



**ADDIS ABABA UNIVERSITY  
COLLEGE OF BUSINESS AND ECONOMICS,  
SCHOOL OF COMMECE, GRADUATE STUDIES  
DEPARTMENT OF HUMAN RESOURCE MANAGEMENT**

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**EFFECT OF REWARD MANAGEMENT PRACTICE ON  
EMPLOYEES' PERFORMANCE A CASE STUDYON CATERING  
AND TOURISM TRAINING INSTITUTE**

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**THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY, SCHOOL OFCOMMERCE IN  
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## **Statement of Certification**

This is to certify that Teferi H. Mariam has carried out his research work on the topic entitled *“Effect of Reward management practice on employees’ performance A case of Catering and tourism training institute”*. The work is original in nature and is suitable for the award of Master Degree in Human Resource Management (MA in HRM).

**Advisor: Solomon Markos, PhD**

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## **Statement of Declaration**

I, Teferi Hailemariam, hereby declare that this thesis entitled “Impact of reward management practice on employees’ performance A case of catering and tourism institute submitted by me for the award of the degree of Master of Human Resource management, Addis Ababa University at Addis Ababa, Ethiopia, This is my original work and it has never been presented in any university. All sources and materials used for this thesis have been duly acknowledged.

Name: Teferi Hailemariam woldeSelassie    Signature: \_\_\_\_\_

Place: Addis Ababa

Date of Submission: may, 2017

## **Dedication**

This research study is dedicated to my family and friends for their encouragement and support throughout MA Program and especially during this research project.

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## **List of Acronym and Abbreviation**

<b>BOCT</b>	Bureau of culture and tourism
<b>BOFED</b>	Bureau of Finance and Economic Development
<b>CTTI</b>	Catering and Tourism Training Institute
<b>EC</b>	Ethiopian Calendar
<b>FDRE</b>	Federal Democratic Republic of Ethiopia
<b>HRM</b>	Human Resource Management
<b>MCT</b>	Ministry of Culture and Tourism
<b>SPSS</b>	Statistical Package for Social Sciences

## ABSTRACT

*This research paper examined the effect of reward management practice on employees' performance with especial reference to catering and tourism training institute (CTTI). This research focus how different types of reward systems affect the performance and try to established which types of rewards management are more beneficial to the organization in the current business climate it operates in how can performance be enhanced and the required business outcomes accomplished? How can reward management contribute to this performance outcomes? The research conducted at all levels of academic staffs. In the Methodology: A questionnaire designed to collect the data on the factors related to rewards like pay/salary, benefit, promotion, working condition, responsibility, recognition and employee performance. The data collected from the academic employees of Catering and Tourism Training Institute (CTTI). Explanatory method of research used since the study intended to explain cause and effect relationship between reward and employee performance. The target population was academic staffs of CTTI. Total number of respondents in this study was 75 with 6 non-response rate. Primary data was gathered using adopted questionnaires. Descriptive statistics was used to summarize the data. This includes Percentage, frequencies mean and standard deviation. Tables and other figural presentations were appropriately used. Correlation analysis was used to identify the relationship between reward and employee performance. The findings obtained indicated that reward practices have a positive influence on employee performance. Furthermore, it provided suggestions to overcome the problems to improve employees' performance.*

**Keywords:** *Reward, pay/salary, Benefit, promotion ,Working condition ,Responsibility, Recognition, Employee performance*

## **CHAPTER ONE**

### **Introduction**

Under this chapter the researcher tried to introduce readers about background of the study, statement of the problem, objective of the study, significance of the study, scope/delimitation of the study and limitation of the study.

#### **1.1 Back ground of the study**

Human resource is one of the important assets that organizations own. Reward helps management to retain efficient and experienced work force in an organization. (Sajuyigbe, Bosede, & Adeyemi, 2013) The rewards that we implement as to individual & team performance are important in deciding how affective reward strategy will be. Accordingly, reward management is one of the strategies used by Human Resource Managers for attracting and retaining suitable employees as well as facilitating them to improve their performance through motivation and to comply with employment legislation and regulation. Because of these pressures, HR managers seek to design reward structures that facilitate the organizations strategic goals and the goals of individual employees. Reward systems are, therefore, very crucial for an organization .

Rewards include systems, programs and practices that influence the actions of people and the purpose of reward systems is to provide a systematic way to deliver positive consequences for the organization. Similarly, based on the view of Kotelnikov (2010), fundamental purpose of reward is to provide positive consequences for contributions to desired performance. The only way employees will fulfill the employers dream is to share in their dream. Reward systems are the mechanisms that make this happen. They can include awards and other forms of recognition, promotions, reassignments, non-monetary bonuses like vacations or a simple thank-you. When employees are rewarded, they get work done. Employers get more of the behavior they reward, not what they assume they will automatically get from employees. Thus, when employees surpass their target or exceed their standard they should be rewarded immediately as a way of motivating them. By doing this, employees directly connect the reward with behavior and higher performance they have attained. Effective reward systems should always focus on the positive reinforcement. Positive reinforcement encourages the desired

behavior in Reward management practice is one of the most crucial processes to achieve organizational goals.

When reward management practice is designed, and implemented successfully it encourages employee participation, motivation and commitment. Moreover, the importance of motivated employees cannot be highlighted enough in an organizational context (Lotta, 2012). Motivated employees are more productive, more efficient and more willing to work towards organizational goals than the employees who are experiencing low levels of motivation (Hunter et al 1990). Entwistle (1987) is of the view that if an employee performs successfully, it leads to organizational rewards and thus motivational factor of employees lies in their performance. The highly motivated employees serve as the competitive advantage for any company because their performance leads an organization to well accomplishment of its goals (Rizwan and Ali, 2010). Luthans (2000) highlights two types of rewards which are financial (extrinsic) and non-financial(intrinsic) reward and both can be utilized positively to enhance employees' performance. Financial rewards mean pay-for-performance such as performance bonus, job promotion, commission, tips, gratuities and gifts etc. Non-financial rewards are non-monetary/non-cash and it is a social recognition, praise and genuine appreciation etc.

Lotta (2012) approve that financial incentives are indeed effective in motivating employees. Also, Ojokuku and Sajuyigbe (2009) find out that financial incentives have significant effect on employees' performance. But perry ,(2006) discover that financial reward is not the most motivating factor and financial incentives have a de-motivating effect among employees (Srivastava, 2001).

Nelson (2004) notes that praise and recognition are the most efficient intrinsic reward that enhance employees' performance. And, Jensen(2007) see intrinsic reward as a tool that motivate employees perform as expected.

Therefore, this research paper tempts to examine the impact of reward practice on employees' performance with special reference to Catering and Tourism Training Institute (CTTI), Addis Ababa, Ethiopia.

## **1.2 Background Of the organization**

Catering and tourism training institute (CTTI) is the only governmental institution under ministry of culture and tourism providing training specialized on hotel and tourism sector. It has been established in 1969 . As per the proclamation number 274/2002, in which it has been missioned on three major areas of what the industry is requiring and need to be supported of, supplying trained and competent human power for the industry as per occupational standard

developed by with cooperation the industry professional, consultation service for the industry along with research and development (R&D).

The institute provides training mainly on different profession of hotel and tourism sector. Hotel management, front office, food & beverage service, food and beverage preparation, housekeeping, food and beverage control, tour guide, tour operation and tourism management are to mean some. In provision of the respective trainings, a few information technology infrastructures are employed.

Currently, in catering and tourism training institute (CTTI) about 171 regular employees are available. Here regular employees refer to employees who are being paid regular salary monthly, in which 40 hours per week is minimum requirement to be on work. As far as CTTI is being academic institution, 103 employees are teachers, including four work shop assistants, one research and publication head and, the academic dean and the admin and finance dean are all under academic division where the rest are administration staff at different positions. Job description is provided up on placement for administration staff and no job description will be provided for academic staff and all employees are kept updated of their status. Additionally, they have about 27-part time teachers hired up on demand. The number of part time teachers varies in accordance with increase or decrease in number of students. by definition part timer is to mean, the work force hired for the temporary work usually less than a year for and the work will no longer exist.

### **1.3 Statement Of the problem**

Organizations are established to accomplish specific objectives. The organization that wishes to achieve these objectives must have a competitive and a comprehensive total reward system that is aligned with the organization business strategy and that reflects the competitive reality of the labor market. To improve, employees need the will to improve (motivation) and the encouragement to acquire job-related knowledge, skills and attitudes (Stredwick,2005) in a world where people have become more and more demanding about their lives and surroundings, the reward system could be used to motivate employees by satisfying these demands. However, there exists a lack of understanding in how to motivate all those high demanding individuals, making most of the reward systems sub-optimized. To create an optimal reward system, we need to better understand what really motivates employees, and what does not. The

importance of reward systems on organizations performance or efficiency cannot be overemphasized. However, there are a few problems inherent in the operation of reward systems by organizations. According to Human Resource Director of Catering Tourism Training Institute, even if the academic staffs enjoy better academic rank and increased salary every two years based on performance reevaluation of every semester or twice a year. There are problems in reward management like Attention not given for nonfinancial rewards, Inconsistency in implementing financial Rewards and the performance measurement tools are subject to biasedness and subjectivity. Hence, jobs are rated as per the level of expertise required, intensity and other factors. For instance, according to the interview result of Human resource director of the institute and data gathered from exit interview document, even if there is performance based financial reward for academic employees there is high turnover in academic employees.

Stredwick (2005) stated that money can motivate up to a certain level but this differs greatly between individuals. To this end, encouraging the employee to adopt the behaviors exhibited by high performers is a more coherent and useful approach to achieving improved employee performance. In connection with these, Armstrong stated that the formal reward systems in organizations must be aligned with the strategic goals for the organization. Again, most organizations view reward as only the monetary compensation given to employees to compensate them for their performance, whereas rewards should include non-financial rewards such as recognition, learning and development opportunities and increased job responsibility that goes into motivating the individual employee to give out his best. Armstrong (2010).

Few researches were conducted on the impact of Reward management practice on employee performance (Scott (2010); actar (2012); Adeyemi (2013). Most findings show that, the design and implementation of reward management practice influences employee performance significantly. Thus, in order to achieve high level of employee performance, organizations should participate individual employees on designing reward management practice and the system should be transparent, clear, and easy to understand.

However, the researcher was not concerned in studying how the influence of reward management practices on employees of Catering and Tourism sector. Their study gives emphasis mainly on other sector and private ones. Even if there is some attempt in banking and aviation

sectors in Ethiopian context. Yet, there is no attempt to examine the effect of reward management practice on employee performance in catering and tourism sector.

The effect of the reward management practice on employee performance in public tourism institution is also not yet researched. Hence, to bridge this research gap, this study will try to assess the practice of existing reward management practice and examine its influence on employee performance of (CTTI).

#### **1.4 Research Questions**

1. To what extent reward management practice is implemented in the institute?
2. What is the relationship between reward management practice and employee performance?
3. What are the influences of extrinsic reward management practice on employee performance?
4. What are the influences of intrinsic reward management practice on employee performance?

#### **1.5 Objective Of the study**

##### **1.5.1 General objective**

The general objective of the study is to investigate the effect of reward management practices on employee performance in the case of Catering and Tourism Training Institute

##### **1.5.2 Specific Objectives**

1. To assess the current reward management practices of the Institute.
2. To determine the relationship between reward practice and employee performance.
3. To investigate the effect of extrinsic reward management practice on employee performance.
4. To investigate the effect of intrinsic reward management practice on employee performance

#### **1.6 Significance Of the study**

This study will provide an insight into the meaning of reward systems as it pertains to institute and as it is required to be. A well-designed system for rewarding labor greatly has a bearing on the output of employees and therefore impact on the performance of the organization. Reward represents by far the most important and contentious element in the employment relationship, and is of equal interest to the employer and employee. To the employer because it represents a significant part of his costs, it is increasingly important to his employees' performance and to

competitiveness, and affects his ability to recruit and retain a quality labor force. To the employee it is fundamental to his standard of living and is a measure of the value of his services or performance. The associated merits and demerits that accompany reward systems will be examined. The results of this study would go a long way to create awareness about the weaknesses in the implementation of this system and the suggested way forward. It is thereby hoped that this study will contribute constructively towards increasing institutions as well as the employees understanding and acceptance of the impact of reward systems on employee performance in the Catering and tourism training institute (CTTI).

### **1.7 Terms and concepts**

**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).

**Motivation-** internal and external factors that stimulate desire and energy, in people to be continually interested and committed to a job, role or subject, or to make an effort to attain a goal Armstrong, (2010).

**Reward--** reward is an important part of the feedback loop in performance management (Hartle, 1995)

**Performance management--** a process or set of processes for establishing shared understanding about what is to be achieved, and of managing and developing people in a way which increases the probability that it will be achieved in the short and longer term (Armstrong & Murlis, 1994).

**Benefits:** consist of arrangements made by employers for their employees enhance the latter's well-being (Armstrong, 2010).

**Working conditions:** includes working hours, relationships with workers, and quantity of work and availability of resources (Armstrong, 2010).

**Promotion:** refers to opportunities that organizations offer for advancement asserts that promotions create the opportunity for personal growth, increased levels of responsibility and an increase on social standing (Robbins & Judge, 2013).

**Recognition:** are special awards for employee achievement, is less common and is associated with performance but usually operated separately and where many of the rewards are non-cash (Stredwick, 2015).

**Employee Performance-** is the productivity or result of the employee while doing the job. Employee performance means employee productivity and output because of employee development (Oroh, Lapia, & Pandowo,2013).

### **1.8 Scope Of the study**

The research was conducted to the Trainers of catering and tourism training institute (CTTI), which is found at Head Quarter and Branch office in Addis Ababa, Ethiopia for this study; The Study involved Academic Employees of catering and tourism training institute. The Study specifically gathered data on Reward management practice and employee performance.

This study was conceptually delimited to examining the effect of reward practices on employee performance by considering selected types of reward practices and by testing the hypothesis formulated to prove as to which the factors proposed have effect on performance of the employees and to see whether there is a link between the selected reward practices and performance of employee.

### **1.9 Limitations Of the study**

In as much as lots of commitment employ in conducting an intensive and thorough study, certain impediments were face. A major problem may have encountered by the researcher during the data collection process was the reluctance of respondents to answer the questionnaire. The other problem was mismatch of schedule between respondents and the researcher. The Negative attitudinal problem of respondents towards the questionnaire and unwillingness to fill the questionnaire were some of the limitations in the study.

### **1.10 Organization of the study**

This research has five chapters. the first chapter provides back ground information of the study, statement of the problem, objectives of the study, significance of the study, definition of terms

and concepts and scope and limitation of the study. The literature on reward and performance will be reviewed in chapter two. Research design, data types and sources, sample design, data collection instrument and data analyzes which form the methodology of this study is captured in chapter three. Chapter four analyzed the data while chapter five presents a summary of the findings, recommendations and conclusion of the study

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **Introduction**

This chapter defines the foundations of the study by detailing the theoretical framework guiding the study before establishing the empirical foundation for the relationship between the two variables of the study that is reward management and employee performance.

#### **2.1 Over view 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)

## **2.2 Reward**

A Reward can be defined anything that attracts an employee's attention and stimulates him to work .it is the benefit that workers receive by performing a task and discharging a responsibility. Rewards is also defined as one of the valuable elements to motivate employees for contributing their best effort to generate innovative ideas that lead to better business functionality and further improve company performance both financial and Non-financial (Aktar, sachu, & Ali,2012).

Rewards are the positive reinforcements given by the organization. Rewards acts as effective motivators and help people to increase productivity and efficiency According to Mirkander (2010), cited in oroc, lapian and pandowo (2014) Reward is given by the individual or organization to the worker or employees as the following job they do. Reward is the benefit that arises from performing a task, rendering a service or discharging a responsibility. Reward had been seen to be a vital instrument in employee performance. And a well-rewarded employee feels that he /she is being valued by the company that he/she is working for (Sajuyigbe, Bosede, & Adeyemi, 2010).

Employees will give their maximum when they have a feeling or trust that their efforts will be rewarded by the management. There are many factors that affect employee performance like working conditions, worker and employer relationship, promotion and development opportunities, job security, and company's overall policies and procedures for rewarding employees etc. Aktar, Sachu and Ali (2012) Batol&Srivastava (2002) as cited in Khan, shahid and Nawab (2013) suggests that rewards as utilized by managers to show employees that their

behaviors shall be valued. Generally, a reward is given in return for a good work or in recognition of merit performance of a service rendered (Mansor, Borhannuddin and Yusuf, 2012)

## **2.3 Reward Management**

According to Michael Armstrong (2010) Reward management is concerned with the strategies, policies and processes required to ensure that the value of people and the contribution they make to achieving organizational, departmental and team goals is recognized and rewarded. It is about the design, implementation and maintenance of reward systems (interrelated reward processes, practices and procedures) that aim to satisfy the needs of both the organization and its stakeholders and to operate fairly, equitably and consistently. Reward management is concerned with people – especially the employees who are rewarded for their efforts, skills and contribution but also the directors, managers and reward specialists who plan, manage and administer rewards.

According to Schneider (1987) that: organizations are the people in them people make the place. His point was that: Attraction to an organization, selection by it, and attrition from it yields kinds of persons in an organization. These people determine organizational behavior. Positive job attitudes for workers in an organization can be expected when the natural inclinations of the persons there can be reflected in their behaviors by the kinds of processes and structures that have evolved there.

### **2.3.1 Aims of Reward Management**

In the words of Ghoshal & Bartlett (1995) the overall aim of reward management should be to 'add value to people'. It is not just about attaching value to them. More specifically, the aims are to: Support the achievement of business goals through high performance, Develop and support the organization's culture; Define what is important in terms of behaviors and outcomes, Reward people according to the value they create, Reward people according to what the organization values, Align reward practices with employee needs, Help to attract and retain the high-quality people the organization needs, Win the engagement of people, and Overall and specific approaches to achieving these aims are described below.

According to Armstrong & Murlis (1988) To fulfill its overall aim of helping the organization to attain its goals, the reward management system should be geared to the value of the contributions individuals make to reaching these objectives. It must be tailored to meet the

organization's special needs and it should be capable of being easily modified in response to the change that will enviably take place in a dynamic enterprise.

In particular the system should aim to ensure that the organization can recruit the quantity and quality of staff it requires, encourage suitable staff to remain with the organization, Provide rewards for good performance and incentives for further improvements in performance, moreover, achieve sufficient equity in the pay for similar jobs, Create appropriate differentials between different levels of jobs in accordance with their relative value, operate flexibly enough to accommodate organizational changes and alterations in the relative market rates for different skills, be simple to explain, understand, operate and control, and be cost-effective in the sense that the benefits of the system are obtained without undue expense.

### **2.3.2 Importance of Reward Management**

According to Armstrong (2010) Reward management supports the achievement of business goals by helping to ensure that the organization has the talented and engaged people in 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.

### **2.4 Integrated Reward Management**

Integrated reward management is an approach to reward management that provides for reward policies and practices to be treated as a coherent whole in which the parts contribute in conjunction with one another to ensure that the contribution people make to achieving organizational, departmental and team goals is recognized and rewarded. It consists of a related set of activities that impinge and impact on all aspects of the business and the HRM Practices within it. As White (2005) points out, in an integrated approach 'each individual element of reward supports the other to reinforce organizational objectives.'

Integration takes three forms:

**Strategic integration:** the vertical integration of reward strategy with business strategy.

**HRM integration:** the horizontal integration of reward strategies with other HR strategies, especially those concerned with high performance, engagement, talent management and learning and development.

**Reward integration:** the internal integration of reward to ensure that its various aspects cohere and that a total reward philosophy is adopted that means a full range of mutually supporting financial and non-financial rewards is used.

The integrated approach adopted by Aegon UK is:

**Reward:** market driven, with overall performance dictating rate of progress of salaries within broad bands rather than existing grades.

**Recruitment:** competency based, with multi-assessment processes as the basic approach.

**Performance management:** not linked to pay, concentrated on personal development, objective setting and competency development.

**Training and development:** targeted on key competencies and emphasizing self-development.

## **2.5. Reward philosophy**

Strategic reward management is based on a well-articulated philosophy – a set of beliefs expressed through guiding principles that are consistent with the values of the organization and help to enact them. These include beliefs in the need to operate in accordance with the principles of distributive and procedural justice. Reward strategies in the past have sometimes focused exclusively on business needs and alignment. Yet unless employees see and experience fairness and equity in their rewards, the strategy is unlikely to be delivered in practice.

The philosophy recognizes that reward management is a key factor in establishing a positive employment relationship, one in which there is mutuality – the state that exists when management and employees are interdependent and both benefit from this interdependency. Such a relationship provides a foundation for the development of a climate of trust (Armstrong, 2010).

## **2.6 Types of Reward**

Labor economists distinguish between the incentive effect of financial rewards (generating more engagement and effort) and the sorting effect (attracting better-quality employees). According to Luthans (2000), cited in Aktar, et al. (2012) there are two basic types of rewards, financial and non-financial rewards and both can be utilized positively to enhance performance behaviors of employees.

### **2.6.1 Financial Rewards**

Financial rewards comprise all rewards that have a monetary value and add up to total remuneration Base pay, pay contingent on performance, contribution, competency or skill, pay Related to service, financial recognition schemes, and benefits such as pensions, sick pay and health insurance. The management of a reward system requires decisions on levels of pay, how jobs should be valued, the design and operation of grade and pay structures and the choice of benefits. Such decisions can be complex and difficult, but the problems pale by comparison with the issues surrounding the use of financial rewards contingent on performance, contribution, competence or skill.

The fundamental issue is the extent to which financial rewards provide an incentive effect. The sorting effect is important but creates less controversy, perhaps because it is more difficult to pin down. A vociferous chorus of disapproval has been heard on the incentive effect. One of the best known and most influential voices is that of Kohn (1993) who stated in the *Harvard Business Review* that 'bribes in the workplace simply can't work.' He asserted that: 'Rewards, like punishment, may actually undermine the intrinsic motivation that results in optimal performance.'

The more a manager stresses what an employee can earn for good work, the less interested that employee will be in the work itself.' Kohn (1993) also claimed that: 'At least two dozen studies over the last three decades have conclusively shown that people who expect to receive a reward for completing a task or for doing that task successfully simply do not perform as well as those who expect no reward at all.' He did not identify these studies. He returned to the fray in 1998 when he wrote that: 'Offering workers the equivalent of a doggie biscuit for whatever we demand is never going to be successful in any meaningful sense.'

Pfeffer (1998) concluded in his equally influential *Harvard Business Review* article 'Six dangerous myths about pay' that: 'Most merit-pay systems share two attributes: they absorb vast amounts of management time and make everybody unhappy. 'More recently, Furnham (2006) asserted that: 'The idea that better paid people are more productive and happy is naïve and essentially evidence free.' And Caulkin (2009) wrote in his *Observer* column that: 'Evidence to show monetary incentives improve performance is simply non-existent.'

On the other hand, there is the less audible chorus of those who have collected evidence that financial incentives do improve performance (seemingly unknown to commentators such as those mentioned above) and have questioned some of the findings and theories of the researchers who have cast doubts on the effectiveness of financial incentives.

Gerhart and Rynes (2003) in their comprehensive review of compensation research noted that managers may well be confused by the fact that: 'Researchers often disagree on many of the most central questions surrounding pay, depending on their disciplinary training, ideological Beliefs and other factors.' Amongst the disagreements they instanced was whether pay is a strong motivator of performance.

### **2.6.2 Non-financial Rewards**

According to Armstrong (2010), non-financial rewards are those that focus on the needs people must varying degrees for recognition, achievement, responsibility, autonomy, influence and personal growth. They incorporate the notion of relational rewards, which are the intangible rewards concerned with the work environment (quality of working life, the work itself, work-life balance), recognition, performance management, and learning and development.

Non-financial rewards can be extrinsic, or intrinsic, arising from the work itself associated with job challenge and interest and feelings that the work is worthwhile

The types of rewards as originally identified by Herzberg (1957) include the following:

### **2.6.3 Intrinsic Rewards**

Intrinsic rewards are the self-generated factors that influence people to behave in a way or to move in a direction. These factors include responsibility (feeling that the work is important and having control over one's own resources), autonomy (freedom to act), scope to use and develop skills and abilities, interesting and challenging work and opportunities for advancement.

### **2.6.4. Extrinsic rewards**

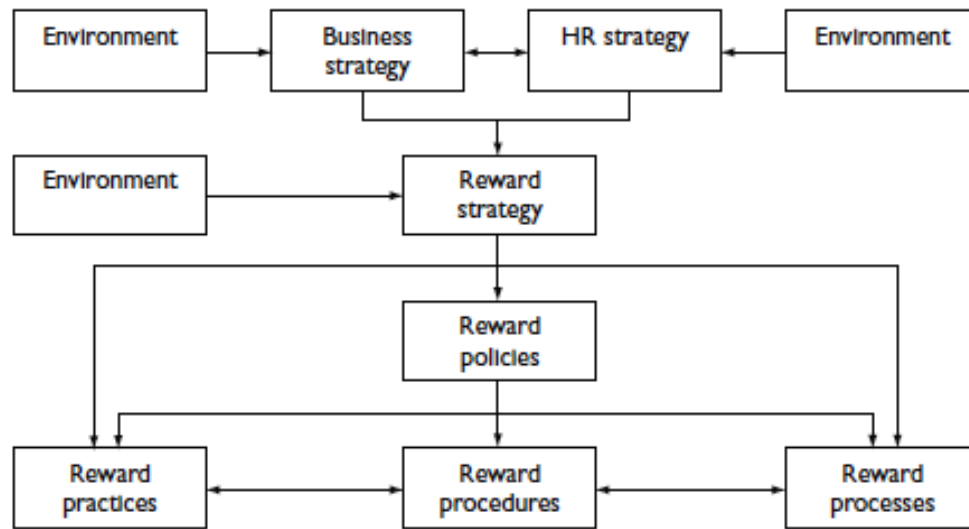
Extrinsic answer the question; what is done to or for people to motivate them? This includes rewards, such as increased pay, verbal appreciation or promotion and punishment, such as disciplinary action, withholding pay, or criticism. Extrinsic motivators can have an immediate and powerful effect, but it may not necessarily last long. Extrinsic rewards are usually financial or tangible rewards. Ajils (1997) delineated that 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. He further explained that 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.

### 2.7 Reward systems

A reward system consists of the interrelated processes and practices that combine to ensure that reward management is carried out effectively to the benefit of the organization and the people who work there. It operates in accordance with the principles of systems theory, which as Katz and Kahn (1966) wrote, 'is basically concerned with problems of relationship, of structure and of interdependence'. It has the characteristics of an open system as described by Miller and Rice (1967), who stated that organizations should be treated as such in that they are continually dependent upon and influenced by their environments (Armstrong, 2010).

Fig. 2.1 How reward operates



Source: Armstrong (2010)

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

policies, which in turn affect reward practices, processes and procedures. These different aspects of a reward system are defined below.

### **2.7.1 Reward strategies**

These set out what the organization intends to do in the longer term to develop and implement reward policies, practices, processes and procedures that will further the achievement of its business and HRM goal (Armstrong, 2010).

### **2.7.2 Reward policies**

Armstrong & Murlis (2005) stated that policies provide guidelines for the implementation of reward strategies and design and management of reward process. They will be influenced strongly by the reward philosophy of the organization. The reward policies will be concerned with: the relative importance attached to market rates and equity, the relationship of rewards to business performance, the degree of flexibility required in the system, the need to involve employees in the design of the reward system, the need to communicate reward policies to employees, transparency, the publication of information on reward values and structures and processes to employees.

### **2.7.3 Reward practices**

According to Armstrong (2010), these comprise the schemes, structures and techniques used to implement reward strategy and policy: for example, the policy on pay levels will lead to the practice of collecting and analyzing market rate data, and making pay adjustments that reflect market rates of increase.

### **2.7.4 Reward processes**

These consist of the ways in which policies are implemented and practices carried out; for example, how the outcomes of surveys are applied and how managers manage the pay adjustment and review process.

### **2.7.5 Reward procedures**

These are operated in order to maintain the system and to ensure that it functions efficiently and flexibly and provides value for money; an example is a procedure for conducting an annual pay review.

## **2.8 Reward practices**

### **2.8.1 Base pay**

Base pay is the amount of pay that constitutes the rate for the job or the person. Base pay management uses the information from market pricing and job evaluation to design and operate grade and pay structures.

### **2.8.2 Employee benefit**

As Armstrong (2010), pointed out, employee benefits consist of arrangements made by employers for their employees that enhance the latter's well-being. They are provided in addition to pay and form important parts of the total reward package. As part of total remuneration, they may be deferred or contingent such as a pension scheme, insurance cover or sick pay, or they may be immediate such as a company car or a loan. Employee benefits also include holidays and leave arrangements, which are not strictly remuneration. Benefits are sometimes referred to dismissively as 'perks'(perquisites) or 'fringe benefits', but when they cater for personal security or personal needs they could hardly be described as 'fringe'.

Flexible benefit schemes give employees a choice, within limits, of the type or scale of benefits offered to them by their employers. Pension provision has undergone considerable change recently. The traditional defined benefit scheme, which provides a pension based on final Salary, is disappearing rapidly (too costly) and is being replaced by defined contribution schemes where the retirement pension is whatever annual payment can be purchased with the money accumulated in the fund for a member (cheaper). Employee benefits are a costly part of the remuneration package. They can amount to one-third or more of basic pay costs and therefore must be planne

.2 d and managed with care (Armstrong, 2010).

### **2.8.3 Recognition**

Armstrong (2010) states that recognition schemes as part of a total reward package enable appreciation to be shown to individuals for their achievements, informally on a day-to day basis or through formal recognition arrangements. They can take place quietly between managers and their team workers or be visible celebrations of success. A recognition scheme can be formal and organization wide, providing scope to recognize achievements by gifts or treats or by public

applause. Typically, the awards are non-financial but some organizations provide cash awards. Importantly, recognition is also given less formally when managers simply say, well done', 'Thank you', or 'Congratulations' face-to-face or in a brief note of appreciation.

#### **2.8.4 Promotion**

Promotion is an important feature of employee's life style and occupation, affecting other job experience levels and can have an obvious impact on other job aspects like job attachment and responsibilities. Additionally, promotion can influence the instrument of exerting better attempts, if employees put an important value on it. If not, the companies would focus on pay increase to reward high effort and productivity. Indeed, the employees may be worth the promotions since they make an increase in job services (Gohari, Ahmadloo & Hosseinpour, 2013).

#### **2.8.5 Working conditions**

The physical environment in which the work is described here. Adverse environmental conditions such as noise, heat, and fumes are detailed along with the frequency of exposure. Most professionals and executive job descriptions do not include this section because work is assumed to be performed under normal office conditions. If it is not, the section should be included. Work conditions are defined by criteria such as: Physical effort, Work environment Sensory attention and Physical risks (Ruddy, 2007).

#### **2.8.6 Responsibility**

Individuals can be motivated by being given more responsibility for their work. People are impositions of responsibility when they are held to account for what they do. They are in charge of their work and the resources required to do it. Being given more responsibility can satisfy needs for achievement and increase self-esteem. It is also a form of recognition (Armstrong, 2010).

### **2.9 Reward and Employee performance**

Reward makes an overall positive impact on performance when it contributes to the development of a high-performance culture, one in which the values, norms and HR practices of an organization combine to create a climate in which the achievement of high levels of performance is a way of life. Such a culture can be manifested in a high-performance work system.

Within the high-performance culture and work system, reward impacts on individual and Organizational performance by: ensuring that performance expectations are defined and understood, providing the means to encourage and recognize high performance, enhancing engagement and promoting positive discretionary effort, enhancing engagement and promoting positive discretionary effort and Persuading talented people to join and stay with the organization.

According to the Armstrong (2008), performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. He further explained it is means of getting better results by understanding and managing performance within an agreed framework of planned goals, standard and competency requirements. In addition to that Armstrong define performance management as “a process or set of processes for establishing shared understanding Based on Abiola and Ajila’s (2004) findings, intrinsic rewards can be terms as ‘psychological rewards about what is to be achieved, and of managing and developing people in a way which increases the probability that it will be achieved in the short and longer term.” To measure employee performance organizations, use performance appraisal in order to ensure of achievement of goals. Organizations measure under Employee performance employee productivity, job quality, and job accomplishment, willingness to exert extra effort, commitment and goal achievement.

Yapa (2002) points out rewards play a vital role on increasing employee rewards and change the behavior of dissatisfies employees. As well as he elucidates a fair reward system could build job satisfaction and productive behavior in employees. Reward system helps to improve organizational performance as well as it fulfills other objectives such as legal compliance, labor cost control, perceived fairness towards employees and enhancement of employee performance to achieve high level of productivity and customer satisfaction. Carraher et al (2006) advocate that there should be an effective reward system to retain the high performers in the organization and reward should be related with their productivity Hartle (1995) points out that reward is an important part of the feedback loop in performance management.

Mehmood (2013) explicates reward system is the requirement of any organization to retain and hire the most suitable employee to gain competitive edge in a competitive environment. He further explains that reward system inspiring the employee to work harder and

faster because employee needs motivation to put extra effort on their task. Finally, he concludes that reward system should match with the organizational culture and the strategy in order to achieve sustainable competitive advantage.

Reviewing all these empirical studies and findings, researcher can conclude that a good remunerate on which ties extrinsic and intrinsic rewards to individual performance bring higher productivity. When management makes decisions on what types of rewards to implement and they should identify the aims of their reward policy. All these observations suggest the need for a strategic reward system to increases employee performance with the ultimate goal of achieving competitive advantage.

This study examines the impact of extrinsic and intrinsic rewards on employee performance in Catering and tourism training institute. Employee performance is taken as dependent variable and extrinsic and intrinsic rewards are taken as independent variables. In independent variable, extrinsic rewards represent three dimensions which are base pay, employee benefits and promotion. Intrinsic rewards embody recognition, promotion, and working conditions. Hypotheses will be developed and tested based on the conceptual framework.

Based on the empirical researches, of Yapa (2002) most tested extrinsic reward variables are Base pay and employee benefits and intrinsic variables are recognition, promotions, and working conditions. Therefore, the current research will focus to identify the impact of the above extrinsic and intrinsic variables on employee performance.

## **2.10 Theories**

### **2.10.1 Content Theory**

This theory focuses on the content of motivation. It states that motivation is essentially about taking action to satisfy needs and identifies the main needs that influence behavior. Maslow (1954) talked about Needs theory, and in his two-factor model, Herzberg (1957) listed needs which he termed „satisfiers“. These theories are explained as follows:

### **2.10.2 Maslow's Hierarchy of Needs**

Maslow (1957) suggested that there are five major need categories which apply to people in general, starting from the fundamental physiological needs and leading through a hierarchy of

safety, social and esteem needs to the need for self-fulfillment, the highest need of all. Maslow's hierarchy is as follows:

- i. Physiological: the need for oxygen, food, water and sex.
- ii. Safety: the need for protection against danger and the deprivation of physiological needs.
- ii. Social: the need for love, affection and acceptance as belonging to a group.
- iii. Esteem: the need to have a stable, firmly based, high evaluation of oneself (self-esteem) and to have the respect of others (prestige).
- iv. Self-fulfillment (self-actualization): the need to develop potentialities and skills, to become what one believes one can become. Maslow's theory of motivation states that when a lower need is satisfied, the next highest becomes dormant and the individual's attention is turned to satisfying this higher need.

The lower need still exists, even if temporarily dormant as motivators, and individuals constantly return to previously satisfied needs. One of the implications of Maslow's theory is that the higher-order needs for esteem and self-fulfillment provide the greatest impetus to motivation – they grow in strength when they are satisfied, while the lower needs decline in strength on satisfaction. But the jobs people do will not necessarily satisfy their needs, especially when they are routine or de-skilled. The basis of this theory is the belief that an unsatisfied need creates tension and a state of disequilibrium. To restore the balance, a goal that will satisfy the need is identified and a behavior is therefore motivated by unsatisfied needs.

### **2.10.3 Herzberg's Two-Factor Model**

The two-factor model of satisfiers and dissatisfies was developed by Herzberg *et al* (1957) following an investigation into the sources of job satisfaction and dissatisfaction of accountants and engineers. The main implications of this research, according to Herzberg are that the wants of employees are divided into two groups. One group revolves around the need to develop in one's occupation as a source of personal growth. The second group operates as an essential base to the first and is associated with fair treatment in compensation, supervision, working conditions and administrative practices. The fulfillment of the needs of the second group does not motivate the individual to high levels of job satisfaction and to extra performance on the job. In order to

satisfy this second group of needs the prevention of dissatisfaction and poor job performance must be ensured.

Conversely, Herzberg's two-factor model has been criticized because no attempt was made to measure the relationship between satisfaction and performance. However, Herzberg had immense influence on the job enrichment movement, which sought to design jobs in a way that will maximize the opportunities to obtain intrinsic satisfaction from work and thus improve the quality of working life. His emphasis on the distinction between intrinsic and extrinsic motivation is also important.

#### **2.10.4 Process Theory**

This motivation theory focuses on the psychological processes which affect motivation, by reference to expectations (Vroom, 1964), goals (Latham and Locke, 1979) and perceptions of equity (Adams, 1965).

In process or cognitive theory, the emphasis is on the psychological processes or forces that affect motivation, basic needs as well as people's perceptions of their working environment and the way in which they interpret and understand it. Process or cognitive theory can certainly be more useful to managers than need theory because it provides more realistic guidance on motivation techniques. The processes are:

- i. Expectations (expectancy theory)
- ii. Goal achievement (goal theory)
- iii. Feelings about equity (equity theory).

These theories are explained below:

#### **2.10.5 Expectancy theory**

The concept of expectancy was originally contained in the Valency-Instrumentality-Expectancy (VIE) theory, which was formulated by Vroom (1994). Valency stands for value, Instrumentality is the belief that if we do one thing it will lead to another and Expectancy is the probability that action or effort will lead to an outcome. Motivation is only likely when a clearly perceived and usable relationship exists between performances and outcome and the outcome is seen as a means of satisfying needs. This theory was developed by Porter and Lawler (1968) into a model

which follows Vroom's ideas by suggestion that there are two factors determining the effort people put into their jobs:

- i. The value of the rewards to individuals in so far as they satisfy their needs for security, social esteem, autonomy and self-actualization.
- ii. The probability that rewards depend on effort, as perceived by individuals – in other words, their expectations about the relationships between effort and reward. However, as Porter and Lawler emphasized, mere effort is not enough. It must be effective effort if it is to produce the desired performance. The two variables additional to effort which affect task achievement are:
  - i. *Ability*: individual characteristics such as intelligence, manual skills, know-how, etc.
  - ii. *Role Perceptions*: what the individual wants to do or thinks he or she is required to do. These should ideally be linked to the overall strategic goals of the organization.

#### **2.10.6 Goal Theory**

Goal theory as developed by Latham and Locke (1979) states that motivation and performance are higher when individuals set specific goals, when goals are difficult but accepted, and when there is a feedback on performance. Erez and Zidon (1984) emphasized the need for acceptance of and commitment to goals. They found that, as long as they are agreed, demanding goals lead to better performance than easy ones. Goal theory, however, plays a key part in the performance management process which was evolved from the largely discredited management-by-objectives approach.

#### **2.10.7 Equity Theory**

Equity theory is concerned with the perception people have about how they are being treated as compared with others. Equity involves feelings and perceptions and is always a comparative process. It is not synonymous with equality, which means treating everyone the same. As suggested by Adams (1965), there are two forms of equity. Distributive equity which is concerned with the fairness with which people feel they are rewarded in accordance with their contribution and in comparison, with others. 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 appraisal, promotion and discipline are being operated. Interpersonal factors are closely linked to feelings about procedural fairness. Five factors that

contribute to perceptions of procedural fairness have been identified by Tyler and Bies (1990). These are:

- i. Adequate considerations of an employee's viewpoint
- ii. Suppression of personal bias towards the employee
- iii. Applying criteria consistently across employees
- iv. Providing early feedback to employees concerning the outcome of decisions
- v. Providing employees with an adequate explanation of the decision made.

## **2.11 Factors that influence rewards**

A given reward system is affected by various internal and external factors. Only some of the factors that are directly relevant to the study will be mentioned; mainly the internal factors sources of internal factors are within the company. These are the company's reward philosophy, organizational culture, organization's financial performance, employee's perception, and others. External factors are beyond the control of the organization. These are the labor market, level of competition, economic conditions etc. In connection with these, Armstrong (2010) identified the following factors.

### **2.11.1 Contextual factors**

Reward strategies and practices must take account of the internal and external context – the Concept of 'best fit'.

### **2.11.2 Internal context**

The characteristic features of the internal context are as follows.

### **2.11.3 The organization's culture**

Organizational culture consists of shared values, norms and assumptions that influence the Way people act and the way things get done. In reward management, the most important Aspects of culture that need to be considered are the core values of the organization, which express beliefs on what sort of behavior is desirable? Reward practices should fit in With and support the culture and they can help to reshape it (Armstrong, 2010).

#### **2.11.4 The organization's business or sector**

The business or sector of the organization, for example manufacturing, financial services, retail services, transport, media, public sector services, not-for-profit services or education – will govern its ethos and therefore its core values. It will influence the type of people it employs and the degree to which it is subject to turbulence and change. All these factors will contribute to the reward strategy.

#### **2.11.5 Work environment**

The ways in which work is organized, managed and carried out will influence pay structure and the use of contingent pays. The introduction of new technology may result in considerable changes to systems and processes. Different skills are required, new methods of working and therefore, reward is developed. The result may be an extension of the skills base of the organization and its employees, including multiskilling (ensuring that people have a range of skills that enable them to work flexibly on a variety of tasks, often within a team working environment). Traditional piecework pay systems in manufacturing industry have been replaced by higher fixed pay and rewards focused on quality and employee teamwork.

#### **2.11.6. People**

People's occupations may affect their wants and needs. Entrepreneurial directors or sales representatives may be more interested in financial incentives than, say, people engaged in charitable work. Reward strategies and policies should take account of the different needs of people and this may mean segmenting rewards to meet those individual needs.

#### **2.11.7 Business strategy**

Where the business is going – the business strategy – determines where reward should go – the reward strategy. Integrating reward and business strategies means combining them as a whole so they contribute effectively to achieving the mission or purpose of the organization.

#### **2.11.8 Political and social climate**

Organizational politics and social factors such as the way people interact will affect how the organization functions and therefore what approach to reward management it adopts.

#### **2.11.9 External context**

The following aspects of the external context may affect reward management policies.

### **2.11.10 Globalization**

Globalization requires organizations to move people, ideas, products and information around the world to meet local needs. Traditionally, discussions of international reward strategies and practices have tended to focus on an elite of expatriate workers, sourced from headquarter locations and rewarded in isolation from local country staff.

### **2.11.11 Rates of pay in the market place**

The external environment exerts a major influence on rates of pay and pay reviews within organizations. Market or going-rate levels and movements should be considered by organizations if they want their pay to be competitive. Some organizations are affected by national agreements with trade unions.

### **2.11.12 The economy**

The economy, whether it is in a boom or bust mode, will inevitably affect reward policy and practice. A recession such as the one that began in 2008 increases the attention organizations pay to getting value for money and reduces the amounts that can be distributed in the form of base and contingent pay and the scale of benefits provision.

### **2.11.13 Societal factors**

Views about reward held in society at large may affect internal reward policies. For example, the opprobrium levelled in 2009 at 'fat cats' in boardrooms and the bonus culture in the City may possibly have some influence on members of remuneration committees. Again, it may not.

### **2.11.14 The trade unions**

Trade unions influence reward practices at national level through national pay negotiations, pronouncements on such issues as the pay of top executives and exerting pressure to achieve equal pay. They produce policies and advice for their members on job evaluation (they are in favour of analytical schemes while emphasizing the need for involvement in their design), pay structures (they tend to be against broad-banded structures) and performance-related.

## **2.12 Empirical review**

Rewards can be used to improve performance by setting targets in relation to the work given e.g. surpassing some sales targets. When the employee surpasses their target, he or she can be given an additional amount to their salary; this will make them strive to achieve more.

Research has proven that when human beings are appreciated and praised they tend to improve their performance. This is another way an organization can apply as a reward so as to improve performance. Praise could be shown in the organization newsletter or in meetings. When managers take time to meet and recognize employees who have performed well, it plays a big role in enhancing employees' performance (Torrington & Hall, 2006). Organizations should reward employees more often. This greatly improves performance compared to having the rewards maybe only once a year. This is because frequent rewards are easily linked to the performance (Thomson & Rampton, 2003).

Another way through which organizations can use reward systems to increase output is by personalizing the reward. When rewards tend to be so general, employees do not value them. Organizations can use rewards to improve employee performance by incorporating appraisal or promotion for employees who have a good record of performance. Managers should be on the lookout for employees who perform well. Organizations tend to focus on financial rewards, and non-financial rewards have become increasingly being overlooked (Chiang & Birtch, 2008).

Every employee has his or her own set of needs and motivators. Therefore, school principal should carefully select the right rewards that respond to individual needs. Some are motivated by money, while others motivated by recognition, increment of pay. Career advancement or personal growth; which is not direct or instant material benefits. Thus, it is wrong to assume that everyone shares the same motivator and needs (Lai, 2009)

Apeyusi (2012) found that 47% of managers from the branches of the bank under study thought there was a positive relationship between rewards and employee performance whereas 53% of them disagreed with the statement. The study further revealed that more than half of the staff indicated that they are prepared to work harder if they are given more incentives or paid better, indicating a positive relationship between reward and performance. It also stated on the research that Employees were having variety of packages without realizing it was a means of rewarding their contribution to the organization. Thus, they felt always left-out and wanted more

(some of which they were already enjoying without their specific knowledge). The study also reveals that the major strength was that the bank was responding to changes in the industry or the labor environment by incorporating variety into their reward packages.

Aktar, Kamruzzaman & Ali (2012) researched the effect of Reward management on the employee performance of Commercial banks in Bangladesh. Specifically, the objective of the study is to find out the relationship between rewards and employee performance. It was hypothesized in the study there is direct relationship between Extrinsic and intrinsic rewards and employee's performance. And, there is indirect relationship between extrinsic and intrinsic rewards and employee performance. The key findings of the study were a significant correlation between dependent variable and independent variables which mean employees' performance 70.2% depend on intrinsic and extrinsic reward. Here also shows that there was a strongly significant correlation between extrinsic and intrinsic rewards.

Waruni, Ayesha & Edirisooriya (2014) investigated the effect of rewards on employee performance and the study was conducted at Electrico, a public-sector service oriented organization established in 1968. The study explores, it is demonstrated that there is a very strong relationship between pay and employee performance. It proves that most of the employees in Electrico highly prefer monetary rewards irrespective of their position. Money is a measurement of employees 'accomplishments. Issues involved in public procurement in Ghana and analyses the potential impact of this reform on public procurement organizations performance. The study also shows that there is recognition proves to have the strongest relationship to employee performance when compared to other intrinsic variables. Recognition is a powerful motivation factor because it helps employee to know how well they have achieved their objectives and whether their achievements are appreciated.

### **2.13 Hypothesis**

H1:-Pay/salary is has significant influence on employee's performance.

H2:- There is no significant effect between Pay/salary and employee's Performance.

H3:- Benefit has significant influence on Employee performance.

H4:- There is no significant influence between Benefit and employee performance.

H5: - promotion has significant influence on employee's performance

H6: - Promotion has no significant influence on employee's performance.

H7: Working conditions has significant influence on Employee performance

H8: Working conditions has no significant influence on employee performance

H9: Recognition has significant influence on employee performance.

H10: Recognition has no significant influence on employee performance

H11: Responsibility have positive relation to employee performance

H12: Responsibility have no positive relation to the employee performance.

## **2.14 Conceptual framework**

A reward system of an organization reflects what an organization sees as important. The model is constructed based on a reward system comprising both financial and non-financial rewards in order to reward high performers. The institute's reward practice will be assessed based on the following variables: Pay/salary, benefit, recognition, promotion, and work environment (Armstrong, 2006 & Hume, 2000).

Armstrong (2010) noted that reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility.

The model has included the expectancy theory of rewarding employees based on their needs and value and equity theory that is perceived as fair and equitable reward system will bring increased employees performances. Expectancy theory by Vroom (1964), Porter and Lawler (1968) there must be a link between effort and reward, and the reward should be achievable and worthwhile and Equity by Adams (1965) people are better motivated if treated equitably. Cited in (Armstrong, 2010)

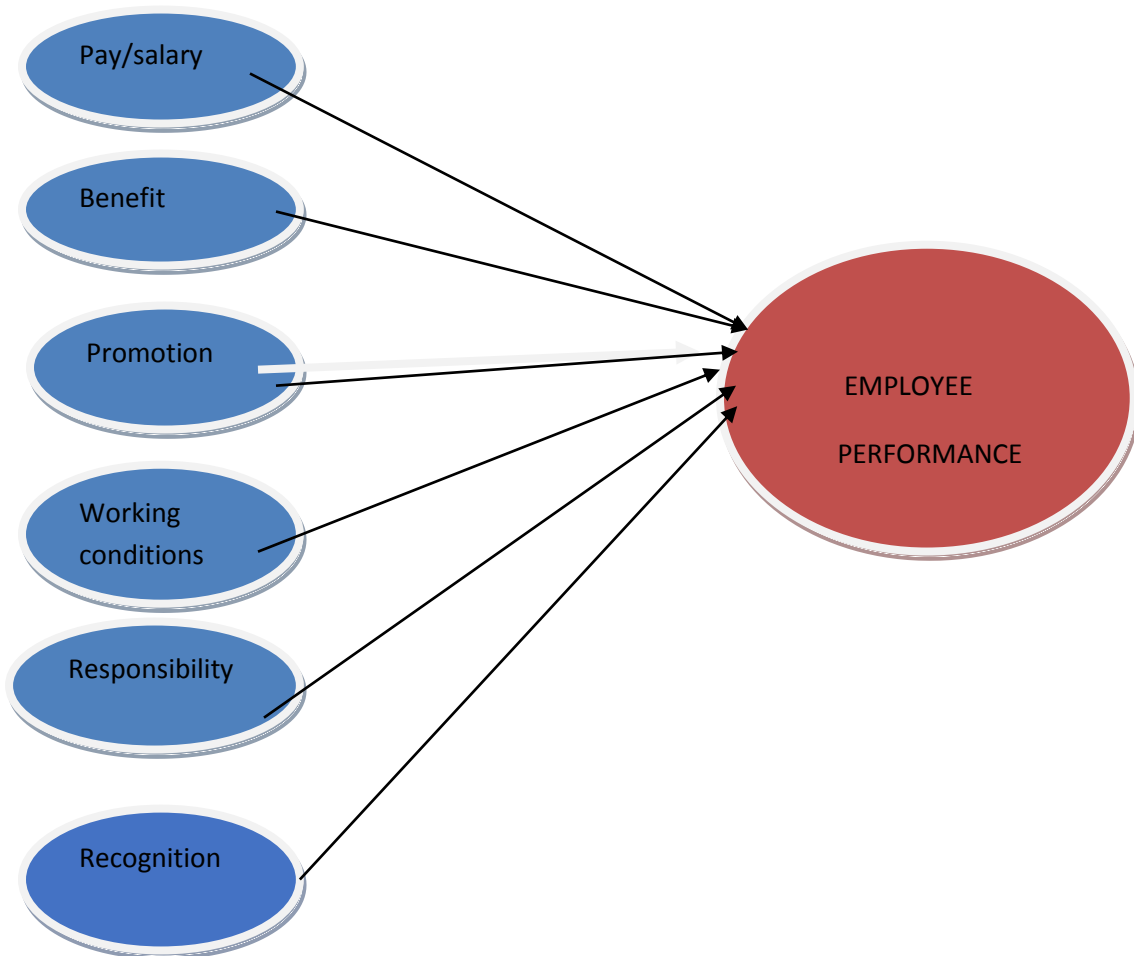
The study will apply independent and dependent variables in order to put the research in to practice. These independent and dependent are shown in the conceptual frame work. Therefore, the independent variables are extrinsic rewards and intrinsic rewards will be taken as dependent variable for the study.

Therefore, this study was conceived by the limited scientific literature documenting the relationship between Extrinsic and Intrinsic Reward management practice and performance management more specifically at Catering and Tourism Training Institute (CTTI).

**Fig 2.2 Diagrammatic Representation of Conceptual Framework**

Independent variable

Dependent variable



Source: own framework, constructed to frame this study, 2017

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **Introduction**

This chapter describes the research design and methodology has been used and the choice of the appropriate research method for the study. The chapter is arranged in to different sub sections, starting from research design, Data types and sources, Instrument design, Sample design, Data collection methods, the instruments used for the study and the method of analysis of the data.

#### **3.1 Research setting**

The study was conducted in Addis Ababa. Addis Ababa is a capital city of Ethiopia. It is the largest city in Ethiopia, with a population of 3,384,569 according to the 2007 population census with an annual growth rate of 3.8% (BOFED, 2009). According to Addis Ababa city administration culture and tourism Bureau, in Addis Ababa there are five catering and tourism training centers which are owned by Ethiopian government and private ones. Catering and tourism training institute is the one of state owned institute which aimed to provide qualified trainees on catering and tourism profession. the institute was selected because of their significance role in building nations 'tourism economy.

#### **3.2 Research design**

The study adopted a quantitative methodology with Explanatory research design and set out to research questions. This research design was selected because it seeks to establish cause and effect relationships from census of People ascertain the effect of reward systems on employee performance at catering and tourism training institute (CTTI). Here the researcher used regression analysis for data analysis purpose. The design has an advantage of producing good amount of responses from all respondents of people. At the same time, it further explained that, the descriptive statistics is useful for investigating a variety of analytical problems, to assess the dependency one variable over another. The data are usually collected through questionnaire.

### 3.3 Population of the study

The target population for the study was on permanent trainers of Catering and Tourism Training Institute which consists of 103 Trainers in CTTI. through excluding individuals who have less than one year of experience. This is because they are not well experienced by the reward management practice in the institute.

### 3.4 Sample and Sampling technique

#### 3.4.1 Sample size

A sample is a smaller group obtained from the accessible population to represent the whole population while sampling is the process of selecting the individuals for the study from the Population (Mugenda & Mugenda, 2003). According to Israel (2013), there are different strategies to calculate sample size. These include using census for small population, using a sample size of similar study, using published tables that is given based on the number of the population without doing any calculation to get the sample size and using formula to calculate sample size. (Mugenda and Mugenda, 2003). indicated a sample size of 10% or 20% will be sufficient for a study. The researcher has used a formula suggested by (Kothari, 2004) and the rationale for using Kothari is that:

Its suitable for finite population and also more appropriate for large sample .therefore based on the formula ,the researcher has got a sample size of 81.

$$n = \frac{z^2 x p x q x N}{(N - 1) + z^2 x p x q}$$

n = sample size required

N = number of population =103

Where, p =sample proportion, q=1-p,

e =acceptable sample error =5%

Z = the value of standard deviation at a given confidence level and to be worked out from the Z table which shows area under the normal curve =confidence level=1.96 for 95% confidence

$$n = 1.96^2 (0.5 * 0.5) 103 / ((0.05)^2 (103 - 1) + (1.96)^2 (0.5 * 0.5)) = 81.4$$

Therefore, 81 respondents were selected from the total of 103 trainers of the institute. To make the samples drawn representative of the population, the sample frame from which samples draw was include appropriate persons in the institute.

### **3.4.2 Sampling technique**

Sampling technique is a definite plan for obtaining a sample from a given population. It refers to The technique or procedure the researcher would adopt in selecting items for a sample. As a priori the researcher must decide the number of sample or sample size that he or she is going to use for the study. The sampling process is to choose the sampling frame, which is the list of elements from which a sample may be drawn: also, called the working population (Zikmund 2000). In this study, the sampling frame was based on the list of name of trainers in the institute.

The next step was to identify the sampling method was used to select the sample for the study from the population. Per the methodology literatures, there are two main sampling methods, probability and non-probability sampling (Kothari, 2004). The probability method was selected due to the universal acceptance of results because of the availability of sampling frame. From the list of probability sampling design was applied due to the following reasons since the population was a defined and known it would make it reasonable to go a probability sample design implementation.

Once probability sampling was chosen in the sampling design stage, simple random sampling with lottery method was used for selecting respondents from the target population because the researcher had the complete list of the entire trainers. In this technique, all possible subsets of the population (more accurately, of a sampling frame) were given an equal probability of being selected. Hence, sample statistics are unbiased estimates of population parameters, without any weighting (Kothari, 2004). Thus, the researcher applied the random figure generator of the Microsoft excel to take out samples from the list of the population. Once this respondents were known researcher was informed them about the research objective through phone call and getting them in person and to compensate reluctant respondents to fill the questionnaire the researcher was went to the next list of trainer.

### **3.5 Data and sources**

In the light of this, the study gathered data from primary sources using sampling techniques also used secondary data from books, journals and the institute's bulletin.

#### **3.5.1 Primary Data sources**

Primary data collected with the aid of questionnaires. close-ended questions were included in the research because it's easy to analyze the data. The problem with open ended question is that it's difficult to analyze the data. To make analysis easier, the closed ended questions will be provided with alternatives.

The questionnaires were one type. This was very critical to enable the researcher gather employees' opinion on the relationship between performance and reward systems. To compliment the questionnaire, the researcher held informal discussions with workers and employees of the organization to know the various reward packages in place and basis upon which it was reviewed.

#### **3.5.2 Secondary Data Sources**

Secondary data are information or data already collected by other researchers or institutions, usually for different purposes (Blumberg et al., 2008). Secondary data enable the researcher to place the study in the context of existing knowledge as well as broadens the researchers understanding to the research topic (Blumberg et al., 2008). Secondary data sources are financial statements, collective bargaining agreements, and senior staff conditions of service, newspapers and manuals on the subject matter which gave the researcher information about the performance of employees. The internet as well as other relevant publications were also consulted.

### **3.6 Data collection method**

Both primary and secondary data was collected in the study. To collect primary data, the researcher employed the questionnaire method of data collection where adopted questionnaire was distributed to the employees of catering and tourism training institute. The questioner was measured by five-point Likert scale anchored by 1=Strongly Disagree, 2=Disagree,3=Neutral, 4= Agree and 5= strongly agree. The Likert measures the level of agreement or disagreement. The Likert scale has scales that assist in converting the qualitative responses into quantitative values (Mugenda & Mugenda, 2003).

The researcher sought to use this approach because it was easier to analyze since they were in an instant usable form. They were also economical to use in terms of time and cost. Section I of the questionnaire sought the general information of the respondents; Section II of the questionnaire sought answers of the first research objective about the reward practice of CTTI. Section III of the questionnaire sought to answer research objective about extrinsic reward practice affecting employee performance under CTTI. Section IV of the questionnaire sought the influence of intrinsic rewards on employee performance and section V of the questionnaire sought how employee performance is measured in CTTI. Secondary data was obtained from text books and relevant academy journals which relate to the research topic. This supplement the primary data received from questionnaires.

### **3.7 Method of data analysis**

To analyze the data obtained from the respondents both descriptive and inferential statistics were used. Accordingly, to assess the existing reward practice of the institute descriptive statistics such as mean and standard deviation were employed. On the other hand, to examine the relationship between the independent and dependent variable of the study. Pearson correlation coefficient was used. And, to determine the extent to which the dimension of reward management practice influence employee's performance, the researcher used regression analysis.

### **3.8 Instrument design/measurement**

Questionnaires for employees of the institute were designed based on the study objectives to provide in depth information for the study. The researcher obtained an authorization letter from the school of Commerce, Addis Ababa University. The questionnaires were issued to 81 respondents comprising academic staffs of the institute. The respondents were then given two weeks to complete the questionnaire. The Researcher used an adopted questionnaire which is adopted from different journals by previous researchers to measure variables in more valid way.

### **3.9 Procedures of Data Collection**

CTTI chosen as the institute who has a lion share in contributing the nation tourism sector by producing competent work force. According to the HR director of the institute, the core activities of the institute is accomplished by the trainers of the institute that is why the researcher selects the trainers by excluding the administration staffs. Regarding the questionnaire, was adopted

with the advice of well experienced researchers and questionnaire designers they have the experience in designing questionnaire. The questionnaire was distributed for respondents. At the time of approaching the voluntary respondents, I was first asked whether they are academic or admin staff then gave accordingly to fill.

### **3.10 Validity and Reliability**

Reliability and validity address issues about the quality of the data and appropriation of the methods used in carrying out the research.

#### **3.10.1 Validity**

Validity refers to the extent to which an instrument measures what is supposed to measure. Data need not only to be reliable but also true and accurate. If a measurement is valid, it is also reliable (Joppe 2000). To this end, the content of validity of the data collection instrument was determined through discussing the research instrument with the researcher experts in the field of study especially the researcher's supervisor. The valuable comments, corrections, suggestions given by the research experts assisted the validation of the instrument.

#### **3.10.2 Reliability**

Reliability refers to the consistence, stability, or dependability of the data. A reliable measurement is one that if repeated a second time gives the same results as it did the first-time. If the results are different, then the measurement is unreliable Mugenda & Mugenda (2008).

To measure the reliability of the data collection instruments, an internal consistency technique using Cronbach's alpha was used (Mugenda 2008). Cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalization (Zinbarg2005). An alpha coefficient of 0.75 or higher indicated that the gathered data are reliable as they have a relatively high internal consistency and can be generalized to reflect opinions of all respondents in the target population (Zinbarg 2005).

Thus, as shown in table 3.1 the overall Cronbach's alphas coefficients for expected scale item are 0.932. Therefore, the expected scales used in this study demonstrate high reliability. The following Table shows the SPSS result on the Cronbach Alpha.

**Table 3.1 Reliability statistics of the instrument**

<b>Cronbach's alpha</b>	<b>No of items</b>
<b>0.932</b>	<b>30</b>

**Source: Survey data 2017**

Table 3.2 Reliability instrument of Dependent and Independent variables

<b>No.</b>	<b>Constructs</b>	<b>Cronbach Alpha</b>	<b>No of Items</b>
Extrinsic rewards	Salary	0.783	4
	Benefits	0.822	3
	Promotion	0.810	2
	Working conditions	0.911	4
Intrinsic rewards	Responsibility	0.983	6
	Recognition	0.791	3
Employees performance		0.982	5

**Source: Survey data 2017**

### **3.11 Research Ethics**

Ethics as applied to research generally refer to considerations to keep and respect the rights of respondents and other parties associated with the activity (Reynolds, 1982). Similarly, special attention has been given for ethical issues of this research starting from problem identification up to interpretation stage using the ethical guide lines stated by Creswell (2003). Respondents has been informed also clearly about the purpose of the study, the right to participate voluntarily, the

right to ask questions including personal address of the researcher, the right to get the copy of the study, and the right to have their privacy respected; the right not to respond to question that they didn't want to respond too.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND DISCUSSION**

#### **Introduction**

This chapter covers data presentation and analysis. The main objective of the study was to study the effect of reward management practice on employee performance a case study on catering and tourism training institute. Considering the findings from the questionnaire and the results are discussed per the objectives in this chapter. To simplify the discussions, the researcher provided descriptive analysis like frequency tables and figures that summarize the collective reactions and views of the respondents as well as inferential analysis like correlation and linear regression analysis.

The statistical analyses presented in this chapter were done using statistical package for social scientists, SPSS and Microsoft Excel.

#### **4.1 Response Rate**

The sample size of this study was 81 respondents. Those out of 81 questionnaires filled and returned were 75 respondents making a response rate of 92 %. This reasonable response rate was made a reality after the researcher made personal calls and visits to remind the respondent to fill-in and return the questionnaires. The high response rate of 92 % facilitated gathering sufficient data that could be generalized to identify effect of Reward management practice on employees' performance in Ethiopian Catering and Tourism Training Institute. As cited in Worku thesis this was in line with Orodho (2009) that a response rate above 50% contributes towards gathering of sufficient data that could be generalized to represent the opinions of respondents about the study problem in the target population. This means that the response rate for this study was excellent and therefore enough for data analysis and interpretation.

#### **4.2 Descriptive Analysis**

##### **4.2.1 Respondents Background Information**

The study considered respondents' general characteristics and information, in this study the researcher considered respondents in terms of gender, Age, year of service(experience),

educational level and salary to draw understanding of the effect of reward management practice (including salary, benefits, promotion, working conditions, responsibility and recognition) on the employee performance of catering and tourism training institute.

#### 4.2.1.1 Gender of the respondents

Table 4.1 that shows the gender distribution of respondents indicates that 89.3% of respondents are male and 10.7% are female. These results suggest that the sample is reasonably representative.

In other words, from the 75 respondents, 67 of them are male while the remaining 8 are female. The data is showing that the male gender is prominent when we compare with female gender.

Table 4.1: Gender of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid male	67	89.3	89.3	89.3
female	8	10.7	10.7	100.0
Total	75	100.0	100.0	

Source: Source: Survey data, 2017

#### 4.2.1.2 Respondents' age

The study further established respondent's age distribution categorized in a certain range. Table 4.2 indicate that 60% of respondents are between 19 to 36 years. This indicates that the catering and tourism training institute (CTTI) have young and energetic employees. Next 15% of respondents were 18 - 25 years, 12% of respondents were 37- 47 years and only 3% are aged above 48 years. These results generally imply that majority of employees of the catering and tourism training institute (CTTI) is young and not yet settled, poor reward system to them will cause more turnover so as to find the better salary. And good reward system will retain them.

**Table 4.2. Age of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
18-25	15	20.0	20.0	20.0
26-36	45	60.0	60.0	80.0
Valid 37-47	12	16.0	16.0	96.0
48-57	3	4.0	4.0	100.0
Total	75	100.0	100.0	

**Source: Source: Survey data, 2017**

#### 4.2.1.3 Respondents' year of service (experience)

Table 4.3 shows that the highest proportion of respondents with 2 – 3 years of working experience (45.3% or 34 respondents), followed by above 10 years (24% or 18 respondents), and there are less number of respondents working 4 - 5 years (12 % or 9 respondents) in the organization.

**Table 4.3. Respondent's year of service**

	Frequency	Percent	Valid Percent	Cumulative Percent
2-3	34	45.3	45.3	45.3
4-5	9	12.0	12.0	57.3
Valid 6-10	14	18.7	18.7	76.0
10 and above	18	24.0	24.0	100.0
Total	75	100.0	100.0	

**Source: Source: Survey data, 2017**

These findings were in line with Braxton (2008) as cited in Worku G. (2014) that respondents with a high working experience assist in providing reliable data on the study problem since they have technical experience on the problem being investigated by the study. This indicates that the respondents had worked relatively for a long time and thus understood technical issues.

**4.2.1.4 Respondents' Level of Education**

It was important to establish the education level held by the study respondents in order to discover if they were equipped with relevant knowledge and skills. From the findings table 4.4 majorities, 50.7% of the respondents indicated that they had MA Degree level of education, 48% of the respondents had BA degree while 1.3% of the respondents had attained college diploma but there is no more PHD holder in the institute.

**Table 4.4: respondents level of education**

	Frequency	Percent	Valid Percent	Cumulative Percent
college diploma	1	1.3	1.3	1.3
BA degree	36	48.0	48.0	49.3
MA	38	50.7	50.7	100.0
Total	75	100.0	100.0	

**Source: Source: Survey data, 2017**

This result indicates that catering and tourism training institute have a well-educated workforce as more of the employees are MA degree holders and should provide good reward system to retain them for long time. This demonstrated that most of the organization employees were qualified professionals with technical knowledge and skills on the study problem and thus provided the study with reliable information on the effect of reward at the catering and tourism training institute.

**4.2.1.5 Respondents' salary per month**

The study further established respondent's salary per month distribution categorized in a certain range. Table 4.5 indicates that 74.7% of respondents had paid above 6500 birr per month. This

indicates that the catering and tourism training institute (CTTI) have paid industry average salary payment to its employees. Next 16% of respondents paid between 3500 – 5000 birr per month and only 9.3% paid between 5000-6500 birr per month.

Table 4.5: Respondents salary

	Frequency	Percent	Valid Percent	Cumulative Percent
3500-5000	12	16.0	16.0	16.0
5000-6500	7	9.3	9.3	25.3
Valid above 6500	56	74.7	74.7	100.0
Total	75	100.0	100.0	

Source: Source: Survey data, 2017

These results generally imply that majority of employees of the catering and tourism training institute (CTTI) had paid industry average salary and may help them to be settled, poor salary payment system to them will cause more turnover to find the green pasture. And good salary payment system will retain them.

#### 4.2.2 Perception on reward management practice

The extent to which the respondents agreed with the given statement concerning assessment of the current reward management practices in the Ethiopian catering and tourism training institute (CTTI) was investigated. Data in table 4.6 was analyzed using a Likert scale where 1 = Strongly Disagree, 2 = Disagree, 3 = neutral, 4 = Agree and 5 = strongly agree. Data was presented in frequency, percentage, mean and standard deviation.

**Table 4.6: perception on reward management practices**

Variables	Frequency and Percentage					Mean	Standard deviation
	1	2	3	4	5		
The reward practice at the institute focuses on the real needs of employees	17 (22.7%)	17 (22.7%)	26 (34.7%)	12 (16.0%)	3 (4.0%)	2.56	1.23
Employees are rewarded in the institute immediately when they perform best	19 (25.3%)	20 (26.7%)	18 (24.0%)	9 (12.0%)	9 (12.0%)	2.59	1.32
The rewards distributed at the institute have a positive effect on the work atmosphere or environment	13 (17.3%)	16 (21.3%)	13 (17.3%)	18 (24.0%)	15 (20.0%)	3.08	1.40
The rewards at the institute are distributed fairly	24 (32.0%)	22 (29.3%)	16 (21.3%)	10 (13.3%)	3 (4.0%)	2.28	1.17
The rewards distributed matches my work effort	10 (13.3%)	22 (29.3%)	24 (32.0%)	12 (16.0%)	7 (9.3%)	2.79	1.15
Immediate rewarding of employees for achieving best performance will help to repeat that performance in the future	3 (4.0%)	3 (4.0%)	6 (8.0%)	17 (22.7%)	46 (61.3%)	4.33	1.06
I am satisfied with the quality (appropriateness, distributive and procedural justice) of the rewards	16 (21.3%)	11 (14.7%)	27 (36.0%)	19 (25.3%)	2 (2.7%)	2.73	1.14

**Source: Survey data, 2017**

Majority of the respondents as according to the study neither disagreed nor agreed that their institute apply reward practice which focuses on the real needs of employees by 34.7 %. The mean score of 2.56 implies that the institute applies apply reward practice which focuses on the

real needs of employees executing their performance. At the same time respondents are asked the employees are rewarded in the institute immediately when they perform best. Surprisingly the same numbers of respondents [52 %] have strongly disagreed or disagreed that employees are rewarded in the institute immediately when they perform best and it's important as shown by the mean of 2.59. To easily identify where the institute is performing well and where there is a need for reward distribution improvement; working atmosphere has a vital role. To this effect, respondents were asked the rewards distributed at the institute have a positive effect on the work atmosphere or environment. In this regard, 44 % of respondents (the mean value of 3.08) under the study agreed and emphasized its importance. Furthermore, the respondents view also sought to disclose whether their rewards are distributed fairly in their institute. The researcher highlighted that 32.0 % and 29.3 % of the respondents strongly disagreed and disagreed by the statement that there the rewards are distributed fairly in their institute respectively. This is issue is also validated by mean score of 2.28 as well as the variable rewards distributed matches my work effort is not supported by most the respondents that is, 42.6 % have strongly disagreed or disagreed that the employees are not rewarded by considering their work effort with mean score 2.79. To know whether immediate rewarding for employees achieving best performance in the institute will help to repeat performance in the future or not, respondents were asked immediate rewarding of employees for achieving best performance will help to repeat that performance in the future. With this regard, surprisingly the majority all most all of the respondents (84%) under the study strongly agreed and agreed and emphasized its importance as shown by the mean of 4.33. Finally, respondents were also asked whether they are satisfied with the quality (appropriateness, distributive and procedural justice) of the rewards or not in their institute and its effect on employee performance. 36% of respondents are disagreed by the statement of satisfaction with the quality of the rewards in the institute. This is issue is also validated by mean score of 2.73.

Further, there was a higher dispersion on the responses the rewards distributed at the institute have a positive effect on the work atmosphere or environment, employees are rewarded in the institute immediately when they perform best, the reward practice at the institute focuses on the real needs of employees, the rewards at the institute are distributed fairly, the rewards distributed matches my work effort, I am satisfied with the quality (appropriateness, distributive and procedural justice)of the rewards, and immediate rewarding of employees for achieving best

performance will help to repeat that performance in the future as shown by standard deviation value 1.40, 1.32, 1.23, 1.17, 1.15, 1.14 and 1.06 respectively. The study interpreted this dispersion to mean there is greater variation on the rewards distributed at the institute have a positive effect on the work atmosphere or environment, and there is smaller variation on and immediate rewarding of employees for achieving best performance will help to repeat that performance in the future.

#### **4.2.3 Perceptions on extrinsic rewards of the respondents**

This part presents the perceptions on extrinsic rewards (salary/payment, benefits, promotion and working conditions) of the respondents towards employee performance in the catering and tourism training institute (CTTI).

##### **4.2.3.1 Perception on Salary/Payment**

The extent to which the respondents agreed with the given statement concerning effect of salary on employee performance in the Ethiopian catering and tourism training institute (CTTI) was investigated. Data in table 4.7 was analyzed using a Likert scale where 1 = Strongly Disagree, 2 = Disagree, 3 = neutral, 4 = Agree and 5 = strongly agree. Data was presented in frequency, percentage, mean and standard deviation.

**Table 4.7: perception on salary**

Variables	Frequency and Percentage					Mean	Standard deviation
	1	2	3	4	5		
My salary is satisfactory in relation to what I do	3 (4.0%)	6 (8.0%)	26 (34.7%)	21 (28.0%)	19 (25.3%)	3.63	1.08
The amount of basic pay I receive is fair relative to industry's average	4 (5.3%)	15 (20.0%)	23 (30.7%)	24 (32.0%)	9 (12.0%)	3.25	1.08
The basis of payment, for example overtime payment is reasonable	10 (13.3%)	26 (34.7%)	19 (25.3%)	13 (17.3%)	7 (9.3%)	2.75	1.18
Salary adjustment/increment is made within a reasonable/logical time period	6 (8.0%)	21 (28.0%)	16 (21.3%)	20 (26.7%)	12 (16.0%)	3.15	1.23

**Source: Source: Survey data, 2017**

According to the study majority of the respondents agreed that their institute salary payment is satisfactory in relation to what they do by 53.3 %. The mean score of 3.56 implies that the institute pays to its employees satisfactorily in relation to what they do which focuses on the real needs of employees executing their performance. At the same time respondents are asked that the amount of basic pay I receive is fair relative to industry's average. [44 %] of respondents have agreed that amount of basic pay they receive is fair relative to industry's average and it's important as shown by the mean of 3.25. To know where the institute overtime payment is reasonable; basis of payment has a vital role. To this effect, respondents were asked the basis of payment, for example overtime payment is reasonable. In this regard, 48 % of respondents (the mean value of 2.75) under the study disagreed and emphasized overtime payment is not

reasonable. Finally, respondents were also asked whether salary adjustment/increment is made within a reasonable/logical time or not in their institute and its effect on performance. 42.7% of respondents are agreed by the statement salary adjustment/increment is made within a reasonable/logical time period in the institute. This issue is also validated by mean score of 3.15.

Further, there was a higher dispersion on the responses salary adjustment/increment is made within a reasonable/logical time, the basis of payment, for example overtime payment is reasonable, and equal dispersion on the response my salary is satisfactory in relation to what I do, the amount of basic pay I receive is fair relative to industry's average as shown by standard deviation value 1.23, 1.18, and 1.08 respectively. The study interpreted this dispersion to mean there is greater variation of the respondents' perception on salary adjustment/increment is made within a reasonable/logical time period, the basis of payment, for example overtime payment is reasonable and equal variation on my salary is satisfactory in relation to what I do, and the amount of basic pay I receive is fair relative to industry's average.

#### **4.2.3.2 Perception on Benefits**

The extent to which the respondents agreed with the given statement concerning effect of benefits on employee performance in the Ethiopian catering and tourism training institute (CTTI) was investigated. Data in table 4.8 was analyzed using a Likert scale where 1 = Strongly Disagree, 2 = Disagree, 3 = neutral, 4 = Agree and 5 = strongly agree. Data was presented in frequency, percentage, mean and standard deviation.

**Table 4.8: perception on benefits**

Variables	Frequency and Percentage					Mean	Standard deviation
	1	2	3	4	5		
Medical and insurance schemes are attractive	49 (65.3%)	20 (26.7%)	3 (4.0%)	1 (1.3%)	2 (2.7%)	1.49	0.86
Benefit packages are modified as necessary to ensure institute's competitiveness	41 (54.7%)	15 (20.0%)	12 (16.0%)	3 (4.0%)	4 (5.3%)	1.85	1.16
Provision of benefit packages policy will help to retain high performers	15 (20.0%)	11 (14.7%)	20 (26.7%)	12 (16.0%)	17 (22.7%)	3.07	1.43

**Source: Source: Survey data, 2017**

All most all or majority of the respondents surprisingly disagreed that their institute medical and insurance schemes are attractive by 92 %. The mean score of 1.49 implies that the institute medical and insurance scheme of employees is not executing their performance. Again, at the same time respondents are asked that benefit packages are modified as necessary to ensure institute's competitiveness. Surprisingly again, [74.7%] of respondents have disagreed that benefit packages are modified as necessary to ensure institute's competitiveness and its mean score is shown by 1.85. Finally, respondents were also asked whether provision of benefit packages policy will help to retain high performers or not in their institute and its effect on performance. 38.7% of respondents are agreed by the statement provision of benefit packages policy will help to retain high performers in the institute. This is issue is also validated by mean score of 3.07.

Further, there was a higher dispersion on the responses provision of benefit packages policy will help to retain high performers, benefit packages are modified as necessary to ensure institute's competitiveness, and medical and insurance schemes are attractive as shown by standard deviation value 1.43, 1.16, and 0.86 respectively. The study interpreted this dispersion to mean

there is greater variation on salary adjustment/increment is made within a reasonable/logical time period, the basis of payment, for example overtime payment is reasonable and equal variation on provision of benefit packages policy will help to retain high performers, benefit packages are modified as necessary to ensure institute’s competitiveness, and medical and insurance schemes are attractive.

**4.2.3.3 Perception on Promotion**

The extent to which the respondents agreed with the given statement concerning effect of promotion on performance in the Ethiopian catering and tourism training institute (CTTI) was investigated. Data in table 4.9 was analyzed using a Likert scale where 1 = Strongly Disagree, 2 = Disagree, 3 = neutral, 4 = Agree and 5 = strongly agree. Data was presented in frequency, percentage, mean and standard deviation.

**Table 4.9: perception on promotion**

Variables	Frequency and Percentage					Mean	Standard deviation
	1	2	3	4	5		
Everyone has an equal chance to be promoted	19 (25.3%)	18 (24.0%)	16 (21.3%)	12 (16.0%)	10 (13.3%)	2.68	1.37
The institute’s promotion policy is clearly communicated to all employees	16 (21.3%)	18 (24.0%)	25 (33.3%)	7 (9.3%)	9 (12.0%)	2.67	1.26

**Source: Source: Survey data, 2017**

According to the study majority of the respondents disagreed that in their institute everyone has an equal chance to be promoted by 49.3 %. The mean score of 2.68 implies that in the institute everyone has an equal chance to be promoted is not executing their performance. Finally, respondents were also asked whether the institute ‘s promotion policy is clearly communicated to all employees or not in their institute and its effect on their performance. 45.3 % of respondents are disagreed by the statement the institute ‘s promotion policy is clearly communicated to all employees in the institute. This is issue is also validated by mean score of 2.67.

Further, there was a higher dispersion on the responses everyone has an equal chance to be promoted, and the institute’s promotion policy is clearly communicated to all employees as shown by standard deviation value 1.37, and 1.26 respectively. The study interpreted this dispersion to mean there is greater variation on everyone has an equal chance to be promoted, and the institute’s promotion policy is clearly communicated to all employees.

**4.2.3.4 Perception on working conditions**

The extent to which the respondents agreed with the given statement concerning effect of working conditions on performance in the Ethiopian catering and tourism training institute (CTTI) was investigated. Data in table 4.10 was analyzed using a Likert scale where 1 = Strongly Disagree, 2 = Disagree, 3 = neutral, 4 = Agree and 5 = strongly agree. Data was presented in frequency, percentage, mean and standard deviation.

**Table 4.10: perception on working conditions**

Variables	Frequency and Percentage					Mean	Standard deviation
	1	2	3	4	5		
My working hours are reasonable.	2 (2.7%)	5 (6.7%)	16 (21.3%)	22 (29.3%)	30 (40.0%)	3.97	1.07
I am never overworked.	9 (12.0%)	11 (14.7%)	28 (37.3%)	19 (25.3%)	8 (10.7%)	3.08	1.15
Creation of conducive work environment will encourage high performers to improve their performance more	5 (6.7%)	4 (5.3%)	11 (14.7%)	19 (25.3%)	36 (48.0%)	4.03	1.21
The existence of safe working conditions has encouraged me to give sustained high performance at work.	6 (8.0%)	10 (13.3%)	12 (16.0%)	19 (25.3%)	28 (37.3%)	3.71	1.31

**Source: Source: Survey data, 2017**

According to the study majority of the respondents agreed that their institute working hours are reasonable by 69.3 %. The mean score of 3.97 implies that the institute working hours are executing their performance. At the same time respondents are asked that I am never overworked. [36 %] of respondents have agreed that as they are never overworked and it's important as shown by the mean of 3.08. To know where the institute work environment is encouraging performers; creation of conducive working environment has a vital role. To this effect, respondents were asked the creation of conducive work environment will encourage high performers to improve their performance more. In this regard, the majorities 78.3 % of respondents (the mean value of 4.03) under the study agreed and emphasized creation of conducive working environment encourage high performers to improve their performance more. Finally, respondents were also asked whether the existence of safe working conditions has encouraged giving sustained high performance at work or not in their institute and its effect on performance. 62.6 % of respondents are agreed by the statement existence of safe working conditions has encouraged giving sustained high performance at work in the institute. This issue is also validated by mean score of 3.71.

Further, there was a higher dispersion on the responses existence of safe working conditions has encouraged me to give sustained high performance at work, creation of conducive work environment will encourage high performers to improve their performance more, I am never overworked, and my working hours are reasonable as shown by standard deviation value 1.31, 1.21, 1.15 and 1.07 respectively. The study interpreted this dispersion to mean there is greater variation on existence of safe working conditions has encouraged me to give sustained high performance at work, creation of conducive work environment will encourage high performers to improve their performance more, I am never overworked, and my working hours are reasonable.

#### **4.2.4 Perceptions on intrinsic rewards of the respondents**

This part presents the perceptions on intrinsic rewards (responsibility and recognition) of the respondents on employee performance in the catering and tourism training institute (CTTI).

##### **4.2.4.1 Perception on responsibility**

The extent to which the respondents agreed with the given statement concerning effect of responsibility on employee performance in the Ethiopian catering and tourism training institute (CTTI) was investigated. Data in table 4.11 was analyzed using a Likert scale where 1 = Strongly

Disagree, 2 = Disagree, 3 = neutral, 4 = Agree and 5 = strongly agree. Data was presented in frequency, percentage, mean and standard deviation

**Table 4.11: perception on responsibility**

Variables	Frequency and Percentage					Mean	Standard deviation
	1	2	3	4	5		
Appreciation is a good way to motivate employees.	1 (1.3%)	4 (5.3%)	7 (9.3%)	15 (20.0%)	48 (64%)	4.40	0.96
Employees rewarded for a job well done in the institute.	6 (8.0%)	11 (14.7%)	27 (36.0%)	15 (20.0%)	16 (21.0%)	3.32	1.20
Employees have clear job responsibilities in our institute.	8 (10.7%)	12 (16.0%)	23 (30.7%)	15 (20.0%)	17 (22.7%)	3.28	1.28
Employees participate in decisions making that has a positive effect on their work performance.	15 (20.0%)	14 (18.7%)	25 (33.3%)	8 (10.7%)	13 (17.3%)	2.87	1.34
I perform my duty with full autonomy and freedom.	5 (6.7%)	10 (13.3%)	27 (36.0%)	12 (16.0%)	21 (28.0%)	3.45	1.22
My organization used sound reward policy using performance appraisal intrinsically.	19 (25.3%)	20 (26.7%)	20 (26.7%)	9 (12.0%)	7 (9.3%)	2.53	1.26

**Source: Source: Survey data, 2017**

Majority of the respondents as according to the study surprisingly agreed that their institute appreciation is a good way to motivate employees by 84 %. The mean score of 4.40 implies that the institute appreciation is a good way to motivate employees to executing their performance. At the same time respondents are asked the employees receive recognition for a job well done. [41%] have agreed that employees receive recognition for a job well done and it's important as shown by the mean of 3.32. Respondents were asked that employees have clear job responsibilities in the institute. In this regard, 42.7 % of respondents (the mean value of 3.28) under the study have agreed. Furthermore, the respondents view also sought to disclose whether employees participate in decisions making that has a positive effect on their work performance in their institute. The researcher highlighted that 20.0 % and 18.7 % of the respondents strongly disagreed and disagreed by the statement that employees participate in decisions making that has a positive effect on their work performance in their institute respectively. This is issue is also validated by mean score of 2.87 while the variable I perform my duty with full autonomy and freedom is supported by most the respondents that is, 44 % have agreed that the employees perform their duty with full autonomy and freedom with mean score 3.45. Finally, respondents were also asked whether the institute used sound reward policy using performance appraisal intrinsically or not and its effect on employee performance. 52 % of respondents are disagreed by the statement the institute used sound reward policy using performance appraisal intrinsically. This is issue is also validated by mean score of 2.53.

Further, there was a higher dispersion on the responses employees participate in decisions making that has a positive effect on their work performance, employees have clear job responsibilities in our institute, my organization used sound reward policy using performance appraisal intrinsically, I perform my duty with full autonomy and freedom, employees receive recognition for a job well done, and appreciation is a good way to motivate employees as shown by standard deviation value 1.34, 1.28, 1.26, 1.22, 1.20, and 0.96 respectively. The study interpreted this dispersion to mean there is greater variation on employees participate in decisions making that has a positive effect on their work performance, employees have clear job responsibilities in our institute, my organization used sound reward policy using performance appraisal intrinsically, I perform my duty with full autonomy and freedom, employees receive recognition for a job well done, and appreciation is a good way to motivate employees.

#### 4.2.4.2 Perception on Recognition

The extent to which the respondents agreed with the given statement concerning effect of recognition on performance in the Ethiopian catering and tourism training institute (CTTI) was investigated. Data in table 4.12 was analyzed using a Likert scale where 1 = Strongly Disagree, 2 = Disagree, 3 = neutral, 4 = Agree and 5 = strongly agree. Data was presented in frequency, percentage, mean and standard deviation.

**Table 4.12: perception on recognition**

Variables	Frequency and Percentage					Mean	Standard deviation
	1	2	3	4	5		
I get credit for what I do	10 (13.3%)	14 (18.7%)	34 (45.3%)	7 (9.3%)	10 (13.3%)	2.91	1.16
I receive constructive criticism(positive feedback)about my work	11 (14.7%)	10 (13.3%)	35 (46.7%)	10 (13.3%)	9 (12.0%)	2.95	1.16
The existence of recognition for good work, has given me an opportunity to work beyond the requirement of my job.	12 (16.0%)	11 (14.7%)	24 (32.0%)	12 (16.0%)	16 (21.3%)	3.12	1.35

**Source: Source: Survey data, 2017**

All most all or majority of the respondents surprisingly neither disagreed nor agreed that their institute give credit for what they do by 45.3 %. The mean score of 2.91 implies that the institute gives credit for what they do is not executing their performance. Again, at the same time respondents are asked that I receive constructive criticism (positive feedback) about my work. [28 %] of respondents have disagreed that I receive constructive criticism (positive feedback) about my work and its mean score is shown by 2.95. Finally, respondents were also asked the

existence of recognition for good work, has given me an opportunity to work beyond the requirement of my job or not in their institute and its effect on their performance. 37.3% of respondents are agreed by the statement existence of recognition for good work, has given me an opportunity to work beyond the requirement of my job in the institute. This is issue is also validated by mean score of 3.12.

Further, there was a higher dispersion on the responses the existence of recognition for good work has given me an opportunity to work beyond the requirement of my job while there is equal dispersion on the responses I get credit for what I do, and I receive constructive criticism (positive feedback) about my work as shown by standard deviation value 1.35 and 1.16 respectively. The study interpreted this dispersion to mean there is greater variation on the existence of recognition for good work has given me an opportunity to work beyond the requirement of my job and equal variation on I get credit for what I do, and I receive constructive criticism (positive feedback) about my work.

#### **4.2.5 Perceptions on employee performance of the respondents in the Institute**

The extent to which the respondents agreed with the given statement concerning their perceptions on employee performance in the Ethiopian catering and tourism training institute (CTTI) was investigated. Data in table 4.13 was analyzed using a Likert scale where 1 = Strongly Disagree, 2 = Disagree, 3 = neutral, 4 = Agree and 5 = strongly agree. Data was presented in frequency, percentage, mean and standard deviation.

**Table 4.13: perception on employee performance**

Variables	Frequency and Percentage					Mean	Standard deviation
	1	2	3	4	5		
My commitment and engagement towards my job is increased since I get the reward is effective.	5 (6.7%)	16 (21.3%)	22 (29.3%)	14 (18.7%)	18 (24.0%)	3.32	1.24
Because of the good reward management practices of the institute, employees are motivated for their performance.	13 (17.3%)	12 (16.0%)	27 (36.0%)	16 (21.3%)	7 (9.3%)	2.89	1.20
I feel that the reward management practice enables me to perform my work with greater accuracy and precisely.	5 (6.7%)	17 (22.7%)	23 (30.7%)	22 (29.3%)	8 (10.7%)	3.15	1.20
Employees after they rewarded; their attitude becomes willing to accept more challenging assignments.	5 (6.7%)	9 (12.0%)	16 (21.3%)	29 (38.7%)	16 (21.3%)	3.56	1.15
After effective reward management practice employees in the institute are working well their regular activities & become more responsible.	7 (9.3%)	9 (12.0%)	24 (32.0%)	18 (24.0%)	17 (22.7%)	3.39	1.23

**Source: Source: Survey data, 2017**

According to the study majority of the respondents agreed that their commitment and engagement towards their job is increased since the reward they get is effective in their institute by 39.7%. The mean score of 3.32 implies that the institute reward got effective due to commitment and engagement towards their job is increased. At the same time respondents are asked because of the good reward management practices of the institute, employees are motivated for their performance. [33.3%] have disagreed that good reward management practices of the institute, employees are motivated for their performance and it's important as shown by the mean of 2.89. Respondents were asked that I feel that the reward management practice enables me to perform my work with greater accuracy and precisely. In this regard, 40 % of respondents (the mean value of 3.15) under the study have agreed. Furthermore, the respondents view also sought to disclose whether employees after they rewarded; their attitude becomes willing to accept more challenging assignments in their institute. The researcher highlighted that the majority 38.7 % and 21.3 % of the respondents agreed and strongly agreed by the statement that employees after they rewarded; their attitude becomes willing to accept more challenging assignments in their institute respectively. This is issue is also validated by mean score of 3.56. Finally, respondents were also asked whether after effective reward management practice employees in the institute are working well their regular activities & become more responsible or not. 46.7 % of respondents are agreed by the statement after effective reward management practice employees in the institute are working well their regular activities & become more responsible. This is issue is also validated by mean score of 3.39.

Further, there was a higher dispersion on the responses my commitment and engagement towards my job is increased since I get the reward is effective, after effective reward management practice employees in the institute are working well their regular activities & become more responsible while equal dispersion on the responses because of the good reward management practices of the institute, employees are motivated for their performance, and I feel that the reward management practice enables me to perform my work with greater accuracy and precisely and also the minimum dispersion on the response employees after they rewarded; their attitude becomes willing to accept more challenging assignments as shown by standard deviation value 1.24, 1.23, 1.20, and 1.15 respectively. The study interpreted this dispersion to mean there is greater variation on commitment and engagement towards my job is increased since I get the reward is effective, after effective reward management practice employees in the institute are

working well their regular activities & become more responsible , and equal variation on because of the good reward management practices of the institute, employees are motivated for their performance, and I feel that the reward management practice enables me to perform my work with greater accuracy and precisely while the smaller variation is on the response employees after they rewarded; their attitude becomes willing to accept more challenging assignments.

The group mean and standard deviation for all extrinsic and intrinsic independent variables (salary, benefits, promotion, working conditions responsibility and recognition) is presented in the following table.

**Table 4.14: group mean and standard deviation**

	Variables	Mean	Standard deviation
Extrinsic	Salary	3.20	1.14
	Benefits	2.14	1.15
	Promotion	2.68	1.32
	Working conditions	3.70	1.19
Intrinsic	Responsibility	3.31	1.21`
	Recognition	2.99	1.22

**Source: Source: Survey data, 2017**

### 4.3 Correlation Analysis

Pearson’s correlation coefficient is a method of measuring the direction, strength and significant of the bivariate linear relationship among all the variables that were measured at an interval or ratio level [i.e. Extrinsic Rewards (salary, benefits, promotion, working conditions), Intrinsic Rewards (responsibility, recognition), and Employee Performance]. Below the correlation coefficients were presented in the following table.

**Table 4.15: Correlations of Extrinsic & Intrinsic Rewards with Employee Performance**

	Employee Performance	P-value (significance)
Extrinsic Rewards	.567**	.000
Intrinsic Rewards	.650**	.000

**Source: Source: Survey data, 2017**

As according to this study the variables (i.e. rewards) there exist significant positive correlation with employee performance i.e. as the value of one variable increases or decreases the other variable will also increases or decreases at the same direction since the value of the Pearson’s correlation coefficient is clearly relying between 0 and 1. From the two rewards intrinsic rewards have high positive correlation with the dependent variable employee performance as well as it is possible to say that both the reward predictors have positive correlation with employee performance.

Again, it is clear that the relationship between both rewards (extrinsic and intrinsic) with employee performance is significant because their p-value 0.000 is less than alpha value 0.01.

**Table 4.16: Correlations of Reward predictors with Employee Performance**

		Employee Performance (dependent variable)	P-value (significance)
independent variable (Extrinsic Reward)	Salary	.356**	.002
	Benefits	.384**	.001
	Promotion	.300**	.009
	Working conditions	.640**	.000
independent variable (Intrinsic Rewards)	Responsibility	.680**	.000
	Recognition	.516**	.000

Source: Source: Survey data, 2017

The above table 4.16 indicates that between all the extrinsic reward variables (salary, benefits, promotion, working conditions) and intrinsic reward variables (responsibility, recognition) with employee performance there exist significant positive correlation between them i.e. as the value of one variable increases or decreases the other variable will also increases or decreases at the same direction since the value of the Pearson's correlation coefficient is between 0 and 1. Clearly among all the extrinsic reward variables working conditions has high positive correlation as well

as among all the intrinsic rewards responsibility has high positive correlation with employee performance.

The relationship between all the extrinsic reward predictors (salary, benefits, promotion, working conditions) and intrinsic reward variables (responsibility, recognition) with employee performance is significant because their corresponding p-values are less than alpha value 0.01.

#### 4.4 Multiple Linear Regression Analysis

Multiple linear regression analysis help us to model an equation showing how the independent variables and dependent variable that is employee performance are interrelated with reward predictors. Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable.

Table 4.17: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.774 <sup>a</sup>	.599	.564	.72304

a. Predictors: (Constant), Recognition, Benefits, Promotion, Salary, Working Conditions, Responsibility

**Source: Source: Survey data, 2017**

The value of adjusted R squared 0.564 was an indication that there was variation of 56.4 percent on employee performance due to changes in independent reward predictors at 95 percent confidence interval. This shows that 56.4 percent changes in employee performance in Catering and Tourism Training Institute could be accounted to both predictors of intrinsic rewards, and extrinsic rewards. R is the correlation coefficient which shows the relationship between the study variables, from the findings shown in the Table 4.17 is notable that there exists strong positive relationship between the study variables as shown by 0.774. Besides that, the coefficient of determination (R square) can help us in explaining variance. The R square figure of the all independent variables is 0.599. These also mean that all independent variables can explain 59.9% of the variation in dependent variable (employee performance). However, it is still leaves 40.1% (100% - 59.9%) unexplained in this research. In other words, there are other additional variables

that are important in explaining employee performance that have not been considered in this research.

**Table 4.18: Analysis of Variance (ANOVA<sup>a</sup>) table**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	53.117	6	8.853	16.934	.000 <sup>b</sup>
Residual	35.549	68	.523		
Total	88.667	74			

a. Dependent Variable: Employee Performance

b. Predictors: (Constant), Recognition, Benefits, Promotion, Salary, Working Conditions, responsibility

**Source: Source: Survey data, 2017**

Based on (ANOVA), the p-value is 0.000 which lesser than alpha value 0.01. Therefore, the model is a good descriptor of the relation between the dependent and predictor variables. Thus, all the independent variables can significantly explain the variance in perceived employability. Null hypothesis (H<sub>0</sub>) the independent variables do not significant and explain the variance in employees' performance is not accepted but alternative hypothesis (H<sub>1</sub>) is accepted.

The following table 4.19 shows the regression coefficients of all the independent variables (reward predictors).

**Table 4.19: Regression Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.186	.376		.495	.622
Salary	.157	.115	.127	1.362	.178
Benefits	.165	.075	.181	2.209	.031
Promotion	.216	.098	.220	2.198	.031
Working Conditions	.358	.115	.352	3.124	.003
Responsibility	.543	.127	.568	4.293	.000
Recognition	-.113	.122	-.118	-.927	.357

a. Dependent Variable: Employee Performance

**Source: Source: Survey data, 2017**

The findings revealed that all the reward predictors to a constant zero, employee performance in Catering and Tourism Training Institute would be at 0.186, at one percent change in salary, benefits, promotion, working conditions, and responsibility rewards would lead to increase employee performance in Catering and Tourism Training Institute by a variations of 0.157%, 0.165%, 0.216%, 0.358% and 0.543% respectively while at a one percent change in recognition rewards would lead to decrease employee performance in Catering and Tourism Training Institute by a variations of 0.113%. Further, the study established that from all reward predictors benefits, promotion, working conditions and responsibility were significant as their significant value was less than ( $p < 0.05$ ) but not salary and recognition predictors since their p-value is greater than 0.05. Therefore, the most significant factors are responsibility and working conditions.

Finally, from the above table, the study established the fitted regression equation:

$$\hat{Y} = 0.186 + 0.165X_1 + 0.216 X_2 + 0.358X_3 + 0.543 X_4$$

Therefore,

**Employee performance in Catering and Tourism Training Institute (CTTI) = 0.186 + (0.165 x Benefits) + (0.216 x Promotion) + (0.358 x Working Conditions) + (0.543 x Responsibility).**

From the results of this study, working condition and responsibility contributed more to the Employee performance in Catering and Tourism Training Institute (CTTI).

#### **4.5 Discussion**

Based on the result of this study, there is significant strong positive relationship between extrinsic rewards and employee performance which carries correlation coefficient value of 0.567 and p-value of 0.000 which is significant at the alpha value 0.01. The finding in this research showed that extrinsic rewards and employee performance is positively linked. Based on the information provided in the research the overall feeling is that, for the most part, extrinsic rewards were an area of concern because its regression coefficients is significant at 0.05 level of significance. Extrinsic motivators can have an immediate and powerful effect, but it may not necessarily last long. Extrinsic rewards are usually financial or tangible rewards. Ajils (1997) delineated that 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. Training practices included intensive reward training. Trainers used behavioral modeling techniques to help develop managerial capabilities for interacting with subordinates and colleagues irrespective of the reward differences. Thus, the training efforts focused more on skill-building than on building awareness or modifying attitudes. Clearly among all the extrinsic reward variables working conditions has high positive correlation with other variables as well as all the extrinsic reward predictors have positive correlation with employee performance. This salary/pay and benefits was not found to be a determinant of employee performance in the present study. This is supported by Nelson and Spitzer (2002) who advise against resorting to cash rewards to try and motivate employees. While employees welcome and are appreciative of cash rewards, they might then miss the whole point of the reward. Bowen (2000) likewise stresses the importance of awareness which should be used only in special situations. Being passive, they are highly unlikely to reinforce or to encourage positive behaviors. And even when the applicable satisfiers

are all present, managers still need to be aware that motivators may vary from employee to employee. Bruce and Pepitone (1998) recommend that managers to this by simply asking the employees for their job expectations and desires, as well as for their ideal working conditions. The sense of advancement of employees, in the present study, has been rated as dissatisfactory and yet has not been found to be correlated with employee performance. Managers also need to know whether their employees would be more satisfied if more responsibility were given to them, and if the prospect of promotion would be an incentive for them to work harder. Nelson and Spitzer (2002) agree that a trial and error method is best when it comes to finding out what motivates employees; that is, try and try until they get it right.

This study showed that again there is significant strong positive relationship between intrinsic rewards and employee performance which carries correlation coefficient value of 0.650 and p-value of 0.000 which is significant at the alpha value 0.01. According to the Armstrong (2008), performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. He further explained it is means of getting better results by understanding and managing performance within an agreed framework of planned goals, standard and competency requirements. In addition to that Armstrong define performance management as “a process or set of processes for establishing shared understanding Based on Abiola and Ajila’s (2004) findings, intrinsic rewards can be terms as ‘psychological rewards about what is to be achieved, and of managing and developing people in a way which increases the probability that it will be achieved in the short and longer term.” To measure employee performance organizations, use performance appraisal in order to ensure of achievement of goals.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **Introduction**

This chapter gives the summary of the study findings from chapter four and it also gives Conclusions that were drawn from the findings of the study and the recommendations for improvement arising from the study. Finally, limitations and future research directions also recommended.

#### **5.1 Summary of Major Findings**

The study was conducted to assess reward management practice and its effect with employees' performance in Ethiopian Catering and Tourism Training Institute.

The specific objectives of the study included Identifying to assess the current reward management practice of the institute, to determine the relationship between reward management practice and employee performance, to investigate the effect of extrinsic rewards on employee performance and to investigate the effect of intrinsic rewards on employee performance. The researcher used both descriptive and inferential statistics. Descriptive statistics such as frequency, percentage, mean and standard deviation were used to assess the existing reward practice. On the other hand, to determine the influence of independent variables on dependent variable and to test whether hypothesis of the study accepted or rejected inferential statistics such as correlation and multiple regression were employed.

From the demographic characteristics of respondents“, the lion share is taken by (89.30%) was male and the remaining (10.70%) were female respondents. Regarding the respondents age category,45 (60%) fall under the age category of 19-36.the next higher groups were15 (20%) and 12 (16%) fall under age category of 18-25 and 37-47 respectively. The remaining group 3 (4.0%) were under the age category of 48-57. In relation to their qualification 38 (50.7) of the total respondents were holders of MA/MSC holders followed by 36 (48.0%), BA degree holders and only1(1.3%) was diploma holder found from the total respondents. The respondents had a minimum of diploma in which we can infer that it is weighted with educated

employees. The study also indicates the tenure of the respondents and 34 (45.3%), of the respondents have year of service from 2-3, followed by 18 (24.0%) respondents having length of service above 10 years and the other 14 (18.7) belongs to groups 6-10 years of service the remaining 9 (12%) under the category of having year of service from 4-5. In addition, it has also been observed that 74.7% of the respondents were paid above 6500 and 16% of respondents were paid 3500-5000.

The respondents were also asked to indicate their opinion about the current provision of the selected reward practices in the respective institute. Accordingly, for pay/salary, recognition and the working condition. Most respondents were in favor of the practices implemented in the institute. This implies that the pay/salary scheme and recognition provided to the employees are found to be attractive. However, most of the respondents indicated that the promotion and benefit packages were poor. This shows that the institutes don't provide the promotion opportunities and benefit packages in an effective way so as employees would get motivated to improve their performance level.

Descriptive statistics was used to indicate that the mean for pay/salary, benefit, promotion, working conditions, responsibility and recognition. These are pay/salary (3.195), benefit (2.13), promotion (2.67), working condition (3.69), recognition (2.99) and responsibility (3.31). The results have shown that employees of respective institute were more motivated or initiated by recognition and intrinsic rewards available in their work place. The lowest mean was observed for promotion and benefit packages which implies the institute have a poor practice of providing an opportunity for promotion and employees don't get benefit packages for a job well done.

Correlation coefficient was computed to determine the relationship between the independent variables and dependent variable i.e. reward practice and employee performance respectively. Consequently, there is a positive and statistically significant relationship between the variables mentioned above. For pay/salary ( $r=0.356$ ,  $p=0.002$ ), benefit ( $r=0.384$ ,  $p=0.001$ ), promotion ( $r=0.300$ ,  $p=0.009$ ), responsibility ( $r=0.680$ ,  $p=0.000$ ), recognition ( $r=0.516$ ,  $p=0.000$ ) and working condition ( $r=0.400$ ,  $p=0.000$ ) all variables show positive and significant relationship with employee performance at  $p<0.01$ .

The regression analysis was done to ascertain the extent to which the variables mentioned explain the variance in employee performance. The value of Adjusted  $r^2=.564$  which indicates 56.4% of variance in employee performance is explained by the variables pay/salary, benefit, promotion, working condition, responsibility and recognition. It supported the hypothesis that the reward practices have a significant influence on employee performance.

## **5.2 Conclusion**

Human resource provides the basis for an organization to achieve sustainable competitive advantage. Attracting and retaining competent workforce is a challenging task for every organization. It is illustrious that employee performance can be improved when employees are motivated to achieve their goals. The objective of this research is to identify the effect of reward management practice on employee performance and based on the findings it revealed that there is a positive effect of extrinsic rewards and intrinsic rewards on employee performance. It implies rewards offered to employees in catering and tourism training institute are increased, and then there would be an equivalent enhancement in work motivation and employee performance. To attract and retain their workforce, CTTI needs to make improvements in their existing reward system by integrating reward strategy with human resource strategy. Moreover, CTTI must consider reward as a performance motivator and a part of organization's business strategy. The study concludes that reward plays a vital role in employee performance in CTTI. Since management of CTTI is the responsible party to develop a unique reward strategy with the aim of achieving sustainable competitive advantage.

The study finding shows that from the current provision of the reward practices/salary scheme and Recognition were not found to be attractive. Briefly, Responsibility and working conditions were considered significant in motivating employee performance level.

Generally, it can be concluded that there is an attractive reward practices in relation to intrinsic rewards.

On the other hand, the opportunity of promotion, and benefit packages practice is poor and it needs to be carried out in a way that is favorable for the employees in order to improve their performance level. but, the chance of employees being responsible for a job well done is very high since the findings from the study indicates that the practice of responsibility for a successful job performance in the respective institute is good.

The research findings indicate that reward has a direct influence on the employee's performance and it tends to increase the actual performance of employee, given that there is a positive and significant relationship between the independent and the dependent variables. Reward improves the initiation of employees to perform their job at higher level.

The study also shows that reward affects employees' performance level. In other words, improved employees' performance is to a large extent influenced by the implementation of appropriate and suitable reward practices. And, it has been observed that employees consider not only monetary reward types but also non-monetary ones in order to be motivated by them and exhibit better performance level. However, it is important to note that only intrinsic or extrinsic reward types are not sufficient to initiate employees to attain best performance level. Rather, employers should implement a combination of both types of reward systems to get the best out of their employees.

The finding from the study indicates that the correlation between the variables pay/salary, benefit, promotion, working condition, responsibility and recognition have a significant and positive relationship with employee performance.

While observing the extent to which each independent variable influence the dependent variable significant in terms of enhancing the performance level of employees. And this helps to conclude that the institute has recognition and working conditions for their employees when they perform well since the beta value of responsibility and working conditions is 0.68, and 0.64 respectively. since the larger value of Beta coefficient that an independent variable has, brings the more support to the independent variable as the more important determinant in predicting the dependent variable. Furthermore, this shows that adjusting responsibility and working conditions can provide a superior or higher contribution performance outcome than the other selected reward practices.

### **5.3 Recommendations**

From the finding of the study it was observed that there is a direct and positive relationship between reward practices and employee performance which means that the reward practices are directly proportional to employee performance. This indicates that the change in reward necessarily results a change in the level of employee performance. This shows that management of the concerned institute can make use of different tactics, strategies, and policies to improve

the level of performance of employees in the organization. Based on the finding and analysis of the study, the following recommendations are proposed: -

- The institute should give responsibility and autonomy in order to enhance employee performance
- It is recommended that to attract and retain competent employees, and must maintain its pay/salary scale to the highest level and upgrade its salary scale in response to internal and external condition and the salary increment/adjustment must be made within a logical period.
- Alternative forms of reinforcement, letters of recognition for task performed well and creating an environment where the employees feel initiated to perform should be considered by the organization.
- Regarding benefit packages, it can be said that there is no attractive benefit package in the institute so, there should be a benefit packages which is equivalent with industry average and a periodic revision is necessary to initiate the employees for higher performance.
- In the institute employees have a positive attitude towards the working condition; this doesn't mean the institute must keep the current practice as it is, instead the institute must still work on the creation of conducive working environment, since it will encourage high performers to improve their performance more.
- Regarding promotion opportunity, the findings indicated that there is poor practice. Therefore, it is recommended that the institute should continuously recognize good performance and administer the promotional opportunities in a fair and transparent way which considers all employees.
- Moreover, through different channels (e.g. intranet and notice board), the institute must clearly and repeatedly communicate its promotion and recognition policy and procedure or its reward system in general to its employees. for instance, for new employees, this must be communicated at the induction program. since communication plays a vital role to upsurge employees' awareness about what is expected of them and motivates them to work hard.

- As much as possible, the organizations should include both financial and non-financial rewards with appropriate mix. Because in today's competitive and challenging business environment the management must try to acquire or retain a well-educated, motivated and experienced worker by combining the financial and non-financial rewards provided to be competitive in that market and to make the organization profitable.
- The other point that the institute must consider is that the timely offer and improvement of its reward practices in general. Even if the organizations have a good practice in providing selected types of rewards, if it doesn't get improved from time to time, it cannot address the timely needs of employees.
- Regarding the influence of independent variables on dependent variable it is indicated that the finding in this research showed that intrinsic rewards have significant contribution to employee performance. Therefore, the institute should consider more and focus intrinsic rewards to enhance employees' performance.

#### **5.4 Limitations and Directions for future Research**

This study did not focus on all; such findings can enhance management of performance current study associates with the few limitations.

- The research considered the public institute only, thus, future researches may take other institutions to generalize for more population.
- Present study focused on one public sector organization and findings may not be generalized to a wider sector such as public sector organizations in Ethiopia, and it is recommended for future researchers to conduct researches on industrywide and nationwide.
- In this study focused on five independent variables and it is recommended for future researches to include more variables such as flexibility, work-life balance, supervision, and profit sharing which are not analyzed in this current study.
- Furthermore, a more comprehensive study can be extended by comparing private sector organization with public sector organization to ensure that better generalize findings can be achieved.

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# Appendices

**ADDIS ABABA UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**SCHOOL OF COMMERCE**

MA Program in Human Resource Management

Questionnaires to be filled by the respondents

**Dear Respondents**

This questionnaire is intended to collect primary data used for thesis entitled “The Effect of Reward Management Practices on Employees Performance in Catering and Tourism Training Institute” in partial fulfillment of requirement for masters of Arts Degree in Human Resource Management. Therefore, your participation in giving reliable information is important for the success of this Study. So, I respectfully request your kind cooperation in answering the questions as clearly as possible. I would like to assure you that the information you provide will be used for academic purposes only and all responses will be treated in strict confidentiality.

Thank you

**Note:**

Please put “√” mark the point which highly reflect your idea

Your honest and unbiased response will greatly contribute for the research to achieve its objective and there is no need to write your name

Thank you very much in Advance for your cooperation

If you have any comment and questions you can contact me through the following Addresses:

Teferi H. Mariam (+251911936215)([THailemariam@uneca.org](mailto:THailemariam@uneca.org))

**SECTION A: General Information about the respondent**

Instruction: Please indicate your response by putting (√) mark in the appropriate box provided.

**1: PERSONAL DATA**

1. Respondent no \_\_\_\_\_

2. Your gender:      Male               Female

3. Your age:

18- 25     26-36     37-47               48-57               58 and above

4. Year of service you provided in this organization:

2-3               4-5     6-10               10 and above

5. What is your educational level is

College diploma

BA/BSC

MA/MSc

PHD

6. Which of the following Salary ranges fall your salary?

a. 2000-3500

b 3501-5000

c. 5000-6500

d. above 6500

**SECTION B: Reward practice**

Instruction: Kindly indicate the degree to which you agree with the following statements Concerning the effect of reward practice in your organization. Rate using a scale of 1 to 5 where 1 is Strongly disagree, 2 is Disagree, 3 is neutral, 4 Agree and 5 is Strongly agree

**REWARD PRACTICE:**

S. N	Strongly disagree=1, Disagree=2, Neutral=3, Agree=4, Strongly agree =5	1	2	3	4	5
1	The reward practice at the institute focuses on the real needs of employees					
2	Employees are rewarded in the institute immediately when they perform best					
3	The rewards distributed at the institute have a positive effect on the work atmosphere or environment					
4	The rewards at the institute are distributed fairly					
5	The rewards distributed matches my work effort					
6	Immediate rewarding of employees for achieving best performance will help to repeat that performance in the future					
7	I am satisfied with the quality (appropriateness, distributive and procedural justice) of the rewards					

**SECTION C: Extrinsic rewards**

Instruction: Kindly indicate the extent to which you agree with the following statements concerning the extrinsic rewards in your organization. Rate using a scale of 1 to 5 where 1 is Strongly disagree, 2 is Disagree, 3 is Neutral, 4 is Agree and 5 is Strongly agree.

**EXTRINSIC REWARD PRACTICE**

S. N.	Strongly disagree=1, Disagree=2, Neutral=3, Agree=4, Strongly agree =5	1	2	3	4	5
	<b>SALARY/PAY</b>					
1	My salary is satisfactory in relation to what I do					
2	The amount of basic pay I receive is fair relative to industry's average					
3	The basis of payment, for example overtime payment is reasonable					
4	Salary adjustment/increment is made within a reasonable/logical time					

	<b>BENEFITS</b>					
1	Medical and insurance schemes are attractive					
2	Benefit packages are modified as necessary to ensure institute's competitiveness					
3	Provision of benefit packages policy will help to retain high performers					
	<b>PROMOTION</b>					
1	Everyone has an equal chance to be promoted					
2	The institute 's promotion policy is clearly communicated to all Employees					
	<b>WORKING CONDITIONS</b>					
1	My working hours are reasonable					
2	I am never overworked					
3	Creation of conducive work environment will encourage high performers to improve their performance more					
4	The existence of safe working conditions has encouraged me to give sustained high performance at work					

**SECTION D: Intrinsic rewards**

Instruction: Kindly indicate the extent to which you agree with the following statements Concerning the intrinsic rewards in your organization. Rate using a scale of 1 to 5 where 1 is Strongly disagree, 2 is Disagree, 3 is Neutral, 4 is Agree and 5 is Strongly agree.

S. N.	Use Strongly disagree=1, Disagree=2, neutral=3, Agree=4 Strongly agree =5	1	2	3	4	5
	<b>RESPONSIBILITY</b>					
1	Appreciation is a good way to motivate employees in my institute.					
2	Employees rewarded for a job well done in my institute.					
3	Employees have clear job responsibilities in our institute.					
4	Employees participate in decisions making that has a positive effect on their work performance.					
5	I perform my duty with full autonomy and freedom.					
6	My organization used sound reward policy using performance appraisal intrinsically.					

<b>RECOGNITION</b>						
1	I get credit for what I do					
2	I receive constructive criticism (positive feedback) about my work					
3	The existence of recognition for good work, has given me an opportunity to work beyond the requirement of my job.					

**SECTION E: Employee performance**

Instruction: Kindly indicate the extent to which you agree with the following statements Concerning employee performance in your Organization. Rate using a scale of 1 to 5 where 1 is Strongly disagree, 2 is Disagree, 3 is Neutral, 4 is Agree and 5 is Strongly agree.

S. N.	Use Strongly disagree=1, Disagree=2, Neutral=3, Agree= 4 Strongly agree =5	1	2	3	4	5
1	My commitment and engagement towards my job is increased since I get the reward is effective.					
2	Because of the good reward management practices of the organization, employees are motivated for their performance.					
3	I feel that the reward management practice enables me to perform my work with greater accuracy and precisely.					
4	. Employees after they rewarded; their attitude becomes willing to accept more challenging assignments.					
5	After effective reward management practice employees in the institute are working well their regular activities & become more responsible.					