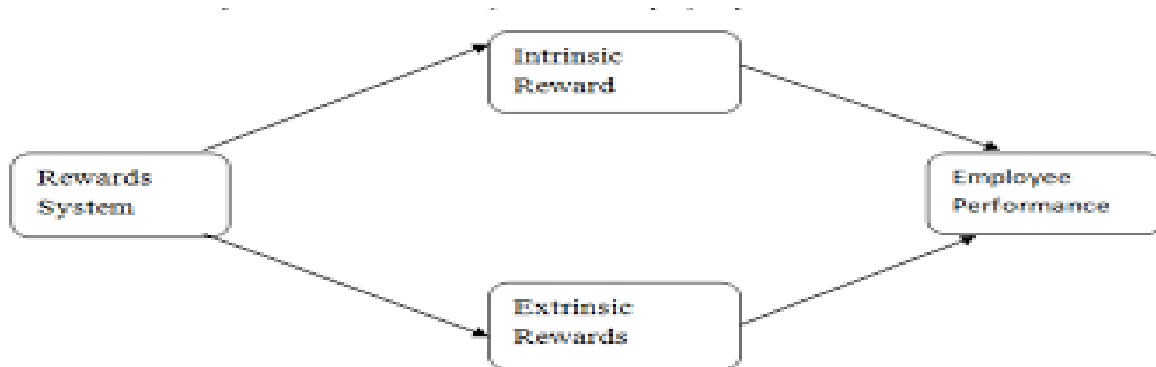
2.2.5 Importance of Reward Management

Reward management supports the achievement of business goals by helping to ensure that the organization has the talented and engaged people it needs. It contributes to the achievement of high performance by ensuring that the reward system recognizes and encourages it. Reward management can define expectations through performance management and contingent pay schemes. (Armstrong, 2010). Reward management policies in association with HR policies can help to create a working environment that provides for the just, fair and ethical treatment of employees. These are policies about treating people properly and avoiding the creation of unacceptable reward practices that reflect badly on the organization.

2.2.6 Types of reward management practice

Generally, reward systems are classified into two types: intrinsic rewards and extrinsic rewards which are also known as material or non- material rewards. Material rewards according to Hongoro and Normand (2002), are those provided for specific group of workers to motivate them for a specific behavior. Non-material (non-financial) rewards on the other hand are directed at moral motivation to serve in the interest of the community. For this research, the following specific reward programs are relevant to organizations to motivate the employees:

Figure 2.1 types of reward management practice



Adopted from.semanticscholar.org

2.2.6.1 Extrinsic reward management practice

Financial rewards are monetary incentives that an employee earns as a result of good performance, either in the form of a lump sum or in the form of monthly payments including all

additional income for the individual. They are considered the oldest forms of incentives which characterized by quick and immediate form that make individuals feel of an immediate feedback of their effort. Money whether it is in the form of wages, piecework or any other incentive pay, bonuses, stock options, company–paid insurance, or any other things that may be given to people for performance is important. The way to ensure that money has meaning, as a reward for accomplishment and as a way of giving people pleasure from accomplishment, is to base compensation as much as possible on performance (Pamela, 2015). The following are the most known extrinsic reward (financial incentive).

2.2.6.1.1 Bonus

These payments are provided to employees for achieving time-bound goals and objectives. Words such as incentive targets, objectives (bonus objectives), measurements, and ratings are all contextual terms used in most organizations. (Biswas, 2012) .Bonus can be defined as a sum of money added to a person's wages as a reward for their outstanding performance. According to E. Lawler III and G Worley (2006) organizations must use bonus and change it with cash rewards in order to motivate performance. They also noted that an increasingly popular form of variable pay uses the performance appraisal to determine the amount of bonus paid to an employee. Organizations needs reward systems that motivate performance, reward change, and promote the development of capabilities and competencies of individual and organizational.

Armstrong and Murlis H (2008) according to their book, bonus is a cash reward for past performance. It provides an important recognition of achievement in financial terms and thus can serve as a motivator as long as there is a clear relationship between the contributions of each person his or her reward. Second, the bonus is valued and there is reasonable chance of getting it if the required level of performance is achieve in the future and if incentive provides direct motivation. When direct motivation is achieved there is a clear vision between effort and reward and the level of expectation on the prospect of getting a substantial reward.

2.2.6.1.2 Benefits

Employee benefits and earnings form compensation packages available in different combinations and at different levels to occupations located in different labor markets (O’Rand, 1986). Vroom maintained in his expectation theory that everyone works in expectation of some rewards (both spiritual and material), and welfare is one of them. In other words, the degree of reward influences the quality and quantity of work, and in turn productivity. So it is important to explore

how to give the stimulus (welfare) in order to promote work motivation and productivity (Vroom, 1964). According to Maslow's (1948) in the hierarchy theory, the employee benefit programs could be classified into four types of welfare demands: physical demands; security demands; social demands; self-actualization demands. First, physical-demand benefit includes loans, dividends, year-end bonuses, savings subsidies, emergency subsidies, individual annual vacations, national holidays, paid leaves, dormitories and housing benefits, meal subsidies and laundry service.

Security-demand benefit includes day-care service, group dependent insurance (life and medical), pension, occupational disease compensations, child education benefits, discounted goods supply, medical equipment and subsidies, free commuting vehicles, commuter subsidies. Third, social demand benefit includes entertainment equipment and activities (such as clubs and foreign travel), educational equipment and activities, foreign travel subsidies, counseling measures, maternity and paternity leave. Finally, self-actualization-demand (including self-esteem) benefit includes opportunity and subsidies for further education/training and flexible working time. Benefits are items such as pension, sickness payments, company cars etc. which are additional to earnings; sometimes known as fringe benefits (Cole, 2002). Employee benefits are virtually any form of compensation other than direct wages paid to employees. It constitutes a major part of almost any individual's financial and economic security (Rosenbloom, 2001, p3).

Employee benefit policy to be adopted by an organization needs to consider several important issues like; the purpose of the benefit policy, range of benefits to be provided, the groups to which the benefit should be applied, estimated cost of benefit's program, the extent to which the program is influenced by the benefit policy of the competitors and the program likely achievement (Cole, 2002).

2.2.6.1.3 Piece Rate:

Under this incentive scheme, a uniform price is paid per unit of production. Employees may therefore be compensated according to the number of pieces they produced or processed. Compensation is therefore directly proportional to the level of productivity or results obtained.

The scheme is easy to calculate and employees may determine or predict their rewards in the short term and regulate their pace of work in accordance with the level of compensation they want to attain (Ugwu Ude and M.A.Coker, 2012).

2.2.6.1.4 Commission:

Used typically with sales people, commissions are incentive compensation based on a percentage of total sales. A good number of sales people work on a salary (base pay) plus commission. Others work on a straight commission basis only. Commission according to (Armstrong, 2009) is intended to act as an incentive, a reward and a means of recognizing achievement. A commission only incentive scheme provides a sales person for example, with incentive payment based on a percentage of the sales turnover they generate, while a base salary plus commission scheme provide for a proportion of total earnings to be paid in commission, and the rest in a fixed salary.

2.2.6.1.5 Profit Sharing:

Profit sharing is an incentive compensation plan that results in the distribution of a predetermined percentage of the company's profits to employees. This plan is used to integrate the employee's interests with those of the company. It is the payment to eligible employees of sums in the form of cash or shares related to the profits of the company during a specified period of time (Nwachukwu, 2009). This scheme is claimed to increase employees' commitment to their company by linking pay to profit and hence improve the level of mutual interest. A profit sharing plan is designed to pay out incentives when the company is most able to afford it and it may come in the form of current distribution plan, deferred plan and combined plan.

2.2.6.1.6 Gain-sharing:

(Armstrong, 2009) emphasizes that gain-sharing is a formula- based company or factory wide incentive plan that provides for employees to share in the financial gains resulting from increases in added value or another measure of productivity. Gain-sharing plans (also known as productivity incentives) generally refer to incentive plans that involve many or all employees in a common effort to achieve a company's productivity objectives. Gain sharing aims to relate the payouts much more specifically to productivity and performance improvements within the control of employees.

2.2.6.1.7 Golden handcuffs:

Sometimes called retention or loyalty incentives, golden handcuffs are used by a company to retain talented employees by demonstrating that they are valued for their contributions and by working fairly and consistently. Golden handcuffs make it difficult and costly for an employee to leave the organization. Golden handcuff packages include share options for managers, high salary scale, and high retirement benefits. The standard established by this incentive scheme is too high for any other company to meet up. This is why the scheme is called “golden or executive handcuff”; it ties the employee fully to the organization. This scheme is one of the recent incentives provided to employees in many private organizations

2.2.7.1.8 Share Ownership:

This plan intends to make employees co-owners of the company. It creates a provision for employees to have a stake in the company and longer term compensation by giving them options to buy shares at a future date for their current market price. Stock options are motivational to employees because they confer on employees the right to buy the company’s stock at a specified price. The individual gains several psychological and social benefits as a result of enhancing his/her purchasing power to satisfy his/her needs of goods and services. But financial incentives alone are not sufficient unless assisted by other types of incentives. Their effects are limited to satisfy the biological needs of individuals and have a little impact after it reaches the limit of needs. Therefore individuals are not seeking to increase production for additional financial gains, thus cannot be financially motivated to contribute in increasing production except for a certain amount based on their efforts (Marwan, 2012).

2.2.6.2 Non –Financial reward management practice

Non-financial rewards are those related to aspects of psychological needs, the increased attention to this aspect came after the emergence of human relations theories. Those incentives are based on respect of a human being who has feelings, hopes and aspirations. It could be in the form of participate in decision-making, training, career development (promotion) certificates of thanks and appreciation (Marwan, 2012). Specifically, the following are the major non-financial incentive schemes:

2.2.6.2.1 Recognition:

Employee recognition is an incentive, offer relatively low cost but high-impact means to reward to employees. This recognition could be done by holding annual dinners, luncheons, banquets etc...at which high-achievers or performers are celebrated. Other recognition techniques include the distribution of T-shirts, certificates and gold nameplates. Sometimes high performing employees are featured in organizational in house newsletters and in some cases are the subjects of press releases.

2.2.6.2.2 Career Development (Promotion):

A movement of a position in which responsibilities and presumably prestige are enhanced and empowerment is also the process which enables employees to set their own work goals and solve problems within their sphere of responsibility and authority can be considered as incentives.

2.2.6.2.3 Training.

The provision of a formal training scheme is important. As Herzberg stated, without training, workers will not be able to fulfill their potential. Training can be on-the-job, learning by doing, or off the job, such as studying at local or abroad training institutes. On the job training has costs such as management or supervisor time spent training, and potential reduction in quality of output. Off the job training, means lost production, and disruption, also the newly qualified worker may seek to use his qualifications to seek better employment elsewhere.

2.2.6.2.4 Working Conditions:

A positive working environment is an important element in efforts to recruit and retains staff. This includes providing a safe working environment for staff and proactively responding to emerging risks, as well as creating a positive organizational culture. In this sense, every member of an organization in the way that they deal with their own work demands, their colleagues and their customers can play a role in providing a positive environment where people will want to work.

2.2.6.2.5 Special Opportunities:

Available records suggest that management in some organizations used special opportunities as incentive schemes. These special opportunities include the chance to experience work autonomy and clarity of roles and responsibilities, job security, sabbatical and study leave, recreational facilities, favored assignments, flexible working hours, coaching can be considered as non-financial incentives to employees.

2.2.7 The Philosophy of Reward Management

Reward management is based on a well-articulated philosophy, a set of beliefs and building principles that are consistent with the values of the organization and help to enact them. These include beliefs in the need to achieve fairness, equity, that if HRM is about investing in human capital from which a reasonable return is required, then it is proper to reward people differentially according to their contribution (i.e. the return on investment they generate). Armstrong, (2003)

2.2.8 Related Theories

Among those theories related with the study the researcher took these four theories which represent the predominant explanations offered for the effects of reward on effort direction, perception, duration, and intensity. The theories are expectancy theory, equity theory, agency theory (via expected utility theory) and goal-setting theory.

2.2.8.1 Expectancy theory

Expectancy Theory According to Armstrong (2001) it is appropriate to indicate that a number of theories have emerged over the years with the expectancy theory having been studied over the recent decades. These theories represent attempts to explain employee motivation in terms of anticipated rewards. These theoretical models assume that people make rational decisions based on economic realities. Cole (1998) argues that most researchers are attracted to expectancy theory because it tries to bring together both personal and situational influences. Although many variations of expectancy theory have been proposed, Vroom (1964) advocated the most widely cited version. Vroom argues that the psychological force on an employee to exert effort is a function of his or her expectancies about the future and the valence (or attractiveness) of specific future outcomes. Two kinds of expectations are important in the model; the expectation that effort will lead to performance and the expectation that performance will lead to rewards. 18 In

discussing Motivation and incentives, Dessler (2008) notes that the theory advocated by Vroom is another important motivational fact, this proposes that in general people won't pursue rewards they find unattractive or where the odds of success are very low. Vroom echoes these common sense observations. He further states that a person's motivation to exert some level of effort depends on three things: the person's expectancy (in terms of probability) that his or her effort will lead to performance; instrumentality, or the perceived connection (if any) between successful performance and actual obtaining the rewards; and valence, which represents the perceived value the person attaches to the reward. In Vroom's theory, motivation is a function of three things: $Motivation = [Expectancy \times Instrumentality \times Valence]$. In his earlier edition Dessler (2003) advocates that in expectancy theory, motivation will occur if the incentive is of value to the person and if the person is reasonably sure that his or her effort will result in accomplishing the task and obtaining the incentive. Expectancy theory argues that the strength of a tendency to act in a certain way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of the outcome to the individual. This theory has 3 variables: Attractiveness: The importance that the individual places on the potential outcome or reward that can be achieved on the job. This considers the unsatisfied needs of the individual. Secondly, performance - reward linkage: The degree to which the individual believes that performing at a particular level will lead to the attainment of each job outcome and finally, Effort - Performance linkage: The perceived probability by the individual that exerting a given amount of effort will lead to performance. The strength of people's motivation to perform (effort) depends on how strongly they believe that they can achieve what they attempt. If they achieve this goal (performance), will they be adequately rewarded and if they are rewarded by the organization, will the reward satisfy their individual goals? 19 The above steps according to Dessler (2003) can be related to compensation - first, what outcomes does the job offer the employee? Outcome may be positive: pay, security, companionship, trust, fringe benefits, and a chance to use talent or skills. Employees on the other hand may view outcome as negative: Fatigue, boredom, frustration, anxiety, harsh supervision and threat of dismissal. Reality is not important here; the critical issue is what the individual employee perceives the outcome to be, regardless of whether or not these perceptions are accurate. Secondly, how attractive do employees view these outcomes: are they valued positively, negatively or neutrally? This is an internal issue to the individual and depends on his or her personal values, personality and needs.

The individual who finds a particular outcome attractive (positively valued) would prefer attaining it rather than not attaining it. If it were negative, the individual would prefer not attaining it rather than attaining it. Additionally, he or she may be neutral. Third, what kind of behavior must the employee produce in order to achieve these outcomes? The outcomes are not likely to have any effect on the individual employee's performance unless the employee knows, clearly and unambiguously, what he or she must do in order to achieve them e.g. What is "doing well" in terms of performance appraisal, the criteria the employee's performance will be judged on. Fourth, how do employees view their chances of doing what is asked of them? After the employees have considered their own competencies and their ability to control those variables which will determine their success, what probability do they place on successful attainment? To explain this concept let us assume an employee of an organization desires to buy a new home. Successful job performance should then clearly lead him/her towards that goal. If the employee perceives that his/her efforts will result in successful job performance which, if rewarded by a significant pay rise, can satisfy his/her desire for a new home, one can expect him/her to be highly motivated. The key to the expectancy model is the understanding of an individual's goals and the various linkages, firstly between effort and performance, secondly between performance and rewards and, thirdly 20 between rewards and individual goal satisfaction. The expectancy theory is a contingency model. It recognizes that there is no universal method for motivating people. This theory brings out the following issues: First, it emphasizes payoffs or rewards. As a result, we have to believe that the rewards the organization is offering align with what the employee wants. Second, we have to be concerned with the attractiveness of rewards, which requires understanding and knowledge of that value an individual puts on organization payoffs. We will want to reward the individual with those things he or she values positively. Third, expectancy theory emphasizes expected behaviors. Do employees know what is expected of them and how they will be appraised? Finally, the theory is concerned with expectations. It implies that the manager should counsel subordinates to help them grasp a realistic view of their competencies. Furthermore, the manager should support the subordinates in developing those skills that are important in leading to better performance. These efforts are made because we want employees to be realistic in their perception of their efforts leading to a positive outcome. Expectancy theory does have its limitations. It makes assumptions about people, the most important of which is that their motivation is a logical, thoughtful process. Since the aim of

outcomes and subjective probabilities that constitute the theory are known only to the individual, there can be little hope of accurately predicting behavior. Armstrong (2001). In discussing this theory, Jason (2009) states that people choose their behaviors and effort levels after considering whether their behaviors and effort will improve their performance and lead to desired consequences e.g. recognition and reward. “In the beginning you are the lowest paid and you are trying hard to get raises. But no matter what I did, nobody reviewed my work and I never got noticed. After a while, I stopped being so concerned about performance”, Jason (2009).

2.2.8.2 Equity theory

Equity theory centers on the importance of feelings of fair treatment and the possible behavioral manifestations which may result from perceived inequity. This theory highlights the fact that individuals make comparisons and that feelings of unjust treatment in comparison with fellow employees may result in withholding effort, restricting output, reducing cooperation and even withdrawal. (Collings & Wood, 2009) Equity theory (Adams, 1965), which states that people will be better motivated if they are treated equitably, and demotivated if they are treated inequitably. There are two forms of equity: distributive equity or distributive justice, which is concerned with the fairness with which people feel they are rewarded in accordance with their contribution and in comparison with others; and procedural equity or procedural justice, which is concerned with the perceptions employees have about the fairness with which company procedures in such areas as performance management, promotion and discipline are being operated. (Armstrong, 2010).

2.2.8.3 Goal-setting theory

Goal setting theory formulated by Edwin Locke and Gary Latham is based on empirical evidences of laboratories and field works gathered for about two decades in different tasks and settings. According to Latham and Locke (2006), a goal is defined as „is a level of performance proficiency that we wish to attain within a specified time period“. (pp. 332) The theory claims that people are optimally motivated when they a) set specific, challenging and attainable goals b) have enduring commitment on the goals; and c) have sound and realistic self-efficacy about achieving the goals. Briefly, the theory states that motivation and performance are optimum if employees set specific goals that are difficult but achievable and supervisors gave feedback on performance of employees. As indicated in Fig.1 below persistent feedback, commitment and

strong self-efficacy strengthen the motivation of the individual thereby goal-directed effort that results in goal achievement (Shields, 2007).

2.2.8.4 Reinforcement Theory

In discussing reinforcement theory, also known as operant conditioning, Armstrong (2001) notes that it was advocated by Skinner (1974). The theory also referred to as behavior modification is particularly influential in directing behavior if rewards are substantial and highly desired, administered intermittently and differentially distributed so that higher levels of performance lead to proportionally larger increases in reward, Cole (1998). Reinforcement or operant conditioning is instrumental learning. It advocates that learning is more voluntary and it depends on stimulus. If there is response, this response has to be rewarded. Positive reward is likely to encourage more response and is used to encourage similar response while punishment is likely to discourage undesired response. This theory can be used to describe what learning is all about and also to develop performance-based compensation systems. This theory differs from classical conditioning in that operant is voluntary. People can decide to do or not to do something. Advocates of this theory prefer to diagnose situations in terms of an “antecedent-behavior consequence” or A-B-C framework. Antecedents are stimuli that precede behaviors. Consequences are the outcomes, that is, rewards or punishments. These consequences in turn, serve as antecedents for subsequent behavior. By managing the consequences of behavior, organizational behavior modification (OB Mod) theorist seeks to modify later behavior. In discussing behavior modification / reinforcement theory Dessler (2008) ;notes that using incentives also reflects the idea that to understand behavior one must understand the consequences of that behavior. Psychologist Skinner’s findings provide the foundation for much of what we know. Managers apply Skinner’s principles using behavior modification. Behavior modification means changing behavior through rewards or punishment that is contingent on performance. He further states that behavior modification has two basic principles: (1) that behavior which appears to lead to a positive consequent (reward) tends to be repeated, while behavior that appears to have negative consequence (punishment) tends not to be repeated and (2) that, therefore, managers can get someone to change his or her behavior by providing the properly scheduled rewards (or punishment). On the other hand, Armstrong (2001) explains that reinforcement theory and expectancy theory have similar conceptual foundation in that both approaches derive from Hedonistic base. This principle holds that people will seek pleasure and

avoid pain and that people are fairly rational when choosing between alternative courses of action. Thus reinforcement focuses on the influence of past rewards in shaping present behavior while expectancy theory focuses on the influence of anticipated rewards on present behavior. The two theories however differ in their predictions of what effects will result from a change in the scheduling of rewards. If a person is rewarded continuously (that is with an expectancy of 1.0) and then rewards are shifted so that they are administered less often (that is on an intermittent schedule), expectancy theory predicts a decline in motivation, while Reinforcement Theory predicts that motivation will persist. Researchers indicate that reinforcement theory appears to have more followers within the field of applied work motivation than expectancy theory because of its simplicity and ease of application. These theories probably explain the use of bonuses and incentive awards in form of compensation to enhance performance through rewards and may further explain the staff complacency attitude towards their regular benefits almost taking them for granted. Kanyita (2003) .

2.2.9 Factors that Affect Reward Systems

Rewards policy and practice are influenced by several factors like internal, environmental or contextual and conceptual factors. The internal factors, which affect reward systems of an organization, are the purpose, products and services, processes, sector (public or private) and most importantly the culture of the organization, which is influenced by all other characteristics. Organizational cultures are collective values, norms, attitudes and assumptions that guide people in the firm. Thus, employees that align with the organizational values positively contribute to the organization's goals whereas those against it create different barriers to achieve the goals. In regarding to reward systems, the set of values in an organization are most important in a way that whether these values are acknowledged to all members of the organization or only to high level management members. In the previous case, the organizational culture considers the values, needs and satisfaction of its members so that employees are well informed and participates in reward system policy and implantation processes. However, in the latter case, employees are ignored about the organization's core values so that this might hamper the achievement of organizational goals (Armstrong, 2007; Bolch, 2007; Maurer, 2010). The external factors that interfere with reward systems policies and practices are globalization, employment and demographic trends, governmental and Job unions intervention. Globalization mean, in which expatriates are privileged in rewards# than the local employees. Employment trends and

demographic trends are issues related with the rewarding differences among job structures and qualifications, rates of pay in the market-highly competitive labor markets also affects rewarding from basic wages up to benefits and incentives- whereas, governmental and 18 Job union's interventions are in ways they try to set standards on rewarding systems...etc. (Bolch, 200; Maurer, 2010).

Conceptual factors that influence in the implementation of reward systems are pay levels – mostly dependent on economic theories, motivation and job satisfaction. Either the reward objective is unilaterally to increase productivity or aims to satisfy employees, engagement and commitment. Reward needs in order to engage employees and organizations' commitment towards its employees while psychological contracts – related to employees belief systems, that is, what is expected from the employees in the their job and what they expect from their employers and vice versa(Armstrong, 2007; Bolch, 2007; Maurer, 2010).

2.2.10 Overview of Employee Performance

Performance management can be defined broadly as the process of taking systematic action to improve organizational, team and individual performance. It enables performance expectations to be defined and creates the basis for developing organizational and individual capability. For individuals and teams, performance management is associated with both financial and non-financial rewards (Armstrong, 2010).

Performance is indeed often regarded as simply the outcomes achieved: a record of a person's Accomplishments. Kane (1996) argues that performance 'is something that the person leaves behind and that exists apart from the purpose'. Bernardin(1995) believe 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.'

Borman and Motowidlo (1993) put forward the notion of contextual performance, which covers non-job specific behaviors such as cooperation, dedication, enthusiasm and persistence and is differentiated from task performance covering job-specific behaviors. As Fletcher (2001) mentions, contextual performance deals with attributes that go beyond task competence and that foster behaviors that enhance the climate and effectiveness of the organization.

Performance could therefore be regarded as behavior – the way in which organizations, teams and individuals get work done. Campbell (1990) states that: 'Performance is behavior and should be distinguished from the outcomes because they can be contaminated by systems factors.'

A more comprehensive view of performance is achieved if it is defined as embracing both behavior and outcomes. This was well put by Brumbach (1988) as follows: ‘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.’

Performance is a complicated notion. As Bates and Holton (1995) emphasize, ‘Performance is a multi-dimensional construct.’ It has been pointed out by Campbell (1993) that the components of performance are: 1) job-specific task proficiency, 2) non-job-specific proficiency (e.g. organizational citizenship behavior), 3) written and oral communication proficiency, 4) demonstration of effort, 5) maintenance of personal discipline, 6) facilitation of peer and team performance, 7) supervision/leadership, and 8) management/administration. This concept of performance leads to the conclusion that when managing the performance of teams and individuals a few factors must be considered; including both inputs (behavior) and outputs (results).

Measuring performance is of great importance to an incentive plan because it communicates the significance of established organizational goals. “What gets measured and rewarded gets attention” (Bohlander, 2001). In discipline of human resource management, different writers suggest the following indicators for measuring employee performance and they include: quality that can be measured by percentage of work output that must be redone or is excluded; Customer satisfaction that can be measured by the number of noble customers and customer feedback. Also, timeliness, measured in terms of how fast work is performed by the employee when given ascertain task; absenteeism/tardiness observed when employees absent themselves from work; and achievement of objectives measured when an employee has surpassed his/her set targets, he/she is then considered to have performed well to achieve objectives (Hakala, 2008; Armstrong, 2006). The management of individual performance within organizations has traditionally centered on measuring performance and allocating reward, with effective performance seen as the result of the interaction between individual ability and motivation. It is increasingly being recognized that planning and an enabling environment have a critical effect on individual performance, with performance goals and standards, appropriate resources, supervision and support from the managers all being central (Torrington, Hall & Stephen, 2008).

Human resource policies and practices indeed do affect organizational as well as individual performance. Job satisfaction for example, has for a long time been key to affecting business performance as well as commitment. In addition, researchers have also identified motivation as the mediating mechanism and some identify trust and morale. Despite more recent attention to commitment, motivation is still considered to be an important influence to performance (Torrington et al, 2008)

2.3. Empirical review of literatures

Aguinis (2009) has conveyed the idea that practical constraints may not allow for the implementation of all or some features of a 'perfect' performance management system. The reality is that performance management systems are seldom implemented in an ideal way. For example, there may not be sufficient funds to deliver training to all people involved, supervisors may have biases in how they provide performance ratings, or people may be just too busy to pay attention to a new organizational initiative that requires their time and attention. Similarly, Armstrong (2012) believes that motivation would be enhanced by leadership that sets the direction, encourages and stimulates achievement and provides support to employees in their efforts to reach goals and improve their performance generally. Discussing the importance of acceptability and fairness as core characteristics of an 'ideal' performance system, Aguinis (2009, p.32) has added that "A good system is acceptable and is perceived as fair by all participants. Perceptions of fairness are subjective, and the only way to know whether a system is seen as fair is to ask the participants. We can ask about distributive justice, which includes perceptions of the performance evaluation received relative to the work performed, and perceptions of the rewards received relative to the evaluation received, particularly when the system is implemented across different work settings." Pulakos (2009) states that performance management has been considered as one of the lowest rated areas in employee surveys. She argues that the performance management system has been viewed as the paperwork drill needed by human resources due to the lack of understanding of the benefits that could be derived from the effective performance management system. Thus Assessing the effect of Performance Management System on Employees' Motivation: A Case of Ethiopian Airlines - 2018 34 management has so far failed to realize that the implementation of the management strategies and communications among employees are the two major characteristics that could influence the effective implementation of performance management system. Ajitha & Panchanatham (2014)

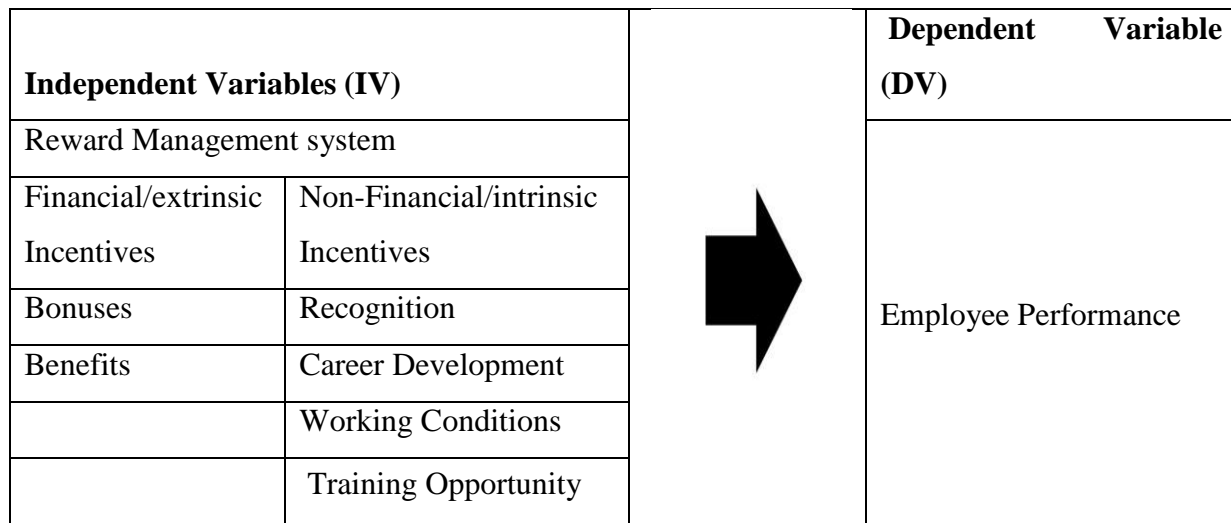
have noted that employee' reactions to the fairness and accuracy of the appraisal system may affect their motivation to correct weak performance or develop unused potential. These scholars have concluded from their study that most of the employees understand the fact that performance appraisal system has direct impact on the employee motivation. Accordingly, it is the duty of every organization to motivate the employees through performance appraisal system and influence their behavior. Thus the superiors have to pay more importance to performance evaluation system to motivate the employees which will enhance their productivity. In his study on 'The Role of performance Management Practice on Employees' Motivation: The Case of Commercial Bank of Ethiopia', Abebe Kassaye (2017) has concluded that effective performance management system is positively related to employees' motivation. He added that "a well-performed performance management process gives a powerful tool for addressing or improving poor performance issues, when they identified." (Abebe Kassaye, 2017, p.78) Hamid Abdurehim (2017) had studied 'The Role of performance Management Practice on Employee Productivity in East Africa Bottling Share Company' and found out that "the performance management practice of the company has a significant role on employee productivity. Regarding its relationship with employee productivity, it has positive and significantly high correlation. And, it has also positive and significant effect on employee productivity." (2017, p.53) In conclusion, it is worth noting Armstrong (2008) who had considered that the overall aim of performance management was to establish a high performance culture in which individuals and teams take responsibility for the continuous improvement of business processes and for their own skills and contributions within a framework provided by effective leadership.

2.4 Conceptual Framework

Both team and Individual performance is rewarded through reward management systems. Regardless of the incentive form, incentives play an important role in advancing an individual's capacity and moving abilities by motivating them to develop their skills and finding a balance between the organization's requirements and the individual's needs, thereby enhancing the organization's performance efficiently and effectively. According to (Armstrong & Taylor, 2014) extrinsic reward works when a link between effort and reward is clear and the value of the reward is worth the effort. This study has investigated the selected elements of reward management systems. The paper has also find out organizations use reward management practice

as a number one tool to attract and retain its qualified and key employees and also facilitates them to improve their performance. The conceptual framework of the study specifies the nature of the study, which is illustrated in the diagrammatic form of Figure 2.1 According to the model, dependent variable is employee performance and the independent variables are reward management systems (Intrinsic and extrinsic).

Fig. 2.2. Conceptual framework of the study



Source: The study adopted the conceptual framework (Armstrong & Taylor, 2014)

Chapter Three

3. Research Design and Methodology

3.1 Research Approach

The study conducted both qualitative and quantitative study approach in order to demonstrate the effect of reward management practice on employee performance. This Mixed method was used to analyze and interpret the collected data so as to accomplish the purpose of the study and split-up the information collected using both methods. As a result each method is used appropriately to comply with the respective research questions

3.2 Research Design

The research had conducted descriptive research designs. A descriptive research design was applied to describe the data and characteristics of the samples in order to understand and systematically describe the reward management practice of the case organization and also to identify the most influential variables that affect employee's performance.

3.3 Population and sampling design

The study population was comprised of 1057 employees engaged within the company in different customer service job position of Ethiopian airlines in all shifts was chosen as a unit of analysis for this study excluding passenger service managers. There are only 9 passenger services managers working at the airport on both day and night shift and all are taken for the study.

3.3.1 Target Population

The target population of this research study was customer service agent of Ethiopian Airlines which have the total number of 1057 and manager's passenger service are 9. This study aided to reveal which factors has the significant influence the customer service staff employees' of Ethiopian Airlines. The population target was at Addis Ababa bole international airport. Besides, it was also convenient for this research to collect data as there are respondents needed, to distribute the questionnaire and semi-structured interview in areas for the questionnaire to be distributed for supporting this research.

3.3.2 Sampling Size

According to the information provided by the company, the sample size for customer service agent of Ethiopian Airlines Addis Ababa, population of 1,057 should be around 291 respondents. A pilot test with sample size of 30 respondents has been conducted before the actual distribution of questionnaires. The researcher had selected appropriate number from individuals of different station to test the factors and their effects on the Employee performance. So the research was done on sample size of 291, which was obtained from the ground staff specifically customer service agents of Ethiopian Airlines.

This sample is calculated by using below standard formula.

$$n = N / [1 + N(e^2)], = 1057 / (1 + 1057(0.05 * 0.05)) = 291$$

Where; n = sample size

N = population size

E = Level of precision or acceptable sampling error (0.05)

Adopted from Yamane, T (1967) Elementary sampling theory: Prentice-hall, Inc., Englewood Cliffs, N.J

3.3.3 Sampling Techniques

In this research simple random sampling were used to select supervisors and customer service agents so as to distribute questionnaire and census/availability were used for semi-structured interview for passenger service managers as their numbers are limited. Since every member of the population has a known and each of them has equal chance of being selected, the sampling technique that researcher used for this research was simple random Sampling. The respondents selected should be as representative of the total population as possible in order to produce a miniature cross-section.

3.3.4 Sampling Elements

In this study, the respondents of the survey are customer service agent employee. These agents are chosen as respondents because since these agents have direct communication with customers they may have high impact toward company performance. So, it was essential for the researcher to focus on those employees and find out the reason in order to maximize the number of loyalty. To maintain a level of reliability on the responses by the respondents, certain employees has not

been chosen due to factors such as, time available (i.e, when respondents are in a hurry, they might simply fill in the questionnaire as soon as possible, providing misleading answers).

3.4 Data Collection Method and Procedure

Based on the basic questions, a questionnaire composed of close-ended and a few open-ended items were prepared to the target samples. Furthermore The semi-standardized interview were adapted from previous researches, related literatures and interview format that included several questions to assess the overall managers perceptions on rewarding system of Ethiopian airlines and employees performance. The researcher therefore combined the use of structured questionnaire and documentary analysis in the process of collecting both primary and secondary data.

3.4.1 Primary Data

Primary data was used for better understanding of the issue under the study and collected from respondents at Ethiopian airlines, who are assumed to give first-hand information. The research instrument that is used to collect primary data is a five point Likert scale structured questions. The self-administered survey questionnaire is used to collect the data from the respondents. Before beginning actual data collection, the researcher briefed the management team and other concerned staff with regard to the purpose of the research. All question items will be attached as annex I and II.

3.4.2 Secondary Data

Secondary data will be gathered from sources like; annual reports, journal articles, internet, magazines, newspapers and books related to the subject of the study and these were consulted at length to extract the information required to support the findings from the study respondents.

Table 3.1 Data collection instruments (questionnaire) development

Instrument development				
Variables	Variable Specification	Number of items (questions)	Measurement	Adopted from
Independent Variable				
A extrinsic reward system				
1	Bonus	6	Likert scale	(Shraddha Bajracharya 2018)
2	benefit	6	Likert scale	(Shraddha Bajracharya 2018)
B. Intrinsic reward system				
1	Recognition	4	Likert scale	(Teskaye Fantu 2018)
2	Promotion and Career Development	4	Likert scale	(Meseret Haile 2017)
3	Working Conditions	5	Likert scale	(Martha Gebremeskel 2017)
4	Training Opportunities	4	Likert scale	(Teskaye Fantu 2018)
dependent variable				
employee performance		8	Likert scale	(Teskaye Fantu 2018)

3.5 Pilot Test

Piloting has paramount importance for improving the instruments of data collection. After preparation, the instruments will be tested to check whether they can generate the desired information and to judge their internal consistency. Therefore, the pilot testing will be made, Commercial Bank of Ethiopia Gulele Branch, will be selected for the pilot study. In the pilot test 29 employees, will be involved from all levels of management. Then, based on the feedback obtained, the necessary modification will be made for the actual work by the researcher. Moreover reliability of the items will have been checked before distribution questionnaires and analyzed by using Cronbach's alpha test. Commercial bank of Ethiopia has been selected as the two companies are service providing companied and working on customer service

3.5.1 Validity and Reliability test result

Validity is the degree to which a measure accurately represents what it is supposed to (Hair, 1985). It is concerned with how well the concept is defined by the measure(s). He also defined the content validity as the assessment of the correspondence between the individual items and concept. The study addresses content validity through the review of literature and adapting instruments used in previous research which refers reward management practice and employee performance repeatedly refined and corrected in different field works (Duggirala, 2008). To assure the construct validity that is whether the measure adequately represents the underlying supposed to measure, theoretical assessment of validity was undertaken. Accordingly, the items were partially adopted from previous studies and partially based on the definition given by different researchers, besides, appropriate research procedures were applied to find the answers to the basic question. With this the construct validity was also measured.

According to Sekaran (2003), if alpha coefficient is below 0.6, the reliability is weak. Alpha coefficient which ranges from 0.6 to 0.8 is considered to be moderately strong. If the alpha coefficient is above 0.8, they are considered to be very strong Cronbach's alpha values are dependent on the number of items in the scale. Thus the study also demonstrates very strong internal consistency and the total Cronbach's Alpha coefficient is .981. Therefore, this study demonstrates very strong reliability

3.2 Total reliability Statistics for extrinsic, intrinsic and employee performance related questions

No of items	Variables	Cronbach's Alpha
6	Bonus	0.968
6	benefit	0.986
4	recognition	0.967
4	promotion	0.969
5	working condition	0.958
4	training opportunity	0.955
8	employee performance	0.974

3.6 Method of Data Analysis

Descriptive and inferential method of data analysis was used to analyze data collected from questionnaire. The descriptive statistics include frequencies, valid percentages, means and standard deviation. This was used to present the demographic characteristics of the respondents and reward management practices part of the questionnaires in a summarized manner. Inferential statistics was computed and used to come up with conclusion on how representative was the sample to tale about the relations between intrinsic and extrinsic reward practice (independent variables) on employee performance (dependent variable) were made by using Pearson product-Moment Correlation Coefficient and Multiple regression analysis for the other two objectives that is ‘determining the relationship intrinsic and extrinsic reward management practice with employee performance and the effect of reward management practice on employee performance’

The following multiple regression equation has been used

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \dots + \beta_nX_n + \dots + \epsilon$$

Where

Y = dependent variable (employee performance)

β_0 = is the Y intercept or constant

β_1 ... β_4 = coefficient of regression which measures how each independent variable influences the dependent variable that is employee performance.

X1 = bonus

X2 = benefit

X3 = Recognition

X4 = Promotion

X5=Working condition

X6=training and development

ε =Error Term

The model adopted from the research conducted by Scheryl Waeni Musyoka (2017)

3.7 Ethical Consideration

The researcher will use data from employees which are collected through self- administer questionnaire; permission is obtained from employees. To maintain confidentiality, the respondents will be informed that the information they provide are confidential and used only for academic purpose. The respondents will be informed not to write their names on the questionnaire. The data that will be collected will be kept confidential and the researcher will try to work on the paper with standard professional ethics.

Chapter Four

4. Analysis and Interpretation of Data

4.1. Introduction

This part of the study deals with presentation, analysis and interpretation of data gathered from the employee of Ethiopian Airlines.

It consists two main parts: the first part discusses the characteristics of the respondents while the second part deals with the analysis of the data in order to propose the main findings in line with the research questions.

4.2 Ethiopian airlines Reward Management System (Qualitative Output from managers Interview)

The qualitative data provided by the managers' passengers' service permitted and facilitated the creation of the selfreport questionnaire for gathering data from EAL employees in order to examine the available reward systems in the business. The responses to the semi-structured interview questions (i.e. Appendix-2) revealed that Ethiopia Airlines offers both cash and non-financial prizes. Salaries, allowances, bonuses, per diems, annual pay increases, and other fringe benefits such as free or low-cost plane tickets, free medical services, and free transportation are among the financial rewards offered by the organization. Recognition by managers and supervisors, work-environment facilitation-training possibilities promotion and career growth, and parking space are among the non-monetary benefits given in Ethiopian airlines. Furthermore, the types of rewards accessible are primarily individual or performance-based, based on their profession duty and available productivity; yet, managers say that groups receive acknowledgment as well. Financial awards are given out on a monthly or yearly basis in the organization, depending on the sort of reward.

Salaries, allowances, and per diems, for example, are paid monthly, whereas bonuses, salary increases, and other financial advantages are paid annually. The report also revealed that employees have no input into incentive planning or decision-making because awards are predetermined; nevertheless, respondents said that employee complaints and ideas are taken into account.

Employees' responses to questions on whether they prefer individual or collective rewards were diametrically opposed to one another. Employees prefer performance-based compensation, according to the first responder, who did not provide a reason. Employees prefer group performance because it masks weak performers, according to the second respondent, whereas employee choice is individual based rewarding because individual strength, quality, and qualification are distinct for each individual employee, according to the third respondent. They responded positively to the motivational power of the reward system in place, reasoning that great performers continue to be creative, while middle and low performers are motivated to improve their performance. In addition, there is a system in place that tries to boost production and reward staff achievement.

4.3. Characteristics of Respondents

Different groups of respondents were included in the study to diversify the sources of information. These include nine managers, thirty seven supervisors', and 242 operational level customer service agents of the company. Regarding the characteristics of the sample respondents, tables 3 portrays the respondent's position, gender, and, qualification.

In order to collect data, questionnaires were distributed to the sample supervisors and agents. Interview was also used as an instrument to nine managers. The questionnaires contained detailed close ended as well as open ended questions. From a total number of 291 questionnaires distributed to samples 279 questionnaires were properly filled out and returned. The analysis and interpretation of the data was made based on the responses obtained from respondents.

Table.4.1 Respondents Distribution by Sex, and Academic Qualification

Variable	Category	Supervisors		Agents		Total	
		N	%	N	%	N	%
Gender	Male	22	59.4	99	40.9	121	43.3
	Female	15	40.6	143	59.1	158	56.7
	Total	37	100	242	100	279	100

Academic qualification	MA/MSC	19	51.4	13	5.4	32	11.5
	BA/BSC/	18	48.6	217	89.7	235	84.2
	Diploma	0	0	12	4.9	12	4.3
	Total	37	100	242	100	279	100

Source: survey data 2013

N=Number of respondents, % = percentage calculated for N

Table 2, shows that, 22 (59.4%) of supervisors are males and only 15 (40.6%) are female. On the other hand, the sex distribution of agents indicates that 99(40.9%) and 143 (59.1%) are males and females respectively. This showed that the percentage of the female respondent is greater than the male counterparts.

The educational qualification distribution of the supervisors shows that, 19(51.4%) MA/MSC and 18(48.6%) BA/BSC. Similarly, as depicted in table 2: 217(89.7%) were first degree holder and only 32(11.5%) and 12(4.3) of them are MA/MSC and Diploma holders respectively. This entails that there are adequate educated human resource in the company.

4.4. Analysis on the effect of reward management practice on employee performance of Ethiopian Airlines

Responses were considered to investigate the effect of reward management practice on employee performance of Ethiopian Airlines collected on five points Likert scales consisting of twelve items for the extrinsic reward system, seventeen items for intrinsic reward system, and lastly eight items for employee performance.

The responses were converted in to numerical scale. The numerical values assigned to the all items were (5=strongly agree, 4=agree, 3=neutral, 2=disagree and 1=strongly disagree). In this chapter the researcher combined the responses “strongly agree” and “agree” in to an “agree”, whereas “strongly disagree” and “disagree” in to a “disagree” for the sake of data interpretation in tables 3, 4 and 5. The frequency distribution of each variable in number, in percent the mean as well as standard deviation was calculated using statistical package for social science (SPSS)

software. Latter data were aggregated at the school level by averaging the scores of each instrument. The mean scores for each variables and factors were then determined by averaging the scores for all survey items with in each instrument.

Table 4.2 Respondents response on extrinsic reward system

N o	Bonuses	RC	SD	%	NEU	%	A&S	%	X	A V M	Sd
			& D				A				
1	Annual bonus based on the company financial targets and achievements.	S	21	59.4	1	2.7	14	37.8	2.81	2.4	1.596
		A	191	78.9	10	4.1	41	16.9	2.08		1.291
2	The existing company bonus pay system is inspiring me to a higher performance	S	24	64.8	4	10.8	9	24.3	2.19	2.1	1.351
		A	178	73.6	31	12.8	33	13.7	2.01		1.168
3	Bonuses are paid fairly for extra work, efficiency and achievements.	S	13	62.1	2	5.4	12	32.4	2.65	2.5	1.296
		A	160	66.1	32	13.2	50	20.7	2.34		1.246
4	Shift premium bonus is paid fairly and accordingly.	S	23	62.1	3	8.1	11	29.7	2.38	2.3	1.622
		A	161	66.5	32	13.2	49	20.3	2.21		1.518
5	Hardship allowance is paid as per the demand of the work.	S	21	59.4	2	5.4	14	37.8	2.65	2.5	1.296
		A	159	65.7	32	13.2	51	21.1	2.25		1.148
6	The company usually provides bonuses for all its employees' according to the job grade	S	24	64.8	2	5.4	11	29.7	2.32	2.3	1.634
		A	161	66.5	31	12.8	50	20.7	2.22		1.518
	Benefits										
7	I believe the benefits offered by	S	26	70.2	1	2.7	10	27	2.57	2.5	1.463

	this Company meet my needs	A	53	79.3	1	0.4	49	20.2	2.38		1.365
8	My Company offers a comprehensive benefits package	S	21	59.4	1	2.7	15	40.5	2.38		1.479
		A	189	78.1	0	0	53	21.9	1.83	2.1	1.207
9	The benefits offered provide security for me and my family	S	23	62.1	2	5.4	12	32.4	2.68		1.396
		A	182	75.2	10	4.1	50	20.6	2.43	2.6	1.245
10	The Benefits department provides accurate and helpful information	S	22	59.4	2	5.4	13	35.1	2.41		1.589
		A	159	65.7	33	13.6	50	20.6	2.06	2.2	1.459
11	The benefits statement I received was clear and easy to understand	S	19	51.3	6	16.2	12	32.4	2.86		1.294
		A	141	58.3	51	21.1	50	20.6	2.68	2.8	1.172
12	Transport facilities are provided to employees	S	22	59.4	2	5.4	13	35.1	2.51		1.574
		A	158	65.3	33	13.6	51	21.1	2.14	2.3	1.433

Source: *survey data 2013*

Key: RC= Respondents Category, SD+D = strongly disagree and disagree, NEU=neutral, A+SA= agree and strongly agree, X=mean, %=percentage, Sd=standard deviation, S=supervisors, A=agents

AvM=Average mean, the average of supervisors and operational agents.

AvM<2.5= “poor”, AvM = 2.5 to 3.5 “moderate” and AvM>3.5 “good”

4.4.1 Analysis of respondent’s response on extrinsic reward system

This section table 3, deals with the existing practice of extrinsic reward system in the company.

Item1 of Table 3 shows that 37% of supervisor participants agreed that there was annual bonus based on the company financial targets and achievements; 2.7% expressed their indecision and the rest, 59.4% disagreed. This signifies that the majority of the supervisors’ participants disagreed that there was bonus based on the company financial targets and achievements.

As indicated in table3, 16.9% of the agent participants agreed that there was annual bonus based on the company financial targets and achievements; 4.1% expressed their indecision and the rest, 78.9% disagreed. This implies that the majority of the agent participants disagreed that there was annual bonus based on the company financial targets and achievements.

Table3 item number 2 shows that 24.3% of the supervisor participants' company bonus pay system was inspiring them to a higher performance; 10.8% expressed their indecision and the rest 64.8%, disagreed. This denotes that the majority of the supervisors disagreed on the existing company bonus pay system was inspiring them to higher performance.

As indicated on Table 3, 13.7% of the agent participants agreed that the agent participants agreed that the existing company bonus pay system was inspiring them to higher performance; 12.8% expressed their indecision and the rest, 73.6%, disagreed .this implies that the majority of the agent participants disagreed that the existing company bonus pay system was inspiring them to a higher performance.

Table 3 shows item 3 that 32.4% of the supervisor participants agreed that bonuses were paid fairly for extra work efficiency and advancement; 5.4% expressed their indecisions and the rest 62.1%, disagreed. This signifies that the majority of the supervisor participants disagreed that bonuses were paid fairly for extra work, efficiency and achievements.

As indicated on the table 3 of item 3 20.7% of the agent participants agreed that bonuses were paid fairly for extra work, efficiency and achievements; 13.2% expressed their indecision and the rest 66.1%, disagreed. This entails majority of the agents participants disagreed that bonuses were paid fairly for extra work, efficiency and achievement.

Item 4 of Table 3 shows that 29.7% of the supervisor participants agreed that shift premium bonus was paid fairly and accordingly: 8.1% expressed their indecision and the rest, 62.1%, disagreed. This signifies that the majority of the supervisor participants disagreed that shift premium bonus was paid fairly and accordingly.

As indicated in that item, 20.3% of the agent participants agreed that shift premium bonus was paid fairly and accordingly: 13.2% expressed their indecision and the rest, 66.5%, disagreed. This implies that the majority of the agent participants disagreed that shift premium bonus was paid fairly and accordingly.

Item 5 on Table 3 shows that 37.8% of the supervisor participants agreed that hardship allowance was paid as per the demand of work: 5.4% expressed their indecision and the rest, 59.4%, disagreed. This signifies that the majority of the supervisor participants disagreed that hardship allowance was paid as per the demand of the work.

Whereas indicated on Table3, 21.1% of the agent participants agreed that hardship allowance was paid as par the demand of the work: 13.2% expressed their indecision and the rest, 65.7% disagreed. This implies that the majority of the agent participants disagreed that hardship allowance was paid as per the demand of the work.

Table 3, item 6 shows that 29.7% of the supervisor participants agreed that the company usually provided bonuses for all its employees according to the job grade; 5.4% expressed their indecision and the rest, 64.8%, disagreed. This indicates the majority of the supervisor participants disagreed that the company usually provided bonuses for all its employees according to the job grade.

As indicated on the same item, 20.7% of the agent participants agreed that the company usually provided bonuses for all its employees according to the job grade: 12.8% expressed their indecision and the rest, 66.5%, disagreed.

This implies that the majority of the agent participants disagreed that the company usually provided bonuses for all employees according to the job grade.

Table 3 item 7 shows that 27% of the supervisor participants agreed that they believed the benefits offered by the company met their needs: 2.7% expressed their indecision and the rest, 70.2%, disagreed. This implies that the majority of the supervisor participants disagreed that they believed the benefits offered by the company met their needs.

As shown on Table 3, 20.2% of the agent participants agreed that they believed the benefits offered by the company met their needs: 0.4% expressed their indecision and the rest, 79.3%, disagreed. This infers the majority of the agent participants disagreed that they believed the benefits offered by the company met their needs.

Table3 shows that 40.5% of the supervisor participants agreed that their company offered a comprehensive benefits package; 2.7% expressed their indecision and the rest, 56.7%, disagreed.

This signifies that the majority of the supervisor participants disagreed that their company offered a comprehensive benefits package.

As indicated on table Table3, 21.9 % of the agent participants agreed that their company offered a comprehensive benefits package; 0 % expressed their indecision and the rest, 78.1%, disagreed. This implies that the majority of the agent participants disagreed that their company offered a comprehensive benefits package.

Item 9 Table3 shows that 32.4% of the supervisor participants agreed that the benefits offered provided security for them and their families; 5.4 % expressed their indecision and the rest, 62.1%, disagreed. This signifies that the majority of the supervisor participants disagreed that the benefits offered provided security for them and their families.

As indicated on that item, 20.6 % of the agent participants agreed that; the benefits offered provided security for them and their families; 4.1 % expressed their indecision and the rest, 75.2%, disagreed. This implies that the majority of the agent participants disagreed that the benefits offered provided security for them and their families.

Table3 shows that 35.1% of the supervisor participants agreed that the benefits department provided accurate and helpful information; 5.4 % expressed their indecision and the rest, 59.4%, disagreed. This signifies that the majority of the supervisor participants disagreed that the benefit department provided accurate and helpful information.

Item 10 indicated on table Table3, 20.6 % of the agent participants agreed that the benefit department provided accurate and helpful information; 13.6 % expressed their indecision and the rest, 65.7%, disagreed. This implies that the majority of the agent participants disagreed that the benefit department provided accurate and helpful information.

Table3 item 11 shows that 32.4 % of the supervisor participants agreed that the benefit statement they received was clear and easy to understand; 16.2 % expressed their indecision and the rest, 51.3 %, disagreed. This signifies that the majority of the supervisor participants disagreed that the benefits statement they received was clear and easy to understand

As indicated on Table3, 20.6 % of the agent participants agreed that the benefits statement they received was clear and easy to understand; 21.1 % expressed their indecision and the rest, 58.3%,

disagreed. This implies that the majority of the agent participants disagreed that the benefits statement they received was clear and easy to understand.

Table 3 item 11 shows that 35.1 % of the supervisor participants agreed that transport facilities were provided to employees; 5.4 % expressed their indecision and the rest, 59.4 %, disagreed. This signifies that the majority of the supervisor participants disagreed that transport facilities were provided to employees.

As indicated on the same item of Table3, 21.1 % of the agent participants agreed that transport facilities were provided to employees; 13.6 % expressed their indecision and the rest, 65.3 %, disagreed. This implies that the majority of the agent participants disagreed that transport facilities were provided to employees.

Table.4.3 respondent’s response on intrinsic reward system

N o	Recognition	R C	SD&	%	NEU	%	A&	%	X	A V M	Sd
			D				SA				
13	Management recognizing employees whose efforts make a difference	S	20	54	0	0	17	45.9	2.92	2.7	1.422
		A	172	71	0	0	70	28.9	2.48		1.346
14	The company grants a tangible gifts/trophy, I am more motivated to perform better	S	18	48.6	1	2.7	18	48.6	2.89	2.6	1.729
		A	161	66.5	13	5.4	68	28.1	2.38		1.462
15	Incentive travel to boost the morale of individual or team for work is well done.	S	19	51.3	0	0	18	48.6	3.08	2.8	1.534
		A	173	71.4	0	0	69	28.5	2.54		1.449
16	I have participated in the decision making of the company goals	S	19	51.3	4	10.8	14	37.8	2.7	2.5	1.631
		A	160	66.1	31	12.8	51	21.1	2.31		1.384
	Promotion & Career Development										

17	There are enough promotion possibilities to stimulate me to higher performance.	S	18	48.6	3	8.1	16	33.2	2.7	2.4	1.614
		A	171	70.7	18	7.4	53	21.9	2.05		1.355
18	Promotion purely depends on performance and fairly distributed within the company	S	18	48.6	3	8.1	16	43.2	2.92	2.7	1.299
		A	172	71	19	7.8	53	21.9	2.40		1.011
19	Employees are promoted when they earn academic qualifications or special training.	S	17	45.9	1	2.7	19	51.3	2.89	2.6	1.680
		A	158	65.3	13	5.4	71	29.3	2.3		1.511
20	When an employee performs well consistently they are promoted to next level	S	20	54	2	5.4	15	40.5	3.08	2.8	1.479
		A	173	71.4	1	2.7	68	27.8	2.52		1.230

Source: Field data

Key: RC= Respondents Category, SD+D = strongly disagree and disagree, NEU=neutral, A+SA= agree and strongly agree, X=mean, %=percentage, Sd=standard deviation, S=supervisors, A=agents

AvM=Average mean, the average of supervisors and operational agents.

AvM<2.5= “poor”, AvM = 2.5 to 3.5 “moderate” and AvM>3.5 “good”

4.4.2 Analysis of respondent response on intrinsic reward system

Table 4 item 13 shows that 45.9% of the supervisor participants agreed that management recognized employees whose efforts make a difference; 0 % expressed their indecision and the rest, 54 %, disagreed. This signifies that the majority of the supervisor participants disagreed that management recognized employees whose efforts make a difference.

As indicated on same item Table 4, 28.9 % of the agent participants agreed that management recognized employees whose efforts make a difference 0 % expressed their indecision and the rest, 71 %, disagreed. This implies that the majority of the agent participants disagreed that management recognized employees whose efforts make a difference.

Item 14 of Table 4 shows that 48.6 % of the supervisor participants agreed that the company granted a tangible gifts/trophy, they were more motivated to perform better; 2.7 % expressed their indecision and the rest, 48.6 %, disagreed. This signifies that the majority of the supervisor participants agreed and disagreed equally that the company granted a tangible gifts/trophy, they were more motivated to perform better.

As indicated on item 14 of Table 4, 28.1 % of the agent participants agreed that the company granted a tangible gifts/trophy, they were more motivated to perform better; 5.4 % expressed their indecision and the rest, 66.5 %, disagreed. This implies that the majority of the agent participants disagreed that the company granted a tangible gifts/trophy, they were more motivated to perform better.

Item 15 Table 4 shows that 48.5 % of the supervisor participants agreed that incentive travel to boost the morale of individual or team for work was well done; 0 % expressed their indecision and the rest, 51.3 %, disagreed. This signifies that the majority of the supervisor participants agreed and disagreed equally that incentive travel to boost the morale of individual or team for work was well done.

As indicated on that item of Table 4, 28.5 % of the agent participants agreed that incentive travel to boost the morale of individual or team for work was well done; 0 % expressed their indecision and the rest, 71.4 %, disagreed. This implies that the majority of the agent participants disagreed on that incentive travel to boost the morale of individual or team for work was well done.

Item 16 Table 4 shows that 37.8 % of the supervisor participants agreed that they had participated in the decision making of the company goals; 0.8 % expressed their indecision and the rest, 51.3%, disagreed. This signifies that the majority of the supervisor participants disagreed that they had participated in the decision making of the company goals.

As indicated on same item 16 Table 4, 21.1 % of the agent participants agreed that they had participated in the decision making of the company goals; 12.8 % expressed their indecision and the rest, 66.1 %, disagreed. This implies that the majority of the agent participants disagreed that they had participated in the decision making of the company goals. There are enough promotion possibilities to stimulate me to higher performance.

Item 17 Table 4 shows that 32.2 % of the supervisor participants agreed that there were enough promotion possibilities to stimulate me to higher performance. 8.1 % expressed their indecision and the rest, 48.6%, disagreed. This signifies that the majority of the supervisor participants disagreed that there were enough promotion possibilities to stimulate me to higher performance.

As indicated on Table 4, 28.1% of the agent participants agreed that there were enough promotion possibilities to stimulate me to higher performance. 5.4% expressed their indecision and the rest, 66.5%, disagreed. This implies that the majority of the agent participants disagreed there were enough promotion possibilities to stimulate me to higher performance.

Item 18 of Table 4 shows that 43.2 % of the supervisor participants agreed that promotion purely depended on performance and was fairly distributed within the company; 8.1% expressed their indecision and the rest, 48.6 %, disagreed. This signifies that the majority of the supervisor participants disagreed that Promotion purely depended on performance and fairly distributed within the company.

As indicated on Table 4, item 18, 21.9 % of the agent participants agreed that promotion purely depended on performance and was fairly distributed within the company; 7.8% expressed their indecision and the rest, 71%, disagreed. This implies that the majority of the agent participants disagreed that promotion purely depended on performance and fairly distributed within the company.

Item 19 of Table 4 shows that 51.3 % of the supervisor participants agreed that employees were promoted when they earned academic qualifications or special training; 2.7 % expressed their indecision and the rest, 45.9 %, disagreed. This signifies that the majority of the supervisor participants disagreed that employees are promoted when they earned academic qualifications or special training.

As shown on Table 4 item 19, 29.3 % of the agent participants agreed that employees were promoted when they earn academic qualifications or special training; 5.4 % expressed their indecision and the rest, 65.3 %, disagreed. This implies that the majority of the agent participants disagreed that employees were promoted when they earned academic qualifications or special training.

Item 20 of Table 4 shows that 40.5 % of the supervisor participants agreed that when an employee performed well consistently they were promoted to next level; 5.4 % expressed their indecision and the rest, 54%, disagreed. This signifies that the majority of the supervisor participants disagreed that when an employee performed well consistently they were promoted to next level.

As indicated on the same item of Table3, 27.8 % of the agent participants agreed that when an employee performed well consistently they were promoted to next level; 2.7 % expressed their indecision and the rest, 71.4 %, disagreed. This implies that the majority of the agent participants disagreed that when an employee performed well consistently they were promoted to next level.

Table.4.4. respondent’s response on practice of intrinsic reward system

N o	Working condition	R C	SD& D	%	NEU	%	A& SA	%	X	A V M	Sd
21	Physical working Environment is comfortable	S	18	48.6	3	8.1	16	43.2	3.32	3.1	1.415
		A	146	60.3	43	17.8	53	21.9	2.83		1.196
22	Supervisor and subordinate communication system of this company is good	S	14	37.8	7	18.9	16	43.2	2.89	2.7	1.410
		A	115	47.5	74	30.6	53	21.9	2.52		1.230
23	There is better co-ordination among coworkers to succeed.	S	17	47.9	3	8.1	17	45.9	3.24	3.0	1.461
		A	133	54.9	43	17.8	66	27.3	2.84		1.263
24	Employees are treated fairly with respect. Training opportunities	S	17	47.9	3	8.1	17	43.2	2.86	2.9	1.457
		A	125	51.7	68	28.1	49	20.3	2.86		1.107
25	The company is committed to the	S	16	43.2	5	13.5	16	43.2	3.11	2.9	1.100

	training and development of its employee.	A	138	57	51	21.1	53	21.9	2.61	2.8	1.066
26	The contents of the training program make the company's employees to be more productive.	S	15	40.5	6	16.2	16	43.2	3.08		1.639
		A	126	51.6	64	26.4	53	21.9	2.61		1.420
27	The company provides me with skills and knowledge that will benefit my future career	S	15	40.5	2	5.4	20	54	3.24		1.116
		A	125	51.7	33	13.6	84	34.7	2.79		1.149
28	Employees are encouraged to participate in various seminars and workshops	S	18	48.6	3	8.1	16	43.2	2.81		1.630
		A	143	59.1	46	19	53	21.9	2.40		1.391
											3.0
										2.6	

Source: survey data 2013

Key: RC= Respondents Category, SD+D = strongly disagree and disagree, NEU=neutral, A+SA= agree and strongly agree, X=mean, %=percentage, Sd=standard deviation, S=supervisors, A=agents

AvM=Average mean, the average of supervisors and operational agents.

AvM<2.5= “poor”, AvM = 2.5 to 3.5 “moderate” and AvM>3.5 “good”

Item 21 on Table 5 shows that 43.2 % of the supervisor participants agreed that physical working environment is comfortable; 8.1 % expressed their indecision and the rest, 48.6 %, disagreed. This signifies that the majority of the supervisor participants disagreed that physical working environment is comfortable.

As indicated on Table5, item 21 21.9 % of the agent participants agreed that physical working environment is comfortable; 17.8 % expressed their indecision and the rest, 60.3 %, disagreed. This implies that the majority of the agent participants disagreed that physical working environment is comfortable .Item 22 Table 5 shows that 43.2 % of the supervisor participants agreed that supervisor and subordinate communication system of this company is good; 18.9 %

expressed their indecision and the rest, 37.8%, disagreed. This signifies that the majority of the supervisor participants agreed that supervisor and subordinate communication system of this company is good.

As indicated on item 22 Table 5, 21.9 % of the agent participants agreed that physical working environment is comfortable Supervisor and subordinate communication system of this company is good; 30.6 % expressed their indecision and the rest, 47.5 %, disagreed. This implies that the majority of the agent participants disagreed on that supervisors and subordinate communication system of this company is good.

Item 23 of Table5 shows that 45.9 % of the supervisor participants agreed that there is better co-ordination among coworkers to succeed; 8.1% expressed their indecision and the rest, 47.9%, disagreed. This signifies that the majority of the supervisor participants disagreed that there is better co-ordination among coworkers to succeed.

Item 23 of Table 5 indicated 27.3 % of the agent participants agreed that there is better co-ordination among coworkers to succeed; 17.8 % expressed their indecision and the rest, 54.9%, disagreed. This implies that the majority of the agent participants disagreed that there is better co-ordination among coworkers to succeed.

Item 24 of Table 5 shows that 43.2 % of the supervisor participants agreed that employees are treated fairly with respect; 8.1 % expressed their indecision and the rest, 47.9 %, disagreed. This signifies that the majority of the supervisor participants disagreed that employees are treated fairly with respect.

As indicated on Table 5 of the same item, 20.3 % of the agent participants agreed that employees are treated fairly with respect. 28.1 % expressed their indecision and the rest, 51.7 %, disagreed. This implies that the majority of the agent participants disagreed that Employees are treated fairly with respect.

Item 25 of Table5 shows that 43.2% of the supervisor participants agreed that the company is committed to the training and development of its employee; 13.5% expressed their indecision and the rest, 43.5 %, disagreed. This signifies that the majority of the supervisor participants disagreed that the company is committed to the training and development of its employee.

As indicated on item 25 Table5, 21.9 % of the agent participants agreed that the company is committed to the training and development of its employee; 21.1 % expressed their indecision and the rest, 57 %, disagreed. This implies that the majority of the agent participants disagreed that the company is committed to the training and development of its employee.

Table 5 item 26 shows that 43.2 % of the supervisor participants agreed on that the contents of the training program make the company's employees to be more productive; 62% expressed their indecision and the rest, 40.5%, disagreed. This signifies that the majority of the supervisor participants disagreed that the contents of the training program make the company's employees to be more productive.

As indicated on Table 5 item 26, 21.9 % of the agent participants agreed that 26.4 % expressed their indecision and the rest, 51.6 %, disagreed. This implies that the majority of the agent participants disagreed that the contents of the training program make the company's employees to be more productive.

Item 27 of Table 5 shows that 54 % of the supervisor participants agreed that the company provides them with skills and knowledge that would benefit them with future career; 5.4 % expressed their indecision and the rest, 40.5%, disagreed. This signifies that the majority of the supervisor participants agreed that the company provides them with skills and knowledge that will benefit their future career.

As indicated on Table 5 item 27, 34.7 % of the agent participants agreed that the company provides them with skills and knowledge that will benefit their future career; 13.6 % expressed their indecision and the rest, 51.7%, disagreed. This implies that the majority of the agent participants disagreed on that the company provides me with skills and knowledge that will benefit their future career.

Item 28 on Table 5 shows that 43.2% of the supervisor participants agreed that Employees are encouraged to participate in various seminars and workshops 8.1% expressed their indecision and the rest, 48.6 %, disagreed. This signifies that the majority of the supervisor participants disagreed that Employees are encouraged to participate in various seminars and workshops.

As indicated on item 28 of Table 5, 21.9 % of the agent participants agreed that Employees are encouraged to participate in various seminars and workshops; 19% expressed their indecision and the rest, 59.1%, disagreed. This implies that the majority of the agent participants disagreed that Employees are encouraged to participate in various seminars and workshops.

Table 4.5 respondent's response on employee performance base questionnaire

N o	R C	SD& D	%	NEU	%	A& SA	%	X	A V M	Sd
29	S	3	8.1	0	0	34	91.9	4.5	4.5	.869
	A	18	7.4	0	0	224	92.5	4.64		.825
30	S	4	10.8	0	0	33	89.2	4.27	4.3	.838
	A	17	7	2	0.8	223	92.1	4.36		.819
31	S	2	5.4	2	5.4	33	89.2	4.19	4.2	.811
	A	19	7.9	3	1.2	220	90.9	4.29		.839
32	S	3	8.1	0	0	34	91.9	4.49	4.5	1.121
	A	20	8.2	1	0.4	121	91.3	4.57		1.096
33	S	4	10.8	1	2.7	32	86.4	4.19	4.2	.811
	A	21	8.7	1	0.4	220	90.9	4.27		.855
34	S	2	5.4	1	2.7	34	91.9	4.49	4.5	1.121
	A	19	7.8	0	0	223	92.1	4.59		1.068

35	The management leadership style has an effect on the level of performance inclination.	S	5	13.5	0	0	32	86.4	4.18	4.2	.810
		A	19	7.8	5	2.1	218	90.1	4.28		.862
36	The existing reward program has its own influence on company's overall targets and achievements	S	3	8.1	1	2.7	33	89.2	4.57		.867
		A	22	9.1	3	1.2	217	89.7	4.59		.903
										4.6	

Source: *survey data 2013*

Key: RC= Respondents Category, SD+D = strongly disagree and disagree, NEU=neutral, A+SA= agree and strongly agree, X=mean, %=percentage, Sd=standard deviation, S=supervisors, A=agents

AvM=Average mean, the average of supervisors and operational agents.

AvM<2.5= "poor", AvM = 2.5 to 3.5 "moderate" and AvM>3.5 "good"

4.4.3 Analysis on respondent's response on Practices in employees' performance

On item 29 of Table 6, shows that 91.9 % of the supervisor participants agreed that Performance based reward system encouraged them to exert more effort and improve their productivity; 0 % expressed their indecision and the rest, 8.1 %, disagreed. This signifies that the majority of the supervisor participants agreed that Performance based reward system encouraged them to exert more effort and improve their productivity.

As indicated on Table 6 on the same item, 92.5 % of the agent participants agreed that Performance based reward system encouraged them to exert more effort and improve their productivity; 0% expressed their indecision and the rest, 7.4 %, disagreed. This implies that the majority of the agent participants agreed that Performance based reward system encouraged them to exert more effort and improve their productivity.

Table 6 item 30 shows that 89.2% of the supervisor participants agreed on that Employee adherence to the expected standard is a key indicator in measuring the performance; 0 % expressed their indecision and the rest, 10.8%, disagreed. This signifies that the majority of the

supervisor participants agreed that Employee adherence to the expected standard is a key indicator in measuring the performance.

As indicated on Table 6 item 30, 92.1 % of the agent participants agreed that Employee adherence to the expected standard is a key indicator in measuring the performance; 0.8 % expressed their indecision and the rest, 7 %, disagreed. This implies that the majority of the agent participants agreed that Employee adherence to the expected standard is a key indicator in measuring the performance.

Item 31 of Table 6 shows that 89.2 % of the supervisor participants agreed that Employee performance helps both employee development and organizational improvement; 5.4% expressed their indecision and the rest, 5.4%, disagreed. This signifies that the majority of the supervisor participants agreed that Employee performance helps both employee development and organizational improvement.

As indicated on Table 6 item 31, 90.9% of the agent participants agreed that Employee performance helps both employee development and organizational improvement; 1.2% expressed their indecision and the rest, 7.9%, disagreed. This implies that the majority of the agent participants agreed that Employee performance helps both employee development and organizational improvement.

Table 6 item 32, shows that 91.9 % of the supervisor participants agreed that Employees' attitude and commitment have positive influence on company's overall performance; 0 % expressed their indecision and the rest, 8.1%, disagreed. This signifies that the majority of the supervisor participants agreed that Employees' attitude and commitment have positive influence on company's overall performance.

As indicated on Table 6, 91.3 % of the agent participants agreed that Employees' attitude and commitment have positive influence on company's overall performance; 0.4% expressed their indecision and the rest, 8.2 %, disagreed. This implies that the majority of the agent participants agreed that Employees' attitude and commitment have positive influence on company's overall performance.

Table 5 item 33 shows that 86.4% of the supervisor participants agreed on that Superior's regular feedback is a key in the improvement of an individual's performance; 2.7% expressed their indecision and the rest, 10.8%, disagreed. This signifies that the majority of the supervisor participants agreed that Superior's regular feedback is a key in the improvement of an individual's performance.

As indicated on item 33 Table 6, 90.9 % of the agent participants agreed that Superior's regular feedback is a key in the improvement of an individual's performance; 0.4% expressed their indecision and the rest, 8.7 %, disagreed. This implies that the majority of the agent participants agreed that Superior's regular feedback is a key in the improvement of an individual's performance.

Item 34 of Table 6 shows that 91.9 % of the supervisor participants agreed that Employees are motivated to work collectively towards achieving common goals; 2.7 % expressed their indecision and the rest, 5.4 %, disagreed. This signifies that the majority of the supervisor participants agreed that Employees are motivated to work collectively towards achieving common goals.

As indicated on same item Table 6, 92.1 % of the agent participants agreed that Employees are motivated to work collectively towards achieving common goals; 0% expressed their indecision and the rest, 7.8 %, disagreed. This implies that the majority of the agent participants agreed that Employees are motivated to work collectively towards achieving common goals.

Item 35 on Table 6 shows that 86.4% of the supervisor participants agreed that the management leadership style has an effect on the level of performance inclination; 0 % expressed their indecision and the rest, 13.5%, disagreed. This signifies that the majority of the supervisor participants agreed that the management leadership style has an effect on the level of performance inclination.

As indicated on item 35 Table 6, 90.1% of the agent participants agreed that the management leadership style has an effect on the level of performance inclination; 2.1 % expressed their indecision and the rest, 7.8 %, disagreed. This implies that the majority of the agent participants agreed that the management leadership style has an effect on the level of performance inclination.

Table 6 item 36 shows that 89.2% of the supervisor participants agreed that the existing reward program has its own influence on company's overall targets and achievements; 2.7% expressed the indecision and the rest, 8.1 %, disagreed. This signifies that the majority of the supervisor participants agreed the existing reward program has its own influence on company's overall targets and achievements.

As indicated on Table 6, item 36 89.7 % of the agent participants agreed that the existing reward program has its own influence on company's overall targets and achievements; 1.2 % expressed their indecision and the rest, 9.1 %, disagreed. This implies that the majority of the agent participants agreed that the existing reward program has its own influence on company's overall targets and achievements.

4.5 Inferential Analysis

4.5.1 Pearson Correlation Analysis

The strength of a linear link between two variables was measured using Pearson's correlation. A correlation coefficient is the number that represents the Pearson correlation. It has a range of -1.00 to +1.00, with zero indicating no relationship between the two variables. The direction of the relationship between the variables determines whether the correlation coefficient is positive or negative (Hair et. al, 2003). The meanings of the various ranges of correlation coefficients are shown in Table 4.6.

Table 4.6 The meanings of the various ranges of correlation coefficients

Coefficient Range	Strength
+0.91 to +1.0	Very Strong
+0.71 to +0.90	High
+0.41 to +0.70	Moderate
+0.21 to +0.40	Small but definite relationship
0 to +0.20	Slight, almost negligible

Source: Hair et. al, (2003)

4.5.1.1 Analysis of Correlation Coefficients

The strength of the association or relationship between the variables was determined using correlation analysis. Pearson's Product Moment was used to obtain inter-correlation coefficients (r). Table 4.7: Correlation Coefficient between extrinsic reward management practice and Employee Performance

Correlations^c

		Bonus	Benefit	Recognition	Promotion And carrier	Working condition	Training And opportunity	Employee performance
Bonus	Pearson Correlation	1						
	Sig. (2-tailed)							
Benefit	Pearson Correlation	.985*	1					
	Sig. (2-tailed)	.000						
Recognition	Pearson Correlation	.884*	.848*	1				
	Sig. (2-tailed)	.000	.000					
Promotion And carrier	Pearson Correlation	.947*	.924*	.982**	1			
	Sig. (2-tailed)	.000	.000	.000				
Working condition	Pearson Correlation	.876*	.914*	.830**	.868**	1		
	Sig. (2-tailed)	.000	.000	.000	.000			
Training And opportunity	Pearson Correlation	.924*	.931*	.901**	.931**	.965*	1	

y	Sig. (2-tailed)	.000	.000	.000	.000	.000		
Employee performance	Pearson Correlation	.910*	.519*	.355	.213	.118	.310	1
	Sig. (2-tailed)	.870	.070	.000	.000	.049	.863	

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

* . Correlation is significant at the 0.05 level (2-tailed).

c. Listwise N=279

Table 4.7 show that the correlation coefficient between extrinsic reward (Bonus and Benefit) and employee performance is .091 and 0.51 respectively which is high associated with each other at one percent level of significance (r 0.910, $P < 0.01$, 0.519 $P < 0.01$). It can be concluded that employee that awarded with extrinsic reward have higher engagement to the organization performance.

There is high (substantial) and statistically significant relationship between intrinsic reward management practice and employee performance. The results demonstrate that the correlation coefficient between intrinsic reward (RECOGNITION, PROMOTION AND CARRIER, WORKING CONDITION and TRAINING AND OPPORTUNITY and employee performance is .0355, 0.213, 0.118 and 0.310) respectively, indicating that they are moderately related at the 1% level of significance (r 0.355, 0.213, 0.118, 0.310 $< P 0.01$). It can be concluded that employees who are given non-monetary incentives are more engaged in the organization's performance. Employee performance and intrinsic reward management practice s have a moderate and statistically significant association.

4.6 Multiple Liner Regression

The researcher used multiple linear regressions to analyze the extent of relationship and effect of the independent variable presented as intrinsic and extrinsic reward management system with the dependent variable called employee performance.

4.6.1 Assumption tests on multiple linear regressions

4.6.1.1 Normality Test

According to Bagozzi and Yi (1998), assessing the adequacy of input data and statistical assumptions underlying any estimation methods used in analysis is one of the first things that

should be done in the evaluation of regression analysis. Continuous data with a normal distribution is required for the estimation of a multi-regression model. Running descriptive statistics to obtain skewness and kurtosis is a common rule-of-thumb test for normality. When the data is normally distributed, both statistics of Skew and Kurtosis should be in the +2 to -2 range (Hair, 1998). SPSS was used to conduct a normality analysis on three variables, and all of the variables were found to be normally distributed in the +2 to -2 range which implies that there was no evidence for the presence of abnormality in the data.

Table 4.8 Test of normality Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Extrinsic reward	279	33.4409	17.64567	.282	.146	-1.704	.291
Intrinsic reward	279	50.7993	21.76334	.165	.146	-1.621	.291
Employee performance	279	35.6344	6.69068	-2.463	.146	2.395	.291
Valid N (listwise)	279						

a. Lilliefors Significance Correction

4.6.1.2 Multicollinearity Test

Multicollinearity can be tested based on the value of tolerance and VIF for independent variables. According to Hair, Babin, Money & Samuel (2003). The optimal value for tolerance and VIF should be above 0.10 and below 10. Hence the researcher evaluated both independent variables on each other. Based on the coefficients output collinearity statistics obtained tolerance and VIF value of both models are 1.000 meaning that the VIF value obtained is between 1-10, it can be concluded that there is no multicollinearity symptoms in this study.

Table 4.9 Multi collinearity Test intrinsic reward to extrinsic reward system

Coefficients ^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	Intrinsic reward	1.000	1.000

a. Dependent Variable: extrinsic reward

Table 4.10 MULTICOLLINEARITY TEST extrinsic reward to intrinsic reward system

Coefficients ^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	Extrinsic reward	1.000	1.000

a. Dependent Variable: intrinsic reward

Table 4.11 ANOVA ^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2965.348	2	1482.674	43.169	.000 ^b
	Residual	9479.362	276	34.346		
	Total	12444.710	278			

a. Dependent Variable: EMPLOYEES PERFORMANCE

b. Predictors: (Constant), INTRINC VARIABLES, EXTRINSICVARIABLES

Source survey data 2013

4.6.1.3 Analysis of variance (ANOVA)

As indicated on the output table of ANOVA analysis the p-value is 0.000 which is lesser than alpha value 0.01. Therefore, the model is a good descriptor and the relation between the employee's performance and reward managements practice is strong. Hence all the independent variables can significantly describe the variance in perceived appropriateness.

4.7 Regression analysis

Multiple regression analyses were performed by the researcher in order to determine the extent to which the explanatory variables explain the variance in explained variable.

Table4. 12 Model summaries

Model Summary

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.724a	.576	.576	.42426

a. Predictors: (Constant), intrinsic reward, extrinsic reward

4.7.1 Analysis on model summaries in multiple linear regressions

As presented in the above table the value of R is .0724 or 72.4% which means there is a strong and positive relationship between each variable. The R square is .0.576 which is indicated 75.6% of changes on employee performance can be occurred on reward management system of Ethiopian airlines. However 24.4% of the variation in the dependent variable is unexplained in this research which means there are other variables that are important in explaining employee's performance which was not yet considered in this study.

R is the correlation between dependent and independent variables and R square means how much effect do independent variables have on the dependent variable. Both the R and R square values in this study are found to be sufficient enough to infer the fitted regression line is very close to

all of the data points taken together. "For such date R square greater than 20% is still enough for reliable Conclusions" (Pallant, 2013)

Table 4.13 coefficients in multiple liner regression

Coefficients ^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.742	.555		6.584	.000
Bonus	.926	.170	.226	5.457	.000
Benefit	.798	.213	.056	3.746	.000
Recognition	.008	.303	.534	13.212	.000
Promotion and carrier	.306	.425	.731	7.774	.000
Working condition	.529	.147	.482	3.596	.000
Training and opportunity	.422	.182	.316	2.314	.021

a. Dependent Variable: employee performance

The following multiple regression equation has been used

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n + \dots + \epsilon$$

Where

Y = dependent variable (employee performance)

β_0 = is the Y intercept or constant

$\beta_1 \dots \beta_4$ = coefficient of regression which measures how each independent variable influences the dependent variable that is employee performance.

X1 = bonus

X2 = benefit

X3 = Recognition

X4 = Promotion

X5=Working condition

X6=training and development

ε =Error Term

The model adopted from the research conducted by Scheryl Waeni Musyoka (2017)

Finding of the study based on the above regression coefficient analysis

$$Y=4.742+0.926(X1) + 0.798(X2)+0.008(X3)+0.306(X4)+0.529(X5)+0.422(X6)$$

4.7.2 Analysis on model coefficients in multiple liner regression

According to the coefficients table 4.13 both extrinsic and intrinsic reward management systems p value is less than 0.01 that means all constant Independent variables affects the dependent one employee performance. In other words the result showed that the reward management systems practiced in Ethiopian airlines is significant effect on its employee performance.

In addition standardized coefficients Beta value is used to test the effectiveness of each independent variable in affecting the dependent variable. In this research, it is found that from intrinsic reward system promotion, recognition, working condition and training opportunity (β = 0.731, 0.534, 0.482 and 0.316 respectively) which is the most effective factor in affecting employee performance. On the other hand extrinsic reward system bonus and benefit (β = 0.226 and 0.056 respectively) and it is found that there is moderate effect on employee performance when it is compared with the intrinsic one, as per the finding of the study all independent variables $p < 0.05$. This means it has significant effect on level of employee's performance.

The above regression model coefficient table reports the coefficients for bonus benefit recognition promotion and carrier working condition and training and opportunity help improving employee motivation significantly. This finding is supported by different authors.

The findings are consistent with those of Ngwa et al (2019), who discovered that there is a positive and significant relationship between rewards system and employee performance in the organization in their study of the effect of reward system on employees' performance among selected manufacturing firms in Cameroon's Litoral Region. Employees on higher income levels, who have passed the biological or physiological needs level in Maslow's Hierarchy of Needs Theory, are more receptive to intrinsic rewards, also known as non-monetary or non-financial rewards. Praise and acknowledgment, in whatever form they are offered, are the most

significant non-monetary rewards. They've been identified as the most effective intrinsic incentives for improving employee performance in the workplace.

Chapter Five

5 Main finding conclusion and recommendations

In this chapter the researcher summarized the main bodies of the study including the research topic, its purposed and objective. Furthermore the researcher presented the methods used to research for research information the result, conclusion and recommendation in a concise way.

5.1 Main finding

Under the title “Effect of reward management systems on employee performance: The case Ethiopian airlines.” It was planned to assess Ethiopian employee’s perception towards reward management systems, to examine the relationship between reward management system and employee performance and to determine the effect of rewards management system on employee’s performance. Data were gathered through interview and questionnaire form a total of 288 respondents. Interview was conducted for 9 passenger service managers and valid data has been gathered through questionnaire from a total of 279 different respondents. Descriptive, correlation and multiple regressions analysis were performed in order to conduct the research analysis.

From the descriptive findings Table 2, shows that, 22 (59.4%) of supervisors are males and only 15 (40.6%) are female. On the other hand, the gender distribution of agents indicates that 99(40.9%) and 143 (59.1%) are males and females respectively. This showed that the percentage of the female respondent is greater than the male counterparts.

The educational qualification distribution of the supervisors shows that, 19(51.4%) MA/MSc and 18(48.6%) BA/BSc. Similarly, as shown in table 2, 217 (89.7%) were first-degree holders, whereas just 32 (11.5%) and 12 (4.3%) were MA/MSc and Diploma holders, respectively. This implies that the organization has sufficient and well-educated personnel resources. Descriptive statistics was used to indicate the mean for each dependent and independent variables. As a result the descriptive statistics mean result for extrinsic intrinsic and employee performance is 2.786, 2.988 and 4.4545 respectively. This indicates that Ethiopian Airlines employees are averagely motivated, with an insufficient incentive management system in place.

5.2 conclusions

The importance of this study is to assess how reward management practice affects employee's performance of Ethiopian airlines employee. Attracting, retaining and getting better employee performance is very mandatory for the existence and being successful for every organization even though it is also challenging for them. Hence according to the study the more employees are satisfied with the reward management practice the more increasing employee performance could be gained. As it has been discussed on chapter four the correlation between reward management practice and employee performance is high. According to the result of this study it has been concluded that the reward management practice those conducted in this study will have more significant effect on employee performance when they are collaborated together and it's also discovered that intrinsic rewards has largest unique contribution on employee's performance. Furthermore Ethiopian airlines managers' passenger service explained that reward management practices are very important for retaining of employees and to attract new employees. They also emphasized with their explanation that it avoids cost of hiring and training new employees. To build loyalty and honesty, creating healthy work environment with positive attitude and behavior results effective employees' performance when applying both intrinsic and extrinsic reward systems. Accordingly, to summarize based on the finding of the study both reward management systems has positive effect on employees performance. Organizations that provide effective reward are more likely to have satisfactory job performance from employees.

5.3 Recommendations

Reward managements systems are fast becoming increasingly a popular technique in attracting, motivating, developing, and retaining employees in organizations. Experience has shown that organizations that provide effective rewards are more likely to have satisfactory job performance from employees. Based on the findings and conclusions of this study, there are recommendations forwarded for better improvement of employees work performance:-

As the study demonstrates Ethiopian airlines passenger service department employees work performance relates positively with both the reward management practice. The new spirit of Africa, Ethiopian airlines should consider the need to be tackle on these determinants so as to inspire its employees and to stay competitive and a head of its competitors.

According to the findings of the descriptive research, Ethiopian Airlines' reward management system has been bringing employee motivation slightly over the average value, implying that employees are moderately motivated. This necessitates some work on the part of the company's HR policymakers. Those in charge of amending and implementing incentive policies must be aware of best benchmarking practices.

Simply said, reward management is the application of procedures or rules that help to fairly and consistently compensate everyone in the firm. Employees feel valued and motivated when the firm sets a policy to reward them for good performance, which can help the company's productivity and success.

Management should come up with short term employee attraction and retention mechanisms. The company cannot go far with demotivated employees. If employees are not doing their best to the company and they don't consider that the company as the best of all possible organizations for which to work, implies employees losing motivation and commitment to the work and the company.

Performance goals should be clearly defined and regular reviewing of the performance of employees against performance target standards and recognize accordingly.

Management should seek and obtain feedback on the measure of employee satisfaction survey on how employees perceive rewards. Feedback combined with appropriate reward systems produce the strongest effect on employee performance after identifying the reward system which motivates employees most.

The management needs to develop rightful reward practice that includes a mix of both intrinsic and extrinsic reward. When applied to an employee, the reward type would have a different impact on performance. As a result, managers will need to proactively identify rewards that contribute to good employee performance. Although bonus payments are significant, they are not the most significant aspect in motivating employees. Other crucial aspects that could improve employee performance include commission and stock ownership, depending on the nature of the job and the person's position. By providing cross-border employment chances and skill development that should be supplied to increase employee performance, the organization should create options for employee promotion (career development) and training. Intrinsic reward augments extrinsic reward in employee reward management system to maximize job productivity, quality, and quantity. The business should devise a long-term reward strategy.

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Annex I Close Ended Research Instruments for Data Collection

St. Mary's University School of Post Graduate Studies

Department of MBA

Questionnaire: to be filled by Ethiopian airlines costumer service employees

Dear respondents:

The purpose of this questionnaire is to assess the effect of reward management practice on employees' performance in the case of Ethiopian Airlines. Your cooperation in providing relevant information will have great contribution to the study. Therefore, please respond to all questions provided in this Questionnaire completely and honestly.

Direction

- No need of writing name
- Follow the direction given in each part
- Give brief and concise responses for open ended questions

Part One

1. Personal Information

1.1 Gender A. Male B. Female

1.2 Age

A. 19-26 B. 27-37 C. 38-48 D. 49-59 E. Over 59

1.3 Educational Background

A. Diploma. B. BA/BSC Degree C. . MA/MSc Degree

D. Ph.D. E. Others: specify _____

1.4 Total years of services A. Less than 2 Years B. 2-5 C. 5-10

D. 11-15 E. 16-20 F. Over 20 Year

1.5 Your position

A. Manager level B. Team leader/ supervisor C. operational level

Question Items	Scales				
	1	2	3	4	5
Extrinsic reward system related questions					
1. <u>Benefits</u>					
A. I believe the benefits offered by this Company meet my needs					
B. My Company offers a comprehensive benefits package					
C. The benefits offered provide security for me and my family					
D. The Benefits department provides accurate and helpful information					
E. The benefits statement I received was clear and easy to understand					
F. Transport facilities are provided to employees					

Question Items	Scales				
	1	2	3	4	5
Intrinsic reward system related questions					
3. <u>Recognition</u>					
A. Management recognizing employees whose efforts make a difference					
B. The company grants a tangible gifts/trophy, I am more motivated to perform better					
C. Incentive travel to boost the morale of individual or team for work is well done.					
D. I have participated in the decision making of the company goals.					
4. <u>Promotion & Career Development</u>					
A. There are enough promotion possibilities to stimulate me to higher performance.					
B. Promotion purely depends on performance and fairly distributed within the company					
C. Employees are promoted when they earn academic qualifications or special					

training.					
D. When an employee performs well consistently they are promoted to next level					

Question Items	Scales				
Intrinsic reward system related questions	1	2	3	4	5
5. <u>Working Conditions</u>					
A. Physical working Environment is comfortable.					
B. Supervisor and subordinate communication system of this company is good.					
C. There is better co-ordination among coworkers to succeed.					
D. Employees are treated fairly with respect.					
E. Supervisor and subordinate communication system of this company is good.					
6. <u>Training Opportunities</u>					
A. The company is committed to the training and development of its employee.					
B. The contents of the training program make the company's employees to be more productive.					
C. The company provides me with skills and knowledge that will benefit my future career					
D. Employees are encouraged to participate in various seminars and workshops					

Question Items	Scales				
7. Employee performance related questions	1	2	3	4	5
A. Performance based reward system encouraged me to exert more effort and improve my productivity.					
B. Employee adherence to the expected standard is a key indicator in measuring					

the performance.					
C. Employee performance helps both employee development and organizational improvement					
D. Employees' attitude and commitment have positive influence on company's overall performance.					
E. Superior's regular feedback is a key in the improvement of an individual's performance.					
F. Employees are motivated to work collectively towards achieving common goals					
G. The management leadership style has an effect on the level of performance inclination.					
H. The existing reward program has its own influence on company's overall targets and achievements					

Any additional comments relevant to the study

Thank you for your cooperation!

Annex II sample for semi-structured questions

St. Mary's University School of Post Graduate Studies

Department of MBA

Interview for Ethiopian airlines passenger service managers

The purpose of this interview is to assess the effect of reward management practice on employees' performance in the case of Ethiopian Airlines. Your cooperation in providing relevant information will have great contribution to the study. You are, therefore, kindly requested to provide necessary information on different issues related to the study. It is very important that you provide honest responses as frankly as possible. Thank you in Advance

Date_____

Interviewee age _____ sex_____ year of experience_____

1. Do you think that the company has a habit on the reward management practices?
2. What is your opinion about employee's attitude towards the reward management practices? Negative or positive?
3. What is your perception about relationship between reward management practice and employee performance?
4. Do you think that the reward management practice of the company enhances employee's performance?
5. What do you suggest the company's reward management practices to have significant role on employees' performance?

