



**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE
GRADUATE PROGRAM**

**The Effect of Performance Related Pay on Motivating Employees in the case
of Fantu and Family Trade and Industry PLC**

By

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DECLARATION

This study entitled “The Effect of Performance Related Pay on Motivating Employees” is my original study and hasn’t been submitted for any degree in this and any other university, and that all sources of materials used for the research have been properly acknowledged.

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This is to confirm that Eyob Getachew Mersha has completed his research project on the topic entitled “The Effect of Performance Related Pay on Motivating Employees in the case of Fantu and Family Trade and Industry PLC” The work is original and meets the requirements for the Master of Human Resource Management (MHRM) degree at Addis Ababa University.

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This is to confirm that Eyob Getachew thesis, titled “The Effect of Performance Related Pay on motivating employees: in Fantu and Family Trade and Industry P.L.C.” and submitted in partial fulfillment of the requirements for the Master of Arts (Human Resource Management) degree, complies with the university’s regulations and meets the accepted standard concerning originality and quality.

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ABSTRACT

As different research shows that currently Performance-related pay (PRP) has been widely implemented in private organizations. However, the way of their implementation and the evidence for its effect on employee motivation remains questioned. This study examined the effect of performance-related pay on employee motivation. The main objective of this study was to identify the current performance-related pay system and to explore the effect on employee motivation at Fantu and Family Trade and Industry PLC. Further, the study is carried out to analyze the effect of financial and non-financial rewards on employee motivation of the organization. The study was carried out in all branches of Fantu and Family Trade and industry PLC located at Addis Ababa. The study was used triangulation approaches. Both primary and secondary data were applied as data sources. Primary data were collected by using questionnaires and face-to-face interviews.

The findings of the study confirmed that performance-related financial and non-financial incentives have a direct strong and positive relationship with employee motivation, and performance-related pay is an effective system to motivate employees to work harder, as well as to deal with employees who have poor motivation. This study, therefore, recommends the management of the company should develop a financial and non-financial reward system to improve employee motivation, and especially the company give more emphasis on non-financial motivational factors to create an attractive and motivational work environment, and therefore organizational achievement.

Key Words: Performance-related pay, Financial incentive, Non-financial incentive, Reward, Employee motivation. Fantu and Family Trade and Industry PLC.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Performance-related pay (PRP) was first introduced in the United Kingdom (UK) on a wide scale in the 1980s and many organizations had high hopes that PRP would bring about cultural change and encourage higher levels of individual and organizational performance (Kessler and Purcell, 1992). Performance-related pay (PRP) is built on the evidence that incentive can raise the right behavior and money is potentially a powerful incentive to influence the amount of effort that peoples will exert on behalf of the organization (Paul S., Peter R., Annette C. 2007).

The basic objective of a performance-related pay (PRP) system is to motivate the peoples to work more effectively and efficiently in order to reach the organizational goals (Eisla. 2006). The success of any organization depends upon how strong that organization is in managing its employees and retaining them over a period of time. i.e. how well the employees are motivated (Eisla. 2006).

Currently, there has been a different trend, mainly in the private sector, towards the connection of incentives to employee performance in an attempt to enhance the increase of employee motivation as well as achievement of organizational objectives (Mullins, 2005). Linking pay to performance is something employers progressively seek to achieve. Jobs with performance-related pay (PRP) pull towards workers of higher ability and motivate employees to provide greater effort (Booth and Frank, 1999).

It is significant for companies to understand the connection between rewards and motivation and find what motivates their employees (Ward and Werner, 2004) as cited by (Elmien, Pieter, and Anis, 2015). In order for any Performance-related pay (PRP) scheme to be successful, organizations need to follow a 'reward strategy pathway'. This involves taking into account the organization's overall performance goals and how to reflect them in the pay system. Paul S., Peter R., Annette C. (2007), and Kovach (1980) suggests that even though many studies were done on

motivation, managers still are not close to understanding employees. According to him Motivation is something that moves the person to action and continues him the cause of action already initiated.

The main factors that influence employee motivation are appreciation, recognition satisfaction, inspiration, and compensation (Bowen, 2000). Organizations that identify the importance of motivating employees often apply strategies that consistently motivate their employees to attain the organization's goals. Such strategies for improving motivation include employee participation, work environment, compensation, and feedback which confirm that employees' needs and requirements are met (Bowen, 2000).

Despite money takes a major place in the mix of motivators, money by itself cannot motivate workers well to work unless it is united with other non-monetary motivators (Frey and Osterloch, 2002). Performance is about behavior or what employees do, and not what employees produce or the outcomes of their work (Aguinis, 2009). To reach high levels of performance as a worker and supervisor, you must be sure that you and your employees have the ability, motivation, and resources to meet goals. When performance is not at the expected level, you must decide which motivational factor needs to apply (Lussier, 2005).

Considering much thought on regard to employee motivation, the study seeks to determine whether performance-related pay has an effect on employee motivation.

1.2. Background of the Organization

Fantu and family Trade and Industry PLC is a private business company established by law in 1992 and the company currently is engaged in trade, agriculture, and industry. Mostly the company is known by the name of Fantu supermarket. Since the establishment of the company, the company has been playing a significant role in the development of the economy through creating employment opportunities for many peoples in the organization. Currently, the company employed more than 200 employees at three branches of the company including head office the company.

The company evaluates its employee's performance twice a year and increases the salary of its employees once a year if the company is profitable. The salary increment is considered the performance of the employees, their contribution to the organization, their service time in the organization, and to a lesser extent, the results of their recent job evaluation and the manager's recommendation.

1.3. Statement of the Problem

Rewards or incentives are the most basic element of the employment relationship, which indicates what employees are offered for sacrificing and dedicating their time and effort towards the achievement of company objectives (Kwenin, Muathe, and Nzulwa, 2013).

Most researchers agree that Performance-related pay targets motivating employees and at the same time improving the performance of employees and the organization as well. According to Waswa and Katana (2008), as cited by Daniel N. (2017) in the organizations practiced, performance-related pay system has two merit firstly attracting high-quality employees and secondly motivating employees to apply more effort at their jobs.

Most peoples are motivated by money as a minimum for their essential needs and want (DeNisi and Griffins, 2008). Employee motivation through financial incentives can be in several methods including salary increments, performance bonuses, commissions, profit-sharing, and other tangible items that are used as rewards (Campbell, 2007).

Statistics show that by attracting and retaining employees through higher wages, organizations actually reduce costs through decreased turnover, lower absenteeism rates, and increased employee motivation & productivity and at the same time increase profitability of the organization. Therefore, offering a competitive base salary will make an organization more attractive to more qualified employees. A few employees will come with more practice and education than others, salary is competency-based. Salary will increase yearly depending on performance appraisal of individual and department (Britton. 1997).

In regard to Fantu and Family Trade and Industry PLC, it is not clear what performance-related pay methods were used to motivate employees, what financial and non-financial motivational factors were offered to employees and their effects on employee motivation. To this effect, this study sought to address this gap by questioning the effect of performance-related pay on employee motivation at Fantu and Family Trade and Industry PLC.

1.4. Research Questions

The following research questions raised by the study:

RQ1. What are the effects of financial incentives on employee motivation?

RQ2. What are the effects of non-financial incentives on employee motivation?

RQ3. To what extent the performance related pay system practice in the company as
Being effective on employee motivation?

RQ4. What are the effects of employee work motivation on employee performance?

1.5. Research Objectives

1.5.1. General Objective of the Study

The main objective of this research is to identify the current performance-related pay system and to investigate the effect that performance-related pay plays on employee motivation at Fantu and Family Trade and Industry PLC.

1.5.2. Specific Objective of the Study

- To determine whether performances related incentives practices aid to change the motivation of employees.
- To identify the financial and non-financial factors that motivate employees in the company.
- To establish the level to which financial incentives affect employee's motivation
- To establish the level to which non-financial incentives affect employee's motivation
- To establish the performance-related pay methods used to determine employee's incentives

1.6. Significance of the Study

1.6.1. Practical Significance

Different organizations are developing and implementing various methods to motivate their employees. The findings of this study are very essential in understanding different financial and non-financial incentives that can be used to motivate employees. The study will therefore provide information to the management of the Fantu and Family Trade and Industry to have a deeper understanding of issues that influence employee motivation and to develop strategies, policies, and procedures with better understanding.

1.6.2. Theoretical Significance

This study will help researchers and other stakeholders to consider what motivates employees in general and how performance-related pay affects employee motivation in particular.

1.6.3. Research Significance

Currently, the trade and industry business is operating under a very high dynamic environment, characterized by high business competition and a high employee turnover. This study will be important to other researchers in the future who may be interested in studying employee motivation under these very high dynamic conditions.

Furthermore, this study will help future research to understand what motivates employees in their work and the method of strategy to be followed by the company to boost their employee motivation.

1.7. Scope of the Study

The study focused only the employees of Fantu and Family trade and industry P.L.C who are finished their probation period of employment. Fantu and Family trade and industry P.LC consisted of different branches; Fantu Supermarket Sarbet branch, Fantu supermarket bole branch, and Keraniyo main store cattle and dairy processing branch. The company is located at the city administration of Addis Ababa.

A performance-related pay system is a method that enhances employee motivation as well as organization achievement. Therefore, this study examined the effect of performance-related pay on motivating employees at Fantu and Family trade and industry P.L.C.

The research was used an Explanatory research design to identify the problem in-depth and to increase the understanding of the case. Also to collect the data, the study was used mixed both qualitative and quantitative methods. The research data were collected from 126 respondents out of 205 requests. The two variables used to investigate in this study were financial incentives and non-financial incentives. This study took four months to complete.

1.8. Limitation of the Study

This study was conducted at Fantu and Family trade and industry P.L.C. Given that the research focuses only on one company, the results of findings are specific to the particular organization and cannot be generalized to other similar businesses organization.

The study assumed that the participants of this study's response would not be truthful and perfect. This is because participants of this study mostly provide responses that they consider to be required. Due to the covid-19 pandemic disease, it was difficult to interview managers, since they become in quarantine. Lack of awareness and commitment of respondents, was a problem of providing their response after they receive the questioner.

1.9. Organization of the Study

This study has been structured into five chapters. Chapter one shows the introduction and background of the study, addressing the Statement of the problem, objective of the research, and significance of the research, and also describes the scope and limitations of the study. Chapter two presents a review of related literature and research findings that are related to the problem under study. Chapter three describes research methodology; what research approach and design used, and how the target population selected, where the data has been collected and validity and reliability, data analysis procedure, and ethical consideration.

Chapter four dealt with results and discussion. It involves analyses and interpretation of data obtained through different statistical tools to deliver research findings. Finally, Chapter five summarized the work of the study and presented conclusions drawn from the results of the study, and recommendations were also provided based on the research findings.

1.10. Definition of Operational Terms

Performance: Performance is about behavior or what employees do, and not what employees produce or the outcomes of their work (Aguinis, 2009).

Motivation: Motivation involves the process of getting people to move in the direction you want them to go (Michael Armstrong, 2011).

Reward: Reward is anything that employees perceive as need-satisfying (Reif, Newstorm, and St. Loius, Jr,1976).

Pay: Pay is what is provided in financial terms by an employer in exchange for a combination of time, dedication, effort, and capability offered by the worker (Torrington, Hall, and Taylor, 2004).

Incentive: Incentives are direct compensation paid to peoples for outdoing performance standards define. It is another form of wages directly out of wages and salaries which are fixed remuneration, commonly called performance-based employee compensation (Rival, 2015).

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Introduction

This chapter provide an outline of a review of significant theoretical and empirical related literature in relation to the topic. This chapter essentially involved with discussing literature regarding employee motivation, financial and non-financial rewards and the way these variables connected with one another. Several sources like textbooks, journals and research articles are analyzed regarding research scenario.

2.2. Theoretical Literature Review

2.2.1. Performance Management Definition

Cole and Kelly (2011) as cited by Elizabeth (2017) describe performance as a continuous process for improving the performance of people by linking actual performance with that desired (and with the strategic goals of the organization) through a variety of means such as standard-setting, appraisal and evaluation both informally, day-to-day, and formally/systematically through appraisal interviews and goal-setting. Armstrong (1994) defines performance management as a ways of receiving better results from organizations, teams and individuals by understanding and managing performance within an agreed outline of planned goals, standards and attributes or competency requirements.

Noe, Hollenbeck, Gerhart & Wright, (2000) also describe performance management as a method through which managers ratify that employees' activities and outputs are corresponding with the organization's goal. According to them, the Performance incentive plan is fundamental for the accomplishment of competitive advantage. Bacal (1999) found that performance management as an progressing communication process, undertaken in partnership, between an worker and his or her immediate administrator that involves building up clear expectations and understanding about: the important job functions of employee are expected to do; how the employee's job provides to the goals of the organization; what doing the job well means in tangible terms; how employee and managers will work together to stand, improve, or develop on existing employee performance;

how performance management will be measured, and recognizing barriers to performance and removing them.

2.2.2. Definitions of Employee Motivation

The word motivation is originated from the Latin word 'movere', which means 'to move' (Baron, Henley, McGibbon & McCarthy, 2002). Different scholars have pointed out diverse views on the question of what motivates people. Understanding exactly what motivation is will help managers decide what actions to take to inspire their employees (Burton, 2012).

Motivation is a basic strategy in human resource management which has direct outcomes in operating capacity and using organization's manpower to their full capacity by focusing on motivation to attract quality and great candidates to join the organization and to retain existing employee (Snell & Bohlander, 2013). According to Schultz and Schultz (1998) and Beck (1983) as cited by Wanda (2005) regarded motivation as simply the personal and workplace characteristics that explain why people behave the way they do on the job and concerned with explaining the variation in behavior, such as why some people work harder than others. Work characteristics in this respect refer to particular characteristics of a person's job, for instance its task variety, whereas personal characteristics include those determined by a person's personality, for example an intrinsic need for achievement.

Mullins (2006) as cited by Elizabeth (2017) Motivation is a critical ingredient in employee performance and productivity. Indeed when individual have the right ability, clear work target, and a strong work environment, they would not get the work done without plentiful motivation to meet those work target (Mullins, 2006). He explained that motivated workers are excited to apply a certain level of effort, for a certain sum of time, toward a well-defined goal (Mullins, 2006). Further Luthans explained that the motivation is the process starts with psychological deficiencies that drive behavior or lead to the achievement of the objectives so that motivation can be defined as a psychological process or someone in the achievement of a goal. (Luthans, 2005).

2.3. Types of Motivation

2.3.1. Extrinsic and Intrinsic Motivation

There are two main types of motivation which is intrinsic and extrinsic. Intrinsic indicates to inner drive to motivation that comes from inside a person rather than from any other rewards, such as money or grades. If a person intrinsically motivated then he/she will be able to work find a solution to the existing problems and take that opportunity as a challenge with pleasure mentality. Since a person is intrinsically motivated then it's easy for organizations to drive him/her towards achieving goals and objectives (Schneider, 2012).

According to Luthans (2011), Herzberg et al (1957), and Deckers (2010), Motivation can consequently be described as being either extrinsic or intrinsic; intrinsic sources of motivation encompass those that comes from within the people, Biological features and psychological depositions. Therefore intrinsic motivation – the self-generated factors that influence people to behave in a particular way or to move in a particular direction. This factors associated with the task or the job itself as a feeling of responsibility, autonomy (freedom to act), scope to use and develop skills and abilities, interesting and challenging work and opportunities for advancement. Extrinsic cause of motivation are outcome of the environment outside the people. It is a motivation that seemed (tangible) and seen by others what is done to or for people to motivate them. This contains rewards, such as increased pay, social recognition, promotion, and punishments, such as disciplinary action, withholding pay, or criticism. Extrinsic motivators can have a direct and influential effect, but it will not essentially last long.

Donata (2011), also states that there are two types of motivation; intrinsic motivation and extrinsic motivation. He defines employees motivated by incentives and external rewards as extrinsically motivated and those who simply self-motivate as intrinsically motivated employees. On the other hand, he proposed that it should not give way to the assumption that intrinsically motivated workers do not want rewards for their performance nor that extrinsically motivated workers have no job satisfaction. Mwita (2002) confirmed that motivation can exist in two ways. First of all, workers can motivates themselves by searching for and carrying out work, which satisfies their needs or lead them to anticipate that their objectives and goals will be achieved. Then, employers

can inspire employees through methods such as applause, advancement, remuneration, appreciation and many others. Hence, these can be defined as intrinsic and extrinsic motivating factors. The variation between extrinsic motivators can have immediate and influential effect, but it will not essentially last long, while intrinsic motivators which are concerned with quality of working life are likely to have a deeper and lengthier term effect as they are natural in workers and not enforced from outside.

2.4. Model and Theory of Motivation

Burton (2012) states that there are many different theories that try and help explain motivation. Different scholars and researchers have been studying the topic of motivation for over a century and have made tremendous progress for explaining motivation which can be interpreted into the workplace. The following are few theories that have been demonstrated and acknowledged by society. These include expectancy theory, goal setting theory, equity theory, Reinforcement Theory. However the theory that is selected for this research is Expectancy theory.

a) Expectancy Theory

Expectancy theory was originally described by Vroom in 1964. Basically, the theory explains how rewards lead to behavior, through focusing on internal cognitive states that lead to motivation. In other words, people are motivated to action if they believe those behaviors will lead to the outcomes they want (Spector, 2003). This theory attempts to answer the question: What determines a person's readiness for motivated behavior? The theory illustrates thoughts from rational science, which contains human behavior as being controlled by a desire for utmost use of a given behavior. (Atkinson, 1964).

According to this theory, people make choices based on their seen hope that certain rewards will take after. This implies that they are only motivated to act in a particular way if they believe that a desired result will be accomplished (Nel et al., 2001. cited by Roshan L. (2005). Expectancy theory assumes that people are mostly rational decision makers. They thus think about their actions and act in ways that satisfy their needs and help them achieve their goals. In concentrate, Expectancy theory points to the fact that individual are motivated by the promise of rewards that

is connected to a particular goal. The theory is center from which the knowledge that there are vast distinctions among individual in their needs and as a result in the importance they attach to rewards (Lawler, 2003) cited by Roshan L. (2005).

b) Goal -Setting Theory

Goal-setting theory was established by Locke (1968), in which he argued that goals served an important role as a motivational mechanism. It was conceived that people examine the consequences of their behavior and reflect on their goal achievement, or otherwise, as a function of their current behavior: Goals affect performance by directing attention, mobilizing effort, increasing persistence and motivating a strategy development. Goal setting is expected to improve job performance when the goals are restricted and adequately challenging, the subjects have sufficient capability (and capability differences are controlled), feedback is provided to show progression in relation to the goal, rewards such as money are given for goal attainment, the experimenter or manager is supportive, and assigned goals are accepted by the individual (Locke, Saari, Shaw and Latham, 1981).

c) Equity Theory

The foundations of Equity theory are largely attributed to Adams (1963) recognize that: the fairness of an exchange between employee and employer is not usually perceived by the former purely and simply as an economic matter. Equity theory essentially describes how employees perceive their treatment in relation to others. Basically, they compare their situation to others in a similar position and on that basis assess the fairness of their treatment. Adams (1963) suggests its basic tenet is that people are motivated to achieve a condition of equity / fairness in their dealings with other people, and with the organizations they work for

The theory has two major assumptions. First, 'the theory views interpersonal relationships as exchange processes in which individuals make contributions and expect certain results' (Hellriegel et al, 1989). Second, it assumes that individuals compare their situations with those of others to determine the fairness of their own situation: 'the extent to which people view an exchange

favorably is influenced by what happens to them compared to what happens to others involved (Hellriegel et al, 1989).

d) Reinforcement Theory

Reinforcement theory can largely be contributed to the work on operant shape up by Skinner B.F (1953) argue that the frequency of behavior, including performance, is likely to be increased when a positively valued reward solely depends upon that behavior. Henderson (1989) suggests ‘Skinner and reinforcement theories tell pay-for-performance designers that a reward (consequence or reinforce) will have more motivational influence when the employee recognizes a direct relationship between activities performed, results achieved, and rewards gained’. Heneman (1992) summarizes merit pay should motivate increased performance because the monetary consequences of good performance are made known to the employee’.

2.5. The Concept of Performance Related Pay

There is no standardized definition of performance related pay, Different scholars define in different way, McBeath and Rands (1989) define it as an intention ‘to pay distinctly more to reward highly helpful job performance than you're willing to pay for great strong essential performance’. Kanter (1987) argues its value by stating that the shift toward this type of payment system makes sense on the ‘grounds of equity, cost, productivity and enterprise.’ Gabris and Mitchell (1986) validate this viewpoint in suggesting that ‘the logic that pay should be linked to performance makes a great deal of sense.

Globler et al (2006) emphasized that the key drive of any performance related pay system is to relate employees’ salaries directly to their performance. He further stressed that employees are likely to be highly encouraged and increase their efficiency if they notice that there is a straight relationship between the rewards received and level of performance. Utmost performance related pay systems provide employees with a basic income and the opportunity to earn additional reward if their productivity surpasses a certain standard. But Schuler (1988) maintains that PBP is not limited to financial rewards, and that non-financial rewards, such as recognition, can also

constitute pay for performance the basic reasons for PBP are performance improvement for competitive advantage and fairness (Milkovich and Newman, 1996).

Prendergast (1999) examined Performance related pay (PRP) involves linking at least some part of an employee's remuneration to their performance, rather than to seniority or tenure. He also suggest that the implementation of such a plan as a tool to attempt to increase employee motivation and productivity. In addition to economic underpinnings, supporters of Performance related pay (PRP) have also turned to the psychology literature for a conceptual foundation. Equally, detractors of Performance related pay (PRP) have posited that the economic argument that underlies the use of such initiatives cannot fully explain the multiple factors that motivate an employee. For supporters, two theories of motivation; expectancy theory (Vroom, 1964) and reinforcement theory, Skinner, (1948), have been used to support the implementation of PRP schemes. Put simply; these theories posit that (a) increased effort will result in increased performance, and (b) increased performance will be recognized and rewarded by management. Expectancy theory suggests that employees form an expectation that they will be rewarded for their effort, and thus increase the amount of effort they put into their work. Reinforcement theory stresses the effect of developing the behavioral norm of high effort by reinforcing the behavior with reward.

Additionally Prof. Prajapati Trivedi (dd) sates that A Performance Related pay (PRP) is defined as the variable part of pay which is awarded each year (or on any other periodic basis) depending on performance. Performance related pay (PRP) schemes are applied at the individual employee level and at the team/group level. The definition of Performance Related Pay prohibits any unconscious pay increases by, for instance, grade promotion or service-based increments (not linked to performance); Different sort of allowances which are connected to certain posts or certain working conditions (for example, over time allowances, allowances for working in particular geographical areas).

2.6. Types of Performance Related Pay

According to Kwenin, Muathe and Nzulwa (2013), rewards are the most basic element of the employment relationship, which indicates what employees are offered for sacrificing and dedicating their time and effort towards the achievement of company objectives. Furthermore the rewards system includes the total package of benefits that the organization places at the disposal of its employees and the procedures by which those benefits are distributed. It contains not only wages, new promotion opportunities, but also rewards as a assurance of job security, transfers to more inspiring positions and various forms of recognition for services rendered (Miles, 1975).

Anything that is received as the result of performance and is perceived as positive by the recipient can be considered a reward (Thomas J. 1992).

2.6.1. Financial Reward

Financial rewards are considered extrinsic because they refer to external monetary reinforcements and quantifiable benefits, which pay for the employee service and efforts include Salary, bonus, fringe benefit, allowances, insurance, job promotions etc. Performance related pay and benefits make the employees excited and motivate them to work harder but mostly for a shorter time period (Chiang and Birtch, 2006). According to Gunawan and Febrianto (2012) as cited by Tatenda C. (2017) direct financial rewards are critical in the employment relationship as they are viewed as a right by employees.

Martocchio (1998) proposes that employees strive for high levels of performance if they believe that better performance will result in greater pay. The authors postulate that whether individuals perceive money as a motivator or not depends on what they perceive as motivation. Mol (1992) also recommend that money does not motivate, but rather moves a person to achieve a goal in order to obtain the reward. According to Hasibuan (2013) argues the existence of incentives that offer pay based on work performance will enhance employee motivation in the effort to achieve the goals set.

The research by Lee (2015) proves that financial incentives have a significant effect on the performance of employees, which is undeniably the result of an increase in motivation based on

given financial incentives. The research, Basu & Kiernan (2016), inserts that financial rewards affect healthy working environment changes.

Financial incentives is a most important motivator of employee's due to its ability to fulfil the basic requirements but not the connection and actualization needs at all. Most of the companies use performance related payment system with that the employees who are performing well will be the higher payment achievers. Equivalent pay will appreciate all the employees but now with the competitive nature at work places employees expect performance related benefit package. Meanwhile bonus implies a particular standard of payment not given all the time but the rates are higher than the normal rates (Burton, 2012) as cited by Perera K.E. (2017).

2.6.2. Non-Financial Reward

These rewards address more on intrinsic motivational aspects where it is tending to a relationship based approach between organization and its employees. For that organization has to give the respect to the employees through different means as symbolic rewards after observing the performance. Creating a comfortable work place through all these means is helpful to make employees committed to the work honestly. Once the monetary rewards directly enhance the employee satisfaction, non-monetary rewards enable them to have recognition and status, which is seen as a motivational tool for employee satisfaction, and work engagement. Even though monetary rewards able to boost motivation may be for a shorter time period, non-monetary rewards are effective in the process of enhancing intrinsic motivational impact on worker and the performance, where it provides a strong sense of security as well as job stabilization while empowering them to carry out further work successfully (Waqas & Saleem, 2014).

Chiang and Birtch (2006) confirmed Non-financial rewards do not benefit employees in monetary terms and can be of two natures: intrinsic or extrinsic. The extrinsic non-financial rewards are external supports that the organization uses to encourage the good performance of the qualified at work that are mediated outside the person such as interaction with, work-life balance, status, involvement in decision-making, opportunities for promotions, professional advancement and

training, management style, co-workers, accessibility of sufficient resources for job performance, recognition and a favorable working environment

According to Thomas (2009), intrinsic rewards recently spread in most of the companies with the managerial commitment, their contribution and support which enable the employees to engage in the work with positive thinking and mentality. Those non-financial rewards reinforce the self-motivation of individuals while implementing such system to create positive feelings and distinctive experiences for its staff members. At the same time, Pattanayak (2005) identified non-monetary incentives as tangible and intangible incentives, where tangible non-monetary incentives are in the form of treats, awards, tokens, etc; while its intangible aspects are in terms of form of informal recognition, friendly greetings, responsibility, meaningful work, job rotation, special assignments, training, etc, those are depending on the attitudes, values, beliefs of employees, who are working together in a company.

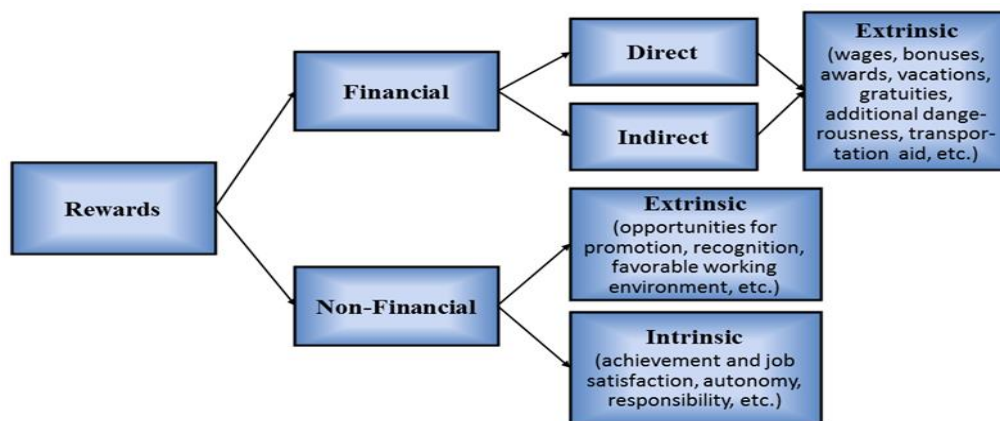


Figure 2.1. Types of reward

Source: Tara Keshar (2016) based on Dutra (2002), Chiang and Birtch (2006) and Camera (2011).

2.7. The Influence of Performance Related Pay System on Employee Motivation

Most of the researches have investigated that, appraisal or encouragement even rewards system have a constant impact on, productivity, higher employee retention rates as well as job satisfaction.

The performance-related pay system is used as a tool to enhance the employee's motivation. (Pinto & dos Santos, 2018). Performance-related pay systems weaken to motivate employees since the financial incentives are not liable to be a true indication of their effort (Marsden, 2002). He also states that Performance-related pay systems mostly fail to develop employees' commitment due to their focus on financial incentives rather than developing needs. As a result of this non-financial rewards such as promotions are also important in the process of rising employees' motivation. As a result of this, performance-related pay can only be operational if it is used to strengthen a motivational system that has non-monetary incentives such as training. Performance-related pay systems often deteriorate the problem of pay variation. Since it is not easy to measure an employee's performance objectively, some workers will always receive more than they deserve while others will earn less (Marsden, 2002).

Most of the researches have investigated that, appraisal or encouragement even rewards system have a constant impact on, productivity, higher employee retention rates as well as job satisfaction. Separately from the financial rewards employees expect appreciation and recognition for the effort given by the workers. While money act as a highest part of motivation because of its nature to satisfy the basic needs of people with attainment of power and affiliation, both financial and non-financial incentives are equivalently require to enhance the motivation of peoples to achieve great performance. The main impact of non-financial incentive is enhancing the moral of workers. If nobody realizes or appreciates their effort then workers will be demoralized and try to back out the responsibilities and accountabilities towards organization (Dobre, 2013).

According to Mathis & Jackson (2011) performance-related pay systems allow employees to distinguish a direct link between incentives and effort. Piekkola (2005) suggests that employees are expected to increase their productivity if they believe that their pay will be relative to the amount of effort that they apply to their work. In this cases, employees will need advanced skills so as to improve their productivity.

Employees who are attracted in improving their productivity are likely to be more eager to state their weaknesses so as to benefit from development and training programs. Performance-related

pay systems encourage skill acquisition and improves the competitiveness of the organization in terms of high efficiency, innovation, and productivity. (Piekkola, 2005). Mathis and Jackson (2011) state that performance-related pay systems lead to cost reduction. According to him well motivated employees do not demand close supervision in order to increase their productivity.

Performance-related pay systems help organizations to decrease staff absenteeism and turnover. High motivation is one of the factors that help organizations to reduce staff turnover, avoided a reduction in productivity, and also decrease the costs connected with replacing employees who resigned from the company. In this regard, retaining highly skilled is a means of improving competitiveness, mainly, if the labor market lacks highly skilled personnel (Marsden, 2002 and Dorantes and Mach, 2003).

According to Armstrong (2008) associating employees' job targets to the objectives of the company facilitates achievement of the company's vision. While, this strategy mainly fails because managers do not deliver incentives that motivate the employees to accomplish the set targets. In this regard, a performance-related pay system enables achievement of targets by motivating employees to work hard.

Shelley (1999) views customer satisfaction is likely to improve if the employees receive financial rewards for offering excellent services. In this regard, a performance-related pay system is a means of fostering a culture of high productivity by rewarding the best performers. According to him the poor performers are expected to emulate the high performers by increasing their productivity. Hence, a performance-related pay system is a means of dealing with underperformance.

An effective recognition and analysis of incentive systems will be able to enhance the people motivation to attain greater productivity and output levels. By strictly following to hygiene and motivational incentive, organization can keep its peoples always motivated and overall organizational success will in the long run be a reality irrespective of the nature or the size of the industry (Dobre, 2013).

2.8. Empirical Literature Review

2.8.1. Relationship Between Performance Related Pay and Motivation

Varies research indicate that by attracting and retaining employees through higher wages, organizations actually minimize costs through decreased turnover, lower absenteeism rates and maximize productivity and profitability. Thus, by offering an economical base salary will make an organization more attractive to the more qualified peoples. Some employees will come with good experience, skill and education than others, salary is competency based. Salary will increase yearly depending on performance appraisal of individual and department (Britton. 1997).

Marsden (2004) concluded that performance related pay should be examined with higher analytical foresight and from a better controlled perspective. This should not be from the normal starting position of whether PRP is motivational or not. Two procedures could be explored here, with one of them being effort bargain. This involves the reorganization of work in a bid to standardize effort measurement, which is combined with attempts for intensifying effort levels. The other possible procedure is the process bargain, including changes or reforms to the administrative system of an organization.

According to Marsden, French and Kobi (2001) as cited by Abdulsalam Aljumah (2015) reports that the majority of employees would rate their performance as above average, and comment that this has implications for PRP, as in this case, such schemes do not address the motivational needs of the bulk of the workforce. Further, Bregm (2013) found that perceived unfairness in PRP systems may have a detrimental effect on performance. Indeed, sometimes employees see PRP as arbitrary, unfair, and tending to reward work of peripheral significance, with knock-on effects for attitudes to managers, organizational change and the process of appraisal (Lundström, 2012).

Bellé and Cantarelli (2015) found that, overall, financial incentives had no significant effect on employee effort. However, there were some moderation effects based on motivation types. Specifically, there was a negative relationship between Performance Related Pay and job effort for people who had high levels of intrinsic motivation. On the other hand, there was a positive relationship between Performance Related Pay and job motivation for those who had high levels of extrinsic motivation.

2.9. Conceptual Framework of the Study

The study conducted conceptual framework that focused between independent variables and dependent variable. In a statistical point of view, the conceptual framework explains the relationship between the main concepts of a study. It is arranged in a logical structure to support provide a picture or visual display of how concepts in a study relate to one another (Grant & Osanloo, 2014).

Based on this study, under the figure 2.2 below given emphasis to the independent variables that was financial incentives and non-financial incentives. Therefore, the different factors that affect financial incentive to motive employee at the work place are Salary increment, profit sharing, bonus, Job promotion, Discount Company's product or service and also as depicted under the figure 2.1 Feedback to employees, recognition, employee participation, better work environment, career development and training are represented as factors that affect non-financial incentives.

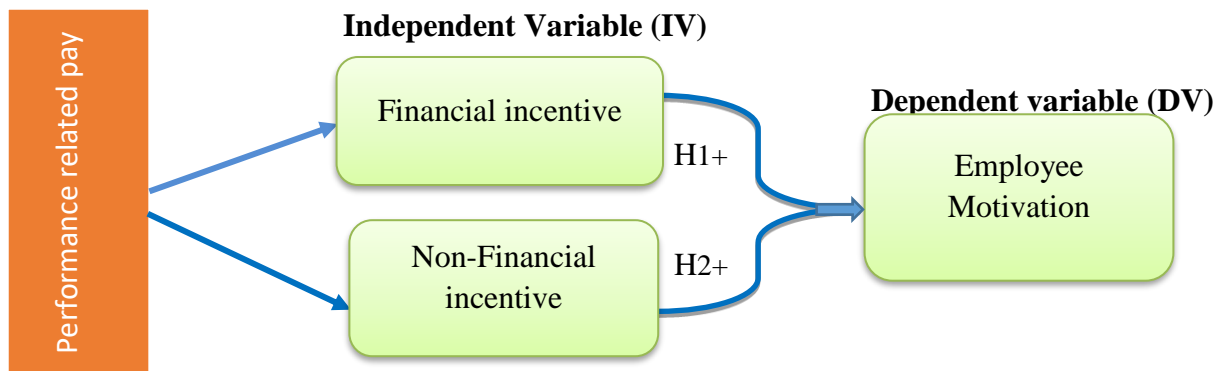


Figure 2.2 conceptual framework of dependent and independent variable

Source: Researcher Construct

This conceptual framework was expanded by the researcher after studying the effect that were expected to be indicators of motivation from the ground of study that is Fantu and Fantu and Family Trade and Industry PLC, As indicated in the model, there are Two independent variables (financial and non-financial incentive) which are considered as the indicators of motivation of employees at the Family Trade and Industry PLC. The model depicts a direct relationship between each independent variable and the dependent variable to employee motivation. As showed in the conceptual model; when peoples are given enough Bonus, Job promotion, Profit sharing, Special

incentives, and Salary Increment they are motivated to expend more effort at the job. Furthermore the model shows that when the employees are given increased levels of responsibility, Recognition from management, Better performance appraisals, Delegation of authority, Opportunity for Career Development, Better work environment, and Discount companies product or service then they are motivated to stay with the organization and improve their work perform

2.10. Research Hypothesis

Performance-related pay plays an energetic role in determining the major performance in job and it is positively connected with the process of motivation (Huselid, 2005). There are two types of performance-related rewards or incentives; financial and non-financial. Non-financial incentives are used to incentivize employees for great job performance through opportunities (Kepner, Wyoski, McKenzie, and Ballentine, 2003). It mostly comes in the form of more enabling, participating in the management, award, authority, promotion, written recognition, better working environment, gifts, etc. (Allen and Helms, 2011). The purpose of monetary incentives is to reward employees for great job performance through money. Monetary rewards or incentives include profit sharing, bonuses, etc. these have assisted keep a positive motivational work environment for employees (Kepner, 2001).

Thus. In order to investigate the effect of performance-related pay (financial incentive and non-financial incentive) on employee motivation, the following two research hypotheses are identified based on the literature review and the research questions.

H₁1: There are significant positive effects of financial Incentives on employee motivation.

H₁2: There are significant positive effects of non-financial Incentives on employee motivation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter describes the research methodology used in the study to investigate the research problem i.e. what financial and non-financial incentives were offered to employees, and their effects on employee motivation. It provides an overall summary of the data collection process and its approaches. The discussion in this chapter focused on major issues such as the research design, research approach, Description of The Study Area and Target Populations, Source of Data and Data Collection instrument used, and data analysis method.

3.2. Research Approach

According to (Creswell 2009), there are three approaches presented for researchers to design their research methodology. These are Qualitative, Quantitative, and Mixed methods research approaches. This study was conducted by using mixed (qualitative and quantitative) approaches. This is because this type of research approach permitted a more complete and synergistic utilization of data and provide a better understanding of the research problem, also it was allowed to expand and strengthen a study's conclusions. The qualitative approach helps in-depth understanding of individual perception and their suggestion about the topic. While the quantitative approach uses to explain relationships by collecting numerical data and analyzing based on mathematical methods.

3.3. Research Design

The Research design is simply the strategy of shaping the research or the framework for a study that is used as a guide to collect and analyze data (Pandey P. & Pandey M. 2015). For the purpose of this research, to arrive at correct analysis and interpretation descriptive research design was used. According to Saunders, Lewis & Thornhill (2009), Explanatory studies establish to conduct in-depth analysis on the selected target group and to identify the causal link between variables. Hence, to conduct an in-depth analysis of the selected target group and to identify the causal link between performance-related pay and employee motivation, the research was adapted to an

Explanatory research design. The study was also used a cross-sectional research design in order to describe the characteristics of a population.

3.4. Description of Study Variables

The variables of the study is Employee motivation consider as dependent variable and performance related pay consider as independent variable.

The Performance related pay (independent variables) was focused on two features financial Incentives and non-financial Incentives, Salary increment, profit sharing, bonus, Job promotion, special rewards, feedback to employees, recognition, employee participation, better work environment, career development and training are factors of independent variables that affect employee motivation were motivational factors of Dependent Variable.

3.5. Description of The Study Area and Target Populations

This research conducted at Fantu and Family Trade and Industry P.L.C head office and other three branches located at Addis Ababa City Administration. The location of company's head office was located at Bole Sub City wereda 03, and the rest three branches were located at Fantu supermarket Sarbet branch Nifassilk lafto sub-city Wereda 03, Fantu Supermarket Bole branch located at Bole sub-city Wereda 03, and Keraniyo main store cattle and dairy processing branch located at KolfeKeraniyo sub-city wereda 08.

3.6. Target Populations and Sampling Design

3.6.1. Target Populations

Somekh and Lewin (2011) define a target population as all the elements from whom a sample will be selected. Therefore, the target population of this study was all permanent employees of the company who are finished their probation period of employment. Accordingly, based on the data obtained from the human resource department of the company, the total numbers of target populations were 205 employees.

3.6.2. Sampling Design and Techniques

When the population of the study is too large for a complete census to be taken, it becomes crucial to take a sample out of it for effective research. However, for the purpose of this study design, the study population sampling was used all employees of Fantu and Family Trade and Industry PLC who finished probation period of employment. Therefore this reason the research was not used a sample size.

3.7. Source of Data and Data Collection Instrument Used

3.7.1. Source of Data and Collection Methods

Primary data was used in this study. Primary data collection method was used to collect depth of information regarding the research problem such as to collect data about the effect of financial pay on employee motivation, the effect of non-financial pay on employee motivation, performance-related rewards provided to employees, and how performance-related pay address employee motivation challenges and etc.

Secondary data collection method was used to collect past information regarding research topics such as the past organizational practice of monetary and non-monetary rewards, past employee motivational attitude, particular motivational theories, and facts, etc. Past information was used to analyze the research situation in detail. Therefore, Secondary data was collected from the Human resource Department of Fantu and Family trade and Industry PLC, published /unpublished literature on the topic, and from books, journals, websites, case studies, articles, and other relevant documents.

3.7.2. Data Collection Instruments

The research instrument used to collect primary data was a semi-structured questionnaire (included both open and close-ended questions). Open-ended questions were used to collect qualitative data and close-ended questions were used to collect quantitative data. The questionnaire, which was used as a data collection instrument in the study, consisted of two parts. The first part included demographic expressions designed to collect the demographic characteristics of respondents. This part covered gender, age, educational qualification and service period, employment status, and department they worked. This information provides important understandings to the respondents

and how these factors are linked to their motivation levels. The second part contained main data about performance-related pay and employee motivation.

The instruments were designed to indicate respondents' level of agreement using a 5-point Likert scale questionnaire ranging from strongly disagree to strongly agree. (SD=strongly disagree, D=Disagree, N=Neutral, A=Agree, A=strongly Agree). This part also provides important information on how financial and non-financial rewards influence employee motivation. See appendix I.

In addition to the use of questionnaires, semi-structured interviews were conducted with department and branch managers of the company face to face. The interview is used to seek an in-depth explanation of major management about strategies and major organizational issues.

3.8. Data Analysis Methods

The study was used a mixed method to collect and analyzed both quantitative and qualitative data. Such triangulation analysis methods provide richer data to understand the possible effect of performance-related pay on employee motivation. The quantitative and qualitative data gathered by using a semi-structured questionnaire, and interview which is developed by the researcher.

The collected data were analyzed by using a statistical package for social science (SPSS) in the form of descriptive, correlation, and multiple regression analysis. The descriptive data analysis method was employed to analyze, describe, and interpret data in the form of frequency, percentages, mean and standard deviations. Correlation analysis was performed to explore the strength as well as the relationship between dependent and independent variables. However, the multiple regression analysis methods implemented for investigating the relationship between a dependent variable and a set of independent variables to understand the relative strength of different independent variables' effects on a dependent variable, and to make predictions.

Additionally, to supplement the results and to fill the gaps left in the questionnaire, the qualitative approach was used in this research. This section of the study was conducted through individual interviews. The interview is used to seek in-depth explanations from management about strategies

and major organizational issues. The information collected was delivered in a narrative form that includes the description and analysis of data.

3.9. Validity of the Data Collection

The issue of validity was addressed through a carefully designed questioner and tested on 3 respondents from each branch of the organization. Additionally, this research was adopting instruments used in previous research works. Furthermore, to minimize the poor memory of the researcher, the researcher took a note during the interview. Directly after the interviews the researcher was compiled data from interviews and was transformed it into valuable information.

3.10. Reliability of the Data Collection

Reliability denotes a measurement that supplies consistent results with equal values (Blumberg et al., 2005). It measures, repeatability, precision, trustworthiness, consistency of a study (Chakrabartty, 2013). It shows the extent to which it is without bias (error-free), and therefore ensures consistent measurement across time and across the various items in the instruments.

According to Sekaran and Bougie (2016) as cited by belete K. (2018) Reliability of a measure is an indication of the stability and consistency with which the instrument measures the concept and helps to assess the goodness of a measure. According to them reliabilities those over 0.80 good, those in the 0.70 range, acceptable, and less than 0.60 are considered to be poor. The researcher has used a statistical package for social science (SPSS) and calculated Cronbach’s alpha values for the items in each construct. (See table 3.1).

Table 3.1. Reliability Test

Variables	Cronbach's Alpha	N of Items
Financial Incentives	.984	5
Non-Financial Incentives	.982	7

Source: Researcher questioners Data output (2021)

As shown in Table 3.1. The reliabilities of variables of this study are 0.984 and 0.982. According to Sekaran and Bougie (2016) reliabilities, less than 0.60 are considered to be poor, those in the

0.70 range are acceptable, and those over 0.80 good. Thus, it could be concluded that all variables have Cronbach's alpha more than the limit of reliability 0.80 range therefore this study can be considered to be good.

3.11. Ethical Consideration

Before the research conducted, the researcher has informed the participants about the objectives of the study. Also, the study has applied all the necessary precautions to protect the study participants from sort of problematic encounters. Accordingly, the respondents were informed not to mention their names while filling the questionnaire and to maintain the confidentiality of the organization. Moreover, the researcher gave the liberty to respondents to withdraw the consent at any time if they are not comfortable.

CHAPTER FOUR

DATA ANALYSIS, DISCUSSION AND INTERPRETATION

4.1. Introduction

This chapter mainly aims to provide the analysis of the data collected and presents the primary research evidence. The analysis consists of statistical data analysis and the findings are presenting using statistical tables and charts. The data are analyzed by using triangulation analysis methods. The chapter ends with a test of the Hypothesis of the study through multiple regression and correlation analysis.

4.2. Response Rate

The study targeted a sample size of 205 respondents including 13 branch & department managers and supervisors and 192 employees. Out of three branch managers and two department managers' two branch managers and one department manager were interviewed giving a 60% response rate. A total of 205 questionnaires were Distributed physically to respondents and 126 respondents returned the questionnaire which was 61.46% of the total questionnaires expected (see table 4.1). The responses from the interviews and questionnaires were used to analyze the data and write the report for this study. According to Mugenda and Mugenda (2003), a response rate of 70% and over is excellent; a rate of 60% is good and a rate of 50% is adequate for analysis and reporting. Based on this assertion, the response rate was good.

Table 4.1 Response Rate of Respondents

Response rate	Frequency	Percent (%)
Response	126	61.46
Non Response	79	38.54
Total	205	100

Source: Researcher questioners Data output (2021).

4.3. Demographic Profiles of the Respondents

The respondents' demographic information included the respondent's gender, age, educational level, service year, employment status, and department.

Table 4.2. Frequency Table of Demographic Profiles of the Respondents

Description		Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	68	54.0	54.0	54.0
	Female	58	46.0	46.0	100.0
Age Group	18-25	25	19.8	19.8	19.8
	26-30	52	41.3	41.3	61.1
	31-40	30	23.8	23.8	84.9
	41-45	6	4.8	4.8	89.7
	46-Above	13	10.3	10.3	100.0
Education Level	Read and write	3	2.4	2.4	2.4
	Primary	22	17.5	17.5	19.8
	Secondary	60	47.6	47.6	67.5
	Diploma	15	11.9	11.9	79.4
	First Degree (BSc, BA)	26	20.6	20.6	100.0
Service Year	Less than 2 year	37	29.4	29.4	29.4
	2-5 years	49	38.9	38.9	68.3
	6-10 years	21	16.7	16.7	84.9
	10 years & above	19	15.1	15.1	100.0
Employment Status	Permanent staff	125	99.2	99.2	99.2
	Contract staff	1	.8	.8	100.0
Department	Sales and marketing	53	42.1	42.1	42.1
	Finance	14	11.1	11.1	53.2
	Operation/Production	42	33.3	33.3	86.5
	Administration	6	4.8	4.8	91.3
	Procurements and Supply	11	8.7	8.7	100.0

Source: Researcher questioners Data output (2021)

Table 4.2 shows that from the total respondents of the survey 54% of employees were males, while 46% were females. This indicating that there are more males working in the company than females. This implies that the company did not suffer from gender bias in its employment but rather male dominating over their females.

According to the age group of respondents, 19.8% of respondents are belong to 18-25 years of age group, 41.3% of the respondents belong to the 26 to 30 years of age group, and 23.8% of the respondents belong to the 31 to 40 years of age group. The remaining 4.8% and 10.32% of the respondents reported they belong to 41 to 45 and above 46 years of age groups respectively. This shows that the majority of employees were between 18 and 40 years old, and a very small group 41 or older. This denotes that heterogeneous groups participated in the research. Hence, the study did not suffer age group bias. It further indicates that the company has young and energetic people and ready to serve for a long time provided they are motivated enough to stay.

The researcher sought to investigate the academic qualification of respondents. The study result also showed that 47.62% of the respondent level of educational attainment was secondary higher school, 20.63% of the respondents educational level was the first degree, 17.46% of the respondents level of educational attainment were primary school, and the remaining 11.91% and 2.38% of the respondents also reported their level of educational attainment was college diploma and read and write. As indicated in table 4.2 the majority of the respondents were from secondary higher schools. The overall educational qualification matrix of the 126 respondents implies that the work that is going to be done in the organization is one that does not require skilled manpower and can only be done with a short training.

Regarding the current length of service year of respondents, the respondents were requested to indicate the number of years they had worked in the organization and as shows on the table4.2 38.89% of the respondents had 2 to 5 service year, 29.36% of the respondents had less than 2 service year, 16.67% of the respondents had 6 to 10 service year, and another 15.08% of the respondents had more than 10 service year in the company. This implies that since employees are

working in the company permanently, the majority of employees work for a long time without leaving the organization.

From the total respondents of the survey that the current working department of respondents' shows, 42.07% of the respondents are sales and marketing worker, 33.33% work in the operation/production department, 11.11% are in Finance, 8.73% are in Procurement and Supply and the rest 4.76% are Administration departments. These results show that Sales and Marketing found the largest/core department in the organization with 42.07% of the total respondents. Moreover, these results imply that the company is engaged in the production and direct sale of its products to the customers in the market.

4.4. Descriptive Data Analysis

4.4.1. Performance Related Pay System adopt by Fantu and Family Trade and Industry PLC to Motivate Employees.

The study requested to explore whether Fantu and Family trade and industry PLC adopt performance related pay to motivate employees. To this effect, the respondents were asked to show their level of agreement. The result is shown in table 4.3.

Table 4.3. Performance related pay system adopted by Fantu and Family trade and industry PLC to Motivate Employees.

Descriptions	N=126	
	Mean	Std. Deviation
My company provides its employees with a basic payment that is proportionate to their respective grade levels	2.02	1.131
My company pays its employees a proportion of its profit as a form of profit sharing.	1.67	.970
My company provides benefits such as Transport allowance, house allowance, and annual holiday entitlement etc. to its employees	2.86	1.307
My company gives its employees special rewards in the form of company's product	1.33	.645
My company gives its employees feedback on how efficient they are with regard to the tasks assigned to them.	2.44	1.230

My company gives due recognition such as employee of the month/year, "thank you", certificate of recognition and gift items to employees who efficiently do their work	1.60	.868
My company gives its employees enough opportunity to develop their careers.	2.55	1.306
My company gives its employees relevant trainings so that the employees can acquire necessary knowledge & skills required in carrying out the task assigned to them.	2.44	1.311
Average scores	2.11	1.096

Source: Researcher questioners Data output (2021)

The above Table 4.3 depicts that when respondents were asked to indicate whether a Performance-related pay system adopts in the company to Motivate Employees, The respondents replied with an average score of Mean 2.11. The mean scores range from 1.00-1.80 is very low, 1.81-2.60 low, 2.61-3.20 medium, 3.21-4.20 high, and 4.21-5.00 considered to be very high (Moidunny, K., 2009). Thus, the result implies that the employees of Fantu and family trade and industry PLC believe does not have a clear performance-related pay method were used to motivate employees in the company. According to the interview held with management, the managers of the company also confirmed that performance-based pay was not implemented by the company.

4.4.2. Effect of Performance Related Financial Incentives on Employee Motivation in Fantu and Family Trade and Industry PLC.

The study requested to explore the Effect of performance related financial incentives on Employee Motivation in Fantu and Family trade and industry PLC. To this effect, the respondents were asked to indicate their level of agreement. The result is shown in table 4.4.

Table 4.4 Effect of Performance Related Financial Incentives on Employee Motivation in Fantu and Family Trade and Industry PLC.

Descriptions	N=126	
	Mean	Std. Deviation
The financial reward my company gives its employees, such as base pay, profit sharing, bonus, job promotion, initiative rewards and special rewards are adequate.	1.87	1.110
Perceiving low financial rewards affect my motivation	3.56	1.306
Financial rewards motivate me to work harder	3.91	1.259
Without the financial rewards, I am not motivated to work harder	3.09	1.420
Financial rewards motivate me to do work with no errors.	2.76	1.433
The financial reward has no effect on my work motivations	3.02	1.439
Financial rewards has motivates me to stay on my work until to Complete my work.	3.21	1.372
Financial rewards Affects my decision to remain with the organization.	3.37	1.406
Average Scores	3.09	1.343

Source: Researcher questioners Data output (2021)

The result is shown in table 4.4, the effect of financial incentive on employee motivation is the average score of mean 3.09 which is medium. This result indicates if the company provides financial incentives to employees, employees are motivated to do their work harder and stay longer with the company. Furthermore, the study finding implies that financial incentive has a direct relationship with employees' motivation, while perceiving low financial rewards affect their motivation. These findings agree with Burton, (2012) as cited by Perera K.E. (2017) who stated that financial incentives are the most important motivator of employees due to their ability to fulfill the basic requirements but not the connection and actualization needs at all. Also, this study proves the statements of Marsden (2002) which stated that performance-related pay systems fail to motivate employees since the financial reward is not likely to be a true reflection of their effort.

The management of the company also states that offering Performance-related financial incentive to employees that helps to differentiate between top and low performing employees. They also believe that offering different incentive packages that enhance employees to devote their work and

motivate them to work without any supervisor’s control. Furthermore, the management points out that performance-related financial incentives will keep employees from quitting their jobs from the company. This management believes agrees with the statement of Mathis and Jackson (2011) which states that performance-related pay systems lead to cost reduction. According to him, well-motivated employees do not demand close supervision in order to increase their productivity. And The research, Basu & Kiernan (2016), Marsden, (2002), and Dorantes and Mach, (2003) found that financial incentives affect healthy working environment changes and help organizations to reduce staff turnover, avoided the costs connected with replacing employees who resigned from the company.

4.4.3. Effect of performance related Non-financial incentives on Employee Motivation in Fantu and Family trade and industry PLC

The study requested to explore the Effect of performance related Non-financial incentives on Employee Motivation in Fantu and Family trade and industry PLC. To this effect, the respondents were asked to indicate their level of agreement. The result is shown in table 4.5.

Table 4.5. Effect of performance related Non-financial incentives on Employee Motivation in Fantu and Family trade and industry PLC.

Descriptions	N=126	
	Mean	Std. Deviation
The nonfinancial incentives my company gives its employees, such as feedback to the employees, training, career development, recognition, employee participation and work environment are adequate.	2.01	1.062
Without my company recognition, I am not motivated to work harder	3.85	1.194
The company feedback motivates me to do my job with no error.	3.90	1.034
The career development in the company has motivate me to improve my performance	3.91	1.193
The working environment of the company has influence me to remains with the organization.	3.44	1.383
My job title motivates me to work with responsibility and Accountability.	3.95	1.027
Average Scores	3.51	1.148

Source: Researcher questioners Data output (2021)

Table 4.5 show that the effect of non-financial incentive on employee motivation is the average score of mean 3.51 which is a high score. Thus, the finding indicates that performance-related non-financial incentives such as feedback to the employees, training, career development, recognition from management, employee participation, and work environment are highly contributing to motivating employees to work harder with responsibility and accountability, as well as improves their performance. These findings show that employees are more motivated by non-financial incentives as compared to financial incentives. These findings confirm the research of Waqas & Saleem (2014) which states that even though monetary rewards able to boost motivation may be for a shorter time period, non-monetary rewards are effective in the process of enhancing intrinsic motivational impact on worker and the performance.

When the managers of the company asked to elaborate what kind of role performance-based pay should have in the overall pay-mix, and they Sayed that the most important role of performance-related non-financial pay is to encourage positive attitudes in the workplace and motivates employees to work harder on their assigned job. These findings also agree with Franco, et al (2004), and Thomas (2009) who stated that Non-financial incentives are the key to improving employees' motivation, job satisfaction, and better performance. Those non-financial incentives reinforce the self-motivation of individuals while implementing such a system to create positive feelings and distinctive experiences for its staff members.

4.4.4. The positive or Negative effect of Performance related pay system in Fantu and Family trade and industry PLC.

The study requested to explore the positive or Negative effect of Performance-related pay system in Fantu and Family trade and industry PLC. To this effect, the respondents were asked to indicate their level of agreement. The result is shown in figure 4.1

Figure 4.1. Negative Effect of Performance Related Pay

Mean Average: 2.35 Std. Dev.: 1.320

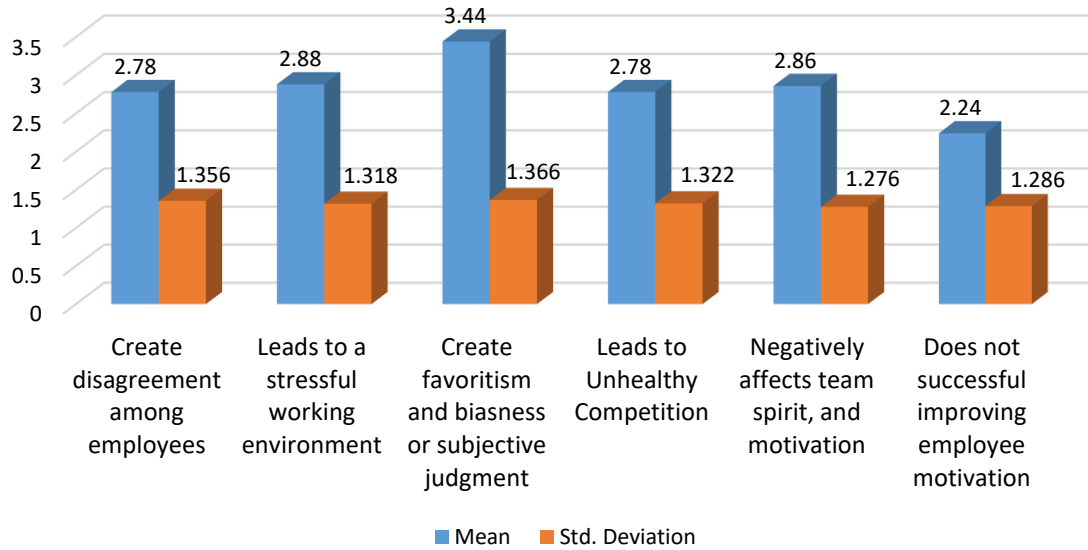
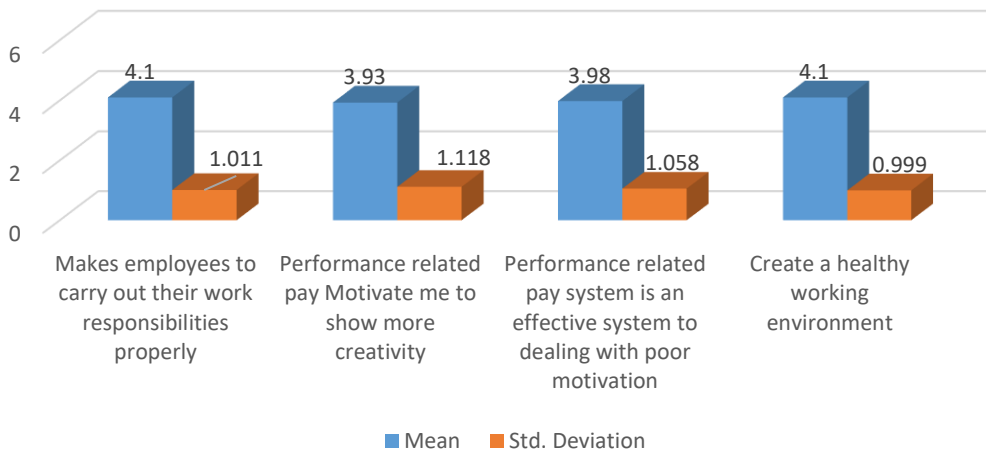


Figure 4.2. Positive Effect of Performance related pay

Mean Average: 4.02 Std. Dev.: 1.046



Source: Researcher questioners Data output (2021).

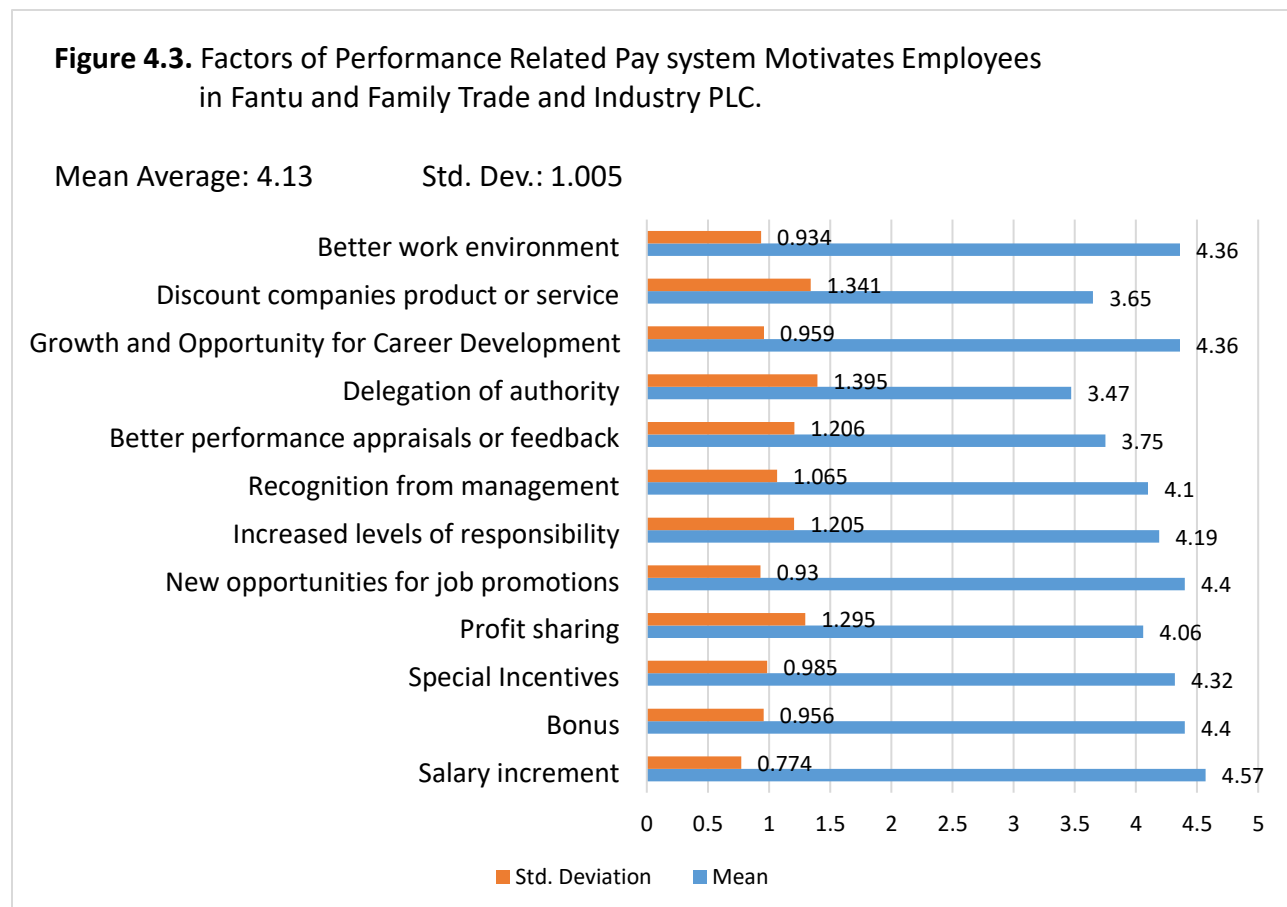
As shown in Figures 4.1 and 4.2. The respondents were asked to indicate whether Performance-related pay systems create a negative or positive effect on their motivation. Based on this, respondents were replied with a Mean average score of 2.35 on the negative effect on their motivation and a Mean average score for 4.02 on the positive effect of performance-related pay on their motivation in Fantu and Family Trade and Industry PLC. This, therefore, means that Fantu and Family Trade and Industry PLC employees agree that performance-related pay has no negative effect on their work motivation, rather it enhances them to carry out their work with responsibility, motivate them to work harder and show more work creativity, create a healthy work environment, as well as enables it is an effective system to dealing with poor motivation. This findings supports Shelley's (1999) statements that view a performance-related pay system as a means of fostering a culture of high productivity by rewarding the best performers. According to him, the poor performers are expected to emulate the high performers by increasing their productivity. Hence, a performance-related pay system is a means of dealing with underperformance.

Whereas, the department manager of the company believes that if there is no clear organizational goal and performance measurement tool, performance-related pay may create a disagreement between employees and employer. Furthermore, they had said this gap exposes subjective judgments. This Fantu and Family Trade and Industry member of Management Believes is similar to Randle's (1997) research, in which he Saied the challenges associated with measuring performance often lead to conflicts between managers and employees concerning the amount of bonus or salary increments that should be paid. In particular, conflicts are likely to arise if employees' efforts are equal, but their financial rewards are different. Identifying the right metrics for measuring performance is one of the major challenges that hinder the application of performance-related pay systems.

According to Lewis (1991), arguments performance related pay system violate the cohesiveness of the teamwork system and leads to conflict and opposition between employees. However the findings of this study against the argument of Lewis (1991), this study reveals that Performance reflatd pay will create good teamwork and motivation among employees rather than conflict between them.

4.4.5. Methods of performance related pay system motivate employees in Fantu and Family trade and industry PLC.

The study requested to explore which methods of performance related pay system motivate employees in Fantu and Family trade and industry PLC. To this effect, the respondents were asked to indicate to what extent they agree. The result is shown in table 4.3.



Source: Researcher questioners Data output (2021)

Figure 4.3. Indicate that the methods of performance-related pay system to motivate employees. Based on employees of Fantu and Family Trade and Industry PLC response, the Mean average score lies between ranges from 3.21-4.20, and 4.21-5.00. It is high and very high scores (Moidunny, K., 2009). These findings imply that all financial and non-financial motivational factors are effective on employee motivation. Especially, salary increment, special incentive,

Bonus, new opportunity for job promotion, better work environment, and opportunity for career development are very highly significant effect on employee motivation. This findings are also agree with the statement of Chiang and Birtch (2006) which states that Financial rewards which pay for the employee service and efforts include Salary, bonus, fringe benefit, allowances, insurance, job promotions etc. are highly motivated employees. And Chiang and Birtch (2006) confirmed that employees are motivated by Non-financial rewards such as interaction with, work-life balance, status, involvement in decision-making, opportunities for promotions, professional advancement and training, accessibility of sufficient resources for job performance, recognition and a favorable working environment.

This study also find that when a company offers its products and service at a discount to its employees, it creates a high level of motivation for the employees of the company in their work. This motivational factor of non-financial incentive is a new findings that were not researched by other scholars yet.

4.5. Correlation Analysis

The Analysis of correlation was used to prove the “Interdependency” of the variables. In this section, the correlation between dependent variable namely employee motivation and independent variables; Financial incentive (represented by Salary increment, Bonus, Incentive, Profit sharing, new opportunity for job promotion) and Non-financial incentive (represented by recognition from management, better performance appraisal or feedback, a delegation of authority, Growth and opportunity for career development, discount companies product or service, better work environment, increase level of responsibility) within the company have been analyzed. The correlation matrix is used to explore the strength as well the relationship between dependent and independent variables.

Effect size standards, correlational coefficients $< \pm 0.28$ are small effects; medium effects range from $\pm 0.28 - 0.49$; and, large effects are greater than ± 0.49 (Cohen, 1988) . Accordingly, in both cases, the result fell within the medium range. And also Alwadei (2010) state that the Output of the correlation matrix can be the correlation coefficient that lies between -1 and +1 within this

framework, a correlation coefficient of +1 indicates a perfect positive relationship, and a correlation coefficient of -1 indicates a perfect negative relationship; whereas a coefficient of 0 indicates no linear relationship.

The researcher used Pearson correlation analysis to explore such a relationship. A higher correlation value indicates a stronger relationship between both sets of data. (Coetzee 2003). The results are presented as follows:

Table 4.6. Correlation matrix (with all variables)

		Employee Motivation	Financial Incentive	Non-Financial Incentive
Employee Motivation	Pearson Correlation	1	.936**	.955**
	Sig. (2-tailed)		<.001	<.001
	N	126	126	126
Financial Incentive	Pearson Correlation	.936**	1	.901**
	Sig. (2-tailed)	<.001		<.001
	N	126	126	126
Non-Financial Incentive	Pearson Correlation	.955**	.901**	1
	Sig. (2-tailed)	<.001	<.001	
	N	126	126	126

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

Source: Researcher questioners Data output (2021)

Table 4.6 indicates that the correlation between financial and non-financial pay and employee motivation. Therefore Employee motivation was positively and significantly correlated with financial pay with a correlation coefficient of 0.936. Therefore, According to Cohen's (1988), Alwadei (2010), and Coetzee (2003), the result indicate that the relationship between a dependent (employee motivation) and independent variables (financial incentives) is strong, positively, and significantly related.

Also as shown on the correlation matrix table, the dependent variable; employee motivation and non-financial incentive Correlated with the coefficient of 0.955. This result also indicates that the

correlations are perfect, positive, and significant (Cohen's, 1988 and Alwadei, 2010 and Coetzee, 2003).

From this, it is possible to generalize that employee motivation has a direct, strong, and perfect relationship with financial incentives and non-financial incentives. Thus, when there are motivational factors that exist then employee motivation will be enhanced and vice versa.

4.6. Multiple Regression Analysis

Multiple regression analysis uses to investigate or estimate the relationship between a dependent variable (DV) and a set of independent variables (IVs). The regression analysis indicates the relative strength of different independent variables' effects on a dependent variable. This shows how dependent variables changes according to the variation of the independent variable.

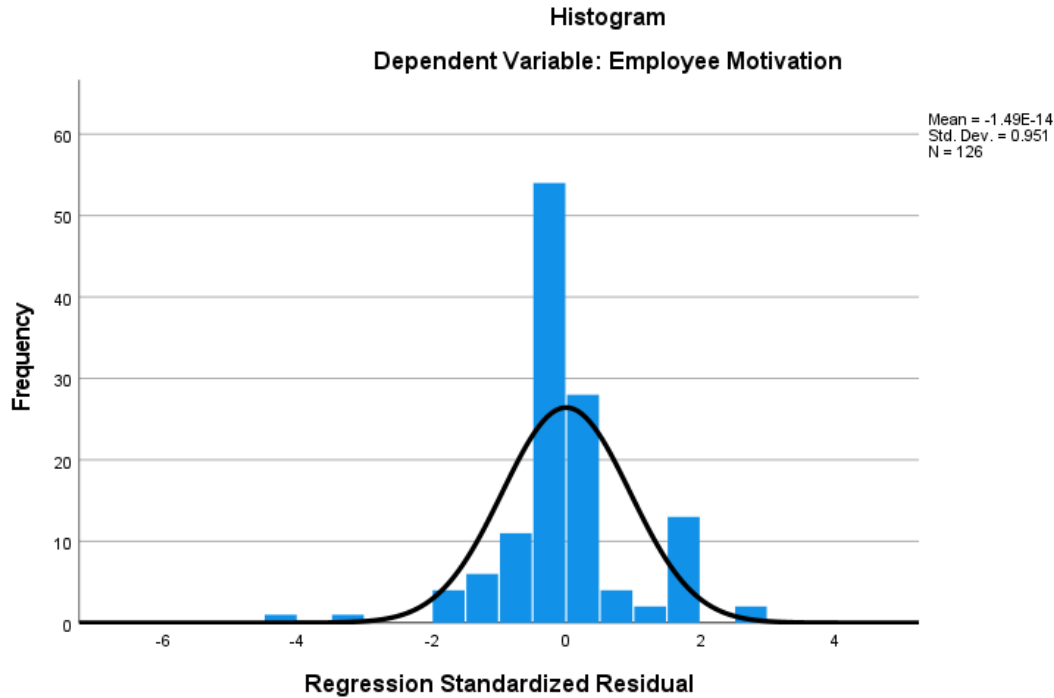
4.6.1. Testing in Multiple regression

Before conducting a regression analysis, the tests of regression model fitness carried out. Testing the regression model is a necessary prerequisite in explaining the relationships between dependent and independent variables. The Four major assumptions; normality test, linearity, Multicollinearity, and homo elasticity test are explained as follows.

4.6.1.1. Normality Test

Multiple regressions entails the predictors/independent variables to be normally distributed. Which means that errors are normally allotted, and that a plot of the values of the residuals will approach a normal curve (Keith, 2006).

Figure 4.4. Histogram

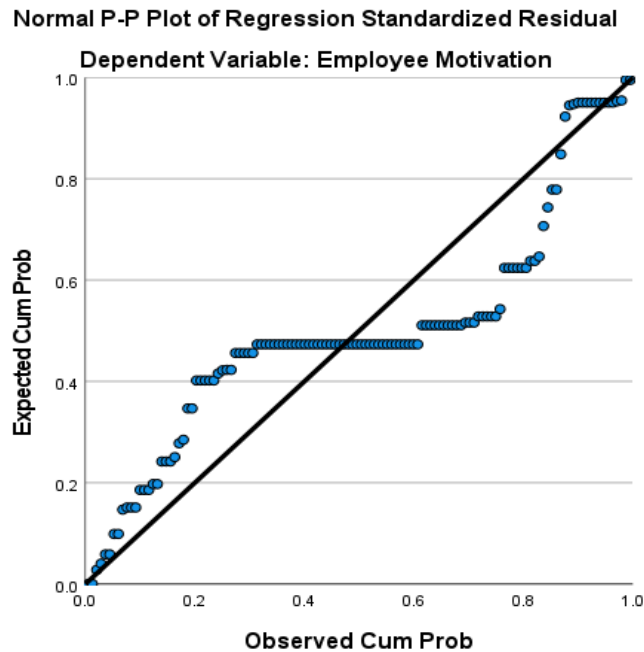


Source: Researcher questioners Data output (2021)

4.6.1.2. Linearity Test

The linearity of associations between the dependent and independent variables can be tested by looking at the P-P plot for the model. Based on the normal chart probability the closer the dots lie to the diagonal line, the closer to normal the residuals are distributed. As shown in the below figure, the visual inspections of the p-p plot revealed that there exists a linear relationship between the dependent and independent variables. Thus, it can be concluded that the residual value is normally distributed so that the regression analysis procedure has been met. (See figure 4.5).

Figure 4.5 P-P Plot of Regression Standardized Residual

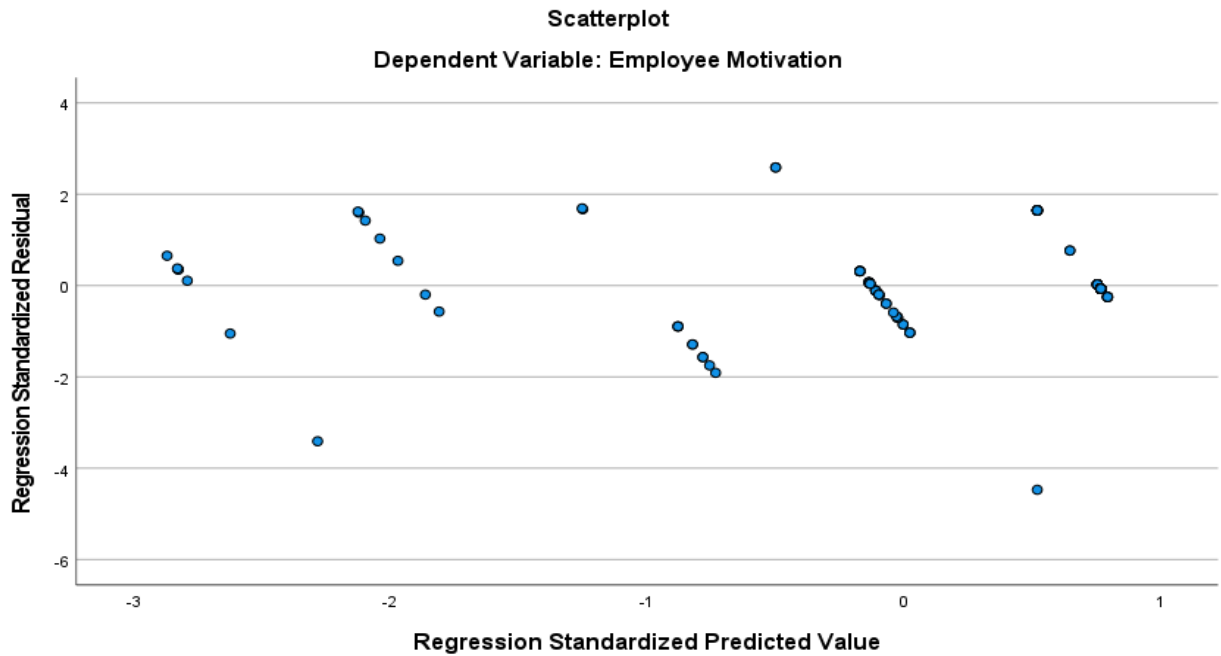


Source: Researcher questioners Data output (2021)

4.6.1.3. Homoscedasticity

The assumption of homoscedasticity refers to the same variance of errors across all levels of the independent variables (Osborne & Waters, 2002). Homoscedasticity describes a situation in which the error term (that is the random distribution in the relationship between the independent variable and the dependent variable) is the same across all values of independent variables. Homoscedasticity can be proved by pictorial examination of a plot of the standardized residuals by the regression standardized predicted value (Osborne & Waters, 2002). If the error terms are distributed randomly with no certain pattern, the problem is not detrimental for analysis. Based on the scatter plot in Fig 4.6. It can be concluded that no violation of homoscedasticity.

Figure 4.6 Scatterplot of Regression Standardized Residual



Source: Researcher questioners Data output (2021)

4.6.1.4. Multicollinearity Test

HO (2006) describes multicollinearity as a “situation in which the independent/predictor variables are highly correlated”. Raykov and Marcoulides (2006) also states that “in regression analysis the presence of multicollinearity that one is using redundant information in the model. Which be able to simply lead to unstable regression coefficient estimates”.

Connection between the independent variables will consequences in a very strong correlation. In addition multicollinearity test done to avoid habits in the decision-making process regarding the partial effect of the independent variable on the dependent variable.

When the VIF value lies “between” 1-10, then there is no multicollinearity, and when $VIF < 1$ or > 10 , then there is multicollinearity (Pallant, 2010). According to Pallant, (2010), Based on the coefficient output-collinearity statistics, obtained VIF value of both predictors is 5.328, meaning that the VIF value obtained is between 1 to 10, it can be concluded that there are no multicollinearity symptoms and both predictors are strongly correlated. (See Table 4.7).

Table 4.7. Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Financial Incentive	.188	5.328
Non-Financial Incentive	.188	5.328

Source: Researcher questioners Data output (2021)

4.7. Multiple Regression Results

The multiple regression analysis was employed to examine the effect of financial and non-financial factors namely, Bonus, Salary increment, Profit sharing, Opportunity for Career Development, Special Incentives, Better work environment, Growth and Delegation of authority, Recognition from management, Better performance appraisals or feedback, Discount companies product or service, Increased levels of responsibility, and New opportunities for job promotions. The regression analysis is done basically to determine the values of the model fit Regression model summary (R and R²), and the Regression coefficients.

Table 4.8. Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.971 ^a	.942	.941	.278	.942	996.780	2	123	.000

- a. Predictors: (Constant), Non-Financial Incentive, Financial Incentive (Bonus, Salary increment, Profit sharing, Opportunity for Career Development, Special Incentives, Better work environment, Growth and Delegation of authority, Recognition from management, Better performance appraisals or feedback, Discount companies product or service, Increased levels of responsibility, and New opportunities for job promotions)
- b. Dependent Variable: Employee Motivation

Source: Researcher questioners Data output (2021)

The table 4.8 illustrates, the result of multiple regression analysis independent variables (financial and non-financial analysis) and dependent variable (employee motivation) R is given by 0.971 and the coefficient of determination (R square) value of the multiple regression model is given by 0.942. This shows the notion that employee motivation is influenced by 94.2% by financial and non-financial incentives, while the rest (100% -94.2% = 5.8%) is explained by others causes that are not considered in this study.

Table 4.9. Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
	B	Std. Error	Beta			Zero-order	Partial	Part
1 (Constant)	-.045	.113		-.398	.692			
Financial Incentive	.447	.056	.400	7.963	.000	.936	.583	.173
Non-Financial Incentive	.562	.047	.595	11.857	.000	.955	.730	.258

a. Dependent Variable: Employee Motivation

Source: Researcher questioners Data output (2021)

The above table 4.9 showed significant value financial and non-financial incentive of $0.000 < 0.05$, then the appropriate basis for decision making in the regression analysis can be concluded that the financial and non-financial incentive each significant effect on employee motivation. Thus increasing the financial and non-financial incentive of a person will also improve motivation. Additionally, for each additional financial incentive motivational factor, the average expected increase in employee motivation will be 0.400. Similarly, for each additional non-financial incentive motivational factor, the average expected in increase employee motivation will be 0.595.

The P-value for financial and non-financial incentives is 0.000. This implies both predictors (financial and non-financial incentives) highly significant contributions to employee motivation.

4.8. Hypothesis Test

Based on correlation matrix and beta coefficients it is possible to test the study hypothesis and conclude either to accept or reject it.

H₁1: There are significant positive effects of financial incentives on employee motivation. The results of multiple regression, as presented in Table 4.9 above, revealed that financial incentive has a positive and significant effect (with beta value = 0.447) on employee motivation. Moreover, the result of the correlation matrix as shown in table 4.6, Employee motivation was positively and significantly correlated with financial pay with a correlation coefficient of 0.936. This implies that the relationship between dependent (employee motivation) and independent variables (financial incentives) has strong, positively, and significantly related.

H₁2 There are significant positive effects of non-financial Incentives on employee motivation. The results of multiple regression Coefficients, as presented in table 4.9, revealed that non-financial incentive has a positive and significant effect (with beta value = 0.562) on employee motivation. Additionally, the result of the correlation matrix as shown in table 4.6, depicted that employee motivation and non-financial incentive Correlated with the coefficient of 0.955. This result also indicates that the correlations are perfect, positive, and significantly related.

This result is supported by Lee (2015) who proves that financial and non-financial incentives have a significant effect on the performance of employees, which is definitely the result of an increase in motivation based on given financial and non-financial incentives.

CHAPTER FIVE

SUMMERY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

This chapter provides the overall summary of major findings of the study, draws conclusions from the study and makes recommendations based on the research findings for the study, and also presents areas of further research suggested.

5.2. Summary of Major Findings

The study as presented in this work assessed the performance-related pay in motivating employees in Fantu and Family trade and industry PLC. The following four questions guided this study; the effects of financial incentives on employee motivation, the effects of non-financial incentives on employee motivation, the performance-related pay system practice in the company as being effective on employee motivation, and the effects of employee work motivation on employee performance.

Accordingly, respondents who participated in the survey were asked varied questions in relation to performance-related pay factors (financial and non-financial incentives). The findings are evaluated against the literature and previous related researches.

The Effects of Financial Incentives on Employee Motivation

Based on the findings of this study, the effect of financial incentive on employee motivation is the average score of mean 3.09. This result indicates if the company provides financial incentives to employees, employees are motivated to do their work harder and stay longer with the company. While, perceiving low financial rewards affect their motivation.

As shown on the Regression coefficient table 4.8 of this study, the significant value of the financial incentive is 0.000, this result indicates that financial incentive has a direct positive significant effect on employee motivation. Thus increasing the financial incentive of a person will also improve motivation. This means, for each additional financial incentive motivational factor, the average expected increase in employee motivation will be 0.400. This study also reveals that the

P-value for financial incentives is 0.000. This implies financial incentives highly significant contributions to employee motivation.

Moreover, based on the correlation analysis of the study, Employee motivation was positively and significantly correlated with financial pay with a correlation coefficient of 0.936. Therefore, According to Cohen's (1988), Alwadei (2010), and Coetzee (2003), the result indicate that the relationship between a dependent (employee motivation) and independent variables (financial incentives) is strong, positively, and significantly related.

The Effects of Non-financial Incentives on Employee Motivation

Based on these findings, the effect of non-financial incentives on employee motivation is the average score of average mean 3.51. Thus, this finding indicates that performance-related non-financial incentives such as feedback to the employees, training, career development, recognition from management, employee participation, and work environment are highly contributing to motivating employees to work harder with responsibility, as well as improves their performance. These findings show that employees are more motivated by non-financial incentives as compared to financial incentives. These findings support the findings of Waqas & Saleem (2014) which states that even though monetary rewards able to boost motivation may be for a shorter time period, non-monetary rewards are effective in the process of enhancing intrinsic motivational impact on worker and the performance.

The Regression coefficient table 4.8 of this study showed that the significant value of the non-financial incentives is 0.000. This result indicates that the non-financial incentive has a positive significant effect on employee motivation. Thus increasing the non-financial incentive of a person will also improve motivation. This means, for each additional non-financial incentive motivational factor, the average expected in increase employee motivation will be 0.595.

Furthermore as shown on the correlation matrix table 4.6, employee motivation and non-financial incentive correlated with the coefficient of 0.955. This result also indicates that the correlations are perfect, positive, and significant (Cohen's, 1988 and Alwadei, 2010 and Coetzee, 2003).

The Performance Related Pay System Practice in the Company to Motivate Employees

The findings of this study indicate an Average Mean of 2.11. Employees of Fantu and family trade and industry PLC agree that there is no performance-related pay system in the company, and also management member of the company confirmed that performance-related pay was not implemented by the company. These findings show that to motivate employees in their work, the company does not offer performance-related financial and non-financial incentives to its employees.

The Effects of Employee Work Motivation on Employee Performance

Financial and non-financial rewards motivated employees to work hard with no errors, and to show more creativity in their job. This means that, when employees are motivated on their work through financial and non-financial incentives the performance of employees will be also increase

5.3. Conclusion

It is possible to generalize that employee motivation has a direct, strong, and perfect relationship with Performance-related pay system (financial and non-financial incentives). When there are financial and non-financial motivational factors that exist, then employee motivation rises and vice versa. Among all financial and non-financial motivational factors such as; salary increment, special incentive, Bonus, new opportunity for job promotion, better work environment, and opportunity for career development has a very highly significant effect on employee motivation. Hence, based on the above all findings and test, the study result supports the first hypothesis H11 which stated that there are significant positive effects of financial incentives on employee motivation, and second hypothesis H12 which stated that there are significant positive effects of non-financial Incentives on employee motivation

Generally, the finding of the study confirmed that performance-related pay is an effective system to motivate employees to work harder, to influences carry out work with responsibility, to motivate create new ideas, as well as to deal with employees who have poor motivation.

5.4. Recommendation

This study investigated the effect of performance-related pay on employee motivation in Fantu and Family Trade and Industry PLC. Based on the major findings and conclusion mentioned, the following recommendation was presented.

The company should develop a financial and non-financial reward system in order to improve employee motivation and increase employee performance and efficiency. With regard to these, the findings of this study revealed that employees are more motivated by non-financial incentives than financial incentives. Therefore the management of the company should be given more emphasis on especially non-financial motivational factors such as; increased levels of employee responsibility, Recognition from management, Better performance appraisals or feedback, Delegation of authority, Growth and Opportunity for Career Development, Discount companies product or service, and Better work environment to create an attractive, and motivational work environment and therefore organizational achievement.

If Fantu and Family Trade and Industry PLC provide financial and non-financial incentives to its employees; It can improve workers morale and loyalty, Helps to create a healthy performance-based culture, encourages them to put more effort into their work in order to achieve defined objectives, and can also lead to cost reduction because highly motivated employees do not need close supervision this help businesses to remain profitable.

5.5. Recommendations for Future Research

The researcher found that 94.2% of employee motivation is influenced by both financial and non-financial incentives. The researcher recommends for future can apply the same research objective and research questions to determine the effect of financial and non-financial motivational factors on employee motivation such as; Salary increment, Bonus , Special Incentives, Profit sharing, New opportunities for job promotions, and Non- financial motivational factors such as; increased levels of employee responsibility, Recognition from management, Better performance appraisals or feedback, Delegation of authority, Growth and Opportunity for Career Development, Discount companies product or service, and Better work environment or related other factors in similar or other organization.

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APPENDIX 1: Data collection instrument

2.1. Questionnaire

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINES AND ECONOMICS
DEPARTMENT OF HUMAN RESOURCE MANAGEMENT
MHRM PROGRAM

Dear respondents,

REQUEST TO FILL IN QUESTIONNAIRE

I am a postgraduate student of the Department of Human resource Management, Addis Ababa University College of business and economics school of commerce who is conducting a research on the topic: Effect of Performance Related pay on Motivating Employees in Fantu and Family Trade and Industry PLC in partial fulfilment of the requirements for the award of the Degree of Master of Arts in Human Resource Management (MHRM).

This questionnaire seeks to collect data related to the Effect of Performance Related pay on Motivating Employees as noted above. Hence, your sincere and objective response in filling in the questionnaire will be highly appreciated. Respondents have a liberty to withdraw the consent at any time if you are not comfortable. And also you may choose not to answer any questions that you may find not comfortable with. All responses will be treated with utmost confidentiality and will only be used for the purpose of this study.

Thank you for your anticipated cooperation.

Yours sincerely,

(Researcher)

Note:

Dear Respondent please read carefully the instructions below before starting to answer the Questionnaire.

1. No need of writing your name
2. Please fill the answer by putting ✓ mark on the appropriate multiple choice and Likert scale questions.
3. Please give your attention and return the completed questionnaire as much as possible.

SECTION A: Demographic Information

Respondents' background information (please tick ✓ your most right choice as appropriate).

1. Gender of respondent:

Male Female

2. Age of respondents:

18-25 26-30 31-40 41-45 46 – above

3. Education level:

Read and Write Primary Secondary Diploma
First Degree (BSc, BA) Second degree (Msc, MA) PHD

4. Length of Service in this organization:

Less than 2 year 2-5 years 6-10 years 10 years & above

5. Employment Status:

Permanent Staff Contract Staff

6. Your current department:

Sales and marketing Finance Operation/Production
Administration Procurements and Supply

Others, please specify _____

SECTION B: Main Data

Please, read the statements in each part carefully and decide how you feel about them before making a selection by ticking ✓ the appropriate box, which has the following Rating scales:

7. To what extent you agree with the following statements of Performance related pay system adopt to Motivate Employees in your company? Use the following Rating Scale:

1= Strongly Disagree	2= Disagree	3= Neutral	4= Agree	5= Strongly Agree
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S/N	Statements	Rating scales				
		1	2	3	4	5
7.1	My company provides its employees with a basic payment that is proportionate to their respective grade levels.					
7.2	My company pays its employees a proportion of its profit as a form of profit sharing.					
7.3	My company provides benefits such as Transport allowance, house allowance, and annual holiday entitlement etc. to its employees					
7.4	My company gives its employees special rewards in the form of company's product.					
7.5	My company gives its employees feedback on how efficient they are with regard to the tasks assigned to them.					
7.6	My company gives due recognition such as employee of the month/year, "thank you", certificate of recognition and gift items to employees who efficiently do their work.					
7.7	My company gives its employees enough opportunity to develop their careers.					
7.8	My company gives its employees relevant trainings so that the employees can acquire necessary knowledge & skills required in carrying out the task assigned to them.					

Please include any other system adopt in your organization which you feel to be important: _____

8. To what extent you agree with the following statements of Effect of performance related financial incentives on Employee Motivation in your company? Use the following Rating Scales:

1= Strongly Disagree	2= Disagree	3= Neutral	4= Agree	5= Strongly Agree
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S/N	Statements	Rating scales				
		1	2	3	4	5
8.1	The financial reward my company gives its employees, such as base pay, profit sharing, bonus, job promotion, initiative rewards and special rewards are adequate.					
8.2	Perceiving low financial rewards affect my motivation					
8.3	Financial rewards motivate me to work harder					
8.4	Without the financial rewards, I am not motivated to work harder					
8.5	Financial rewards motivate me to do work with no errors.					
8.6	The financial reward has no effect on my work motivations					
8.7	Financial rewards has motivates me to stay on my work until to Complete my work.					
8.8	Financial rewards Affects my decision to remain with the organization.					

Please include any other effects of financial incentives which you feel to be important: _____

4

9. To what extent you agree with the following statements of Effect of performance related Non-financial incentives on Employee Motivation in your company? Use the following Rating Scales:

1= Strongly Disagree	2= Disagree	3= Neutral	4= Agree	5= Strongly Agree
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S/N	Statements	Rating scales				
		1	2	3	4	5
9.1	The nonfinancial incentives my company gives its employees, such as feedback to the employees, training, career development, recognition, employee participation and work environment are adequate.					

9.2	Without my company recognition, I am not motivated to work harder					
9.3	The company feedback motivates me to do my job with no error.					
9.4	The career development in the company has motivate me to improve my performance					
9.5	The working environment of the company has influence me to remains with the organization.					
9.6	My job title motivates me to work with responsibility and Accountability.					

Please include any other effects of non-financial incentives which you feel to be important: _____

10. To what extent you agree with the following statements of positive or Negative effect of Performance related pay system in you organization? Use the following Rating Scales:

		1= Strongly Disagree	2= Disagree	3= Neutral	4= Agree	5= Strongly Agree
S/N	Statements	Rating Scales				
		1	2	3	4	5
10.1	Create disagreement among employees					
10.2	Leads to a stressful working environment					
10.3	Create favoritism and biasness or subjective judgment					
10.4	Leads to Unhealthy Competition					
10.5	Negatively affects team spirit, and motivation					
10.6	Does not successful improving employee motivation					
10.7	Makes employees to carry out their work responsibilities properly					
10.8	Performance related pay Motivate me to show more creativity					
10.9	Performance related pay system is an effective system to dealing with poor motivation					
10.10	Create a healthy working environment					

Please include any other effects which you feel to be important: _____

11. To what extent of the following statements of performances related pay system methods motivate you? Use the following Rating Scales:

1= No Extent	2=Little Extent	3=Moderate Extent	4=Great Extent	5=Very Great Ext
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S/N	Statements	Rating Scales				
		1	2	3	4	5
11.1	Salary increment					
11.2	Increased levels of responsibility					
11.3	Bonus					
11.4	Incentives					
11.5	Profit sharing					
11.6	Recognition from management					
11.7	New opportunities for job promotions					
11.8	Better performance appraisals or feedback					
11.9	Delegation of authority					
11.10	Growth and Opportunity for Career Development					
11.11	Discount companies product or service					
11.12	Better work environment					

Please include any other method motivate you which you feel to be important: _____

2.2. Interview questions

PART 5. Interview questions / Supervisors, Department Managers, and Branch Managers Only/

Please, briefly explain on following performance related pay practices in your organization.

1. In your opinion, what kind of role performance-based pay has/should have in the overall pay-mix?
2. What kind of benefits (if any) you see in using performance-based pay?
3. What kind of challenges (if any) you see in using performance-based pay?
4. In your opinion, what are the key issues / focus points in designing and implementing pay-for-performance system?
5. What percent of your pay is performance driven?