Addis Ababa University

School of Commerce

The effect of rewards on employee performance in the case of Awash Insurance Company S.C.

A Thesis Submitted to School of Commerce, Addis Ababa University in Partial Fulfillment of the Requirements for the Award of Master of Arts Degree in Human Resource Management

By: Misrak Markos

Advisor: Solomon Markos(Ph.D.)

Addis Ababa University School of Commerce

DECLARATION

Thesis paper entitled – **The effect of rewards on employee performance: The case of Awash Insurance Company S.C.** is my original work towards the award of Masters in Human Resource Management. To the best of my knowledge all sources of material used had been properly acknowledged. I also confirm that this paper has not been accepted before for any degree in any University or College.

Therefore, I hereby declare that I am the only author/person produced this paper in consultation with my advisor Dr. Solomon Markos.

Declared by: Misrak Markos

Signature: ___________________________

Date: ___________________________

Advisor: Dr. Solomon Markos

Signature: ___________________________

Date; ___________________________

CERTIFICATION

Addis Ababa University School of Commerce

Postgraduate Program

This is to certify that the thesis prepared by Misrak Markos, entitled, **"The effect of rewards on employee performance: The case of Awash Insurance Company S.C."** is submitted in partial fulfillment of the requirement for the degree of Masters of Human Resource Management complies with regulation of the University and meets the accepted standard with respect to originality and quality.

Signed by the Examining Committee:

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Advisor________________________Signature______________________Date________________

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Chair of Department or Graduate Program Coordinator

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ABSTRACT

The main objective of the study is to investigate the effect of rewards on employee performance at Awash Insurance Company S.C. Questionnaires are used as an instrument and 88 respondents completed the survey questionnaires were used to check the respondent's opinion. A quantitative -methods approach is implemented to address the research questions.

Findings: descriptive analysis, correlation, and multiple regression tests were applied for data analysis and conclude that there is a positive relationship between rewards (extrinsic and intrinsic) and employee job performance in Awash Insurance Co. And the most influential reward was an intrinsic reward for employee performance-enhancing, as the study shows the extrinsic rewards are not critical to achieving superior performance. Therefore, Awash Insurance Company should work carefully with the advanced reward system, good benefits package, and fair treatment to all employees.

Keywords*: Reward, Intrinsic reward, extrinsic reward, Performance, Demographic Variables*

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LIST OF ACRONYMS

AIC	Awash Insurance Company
ERTA	Ethiopian Radio & Television Agency
HRM/HR	Human Resource Management
CIPD	the Chartered Institute of Personnel and Development
ANOVA	Analysis of Variance
VIF	Variance of Inflation

CHAPTER ONE

1. Introduction

1.1 Background of the Study

According to Iber (2015), the reward is important for employee performance. Because the performance of the staff will be more effective for the higher reward system, high performance is based on high rewards system. Performance is important for the organization's succession and achieving the goals. There is so much change occurring in the school education in the world every school has many relays on employee's good performance. Rewards are considered an important tool to check the employee's performance in every organization. Management use rewards for employees' motivations. So we can say that an effective reward system attracts new employees to the organization and motivate existing employees to perform at high levels. Employee's high-quality work is necessary to achieve the specific goals. Employees give their good efforts for achieving goals and good effort depends on rewards. In other words, we can say that good rewards are the most important way to engage the employees with their work and with their organization.

An organization's employee reward system is programmed to be implemented by various organizations to reward performance and motivate employees individually and / or as a team. When designing a reward system, the organization must clearly identify the specific goals or organizational goals and characteristics that may provide rewards. By so doing the rewards system will help management shape the behavior of employees and at the same time achieve the organization's goal. According to the Chartered Management Institute (2004), "the notion of the rewards system is gradually replacing the traditional idea of a standard payment system, as it incorporates all aspects of employee compensation into the package". According to Fay and Thompson (2001) "Rewards systems have a critical role in determining the organization's ability to attract high potential employees and to retain high performing employees to achieve greater levels of quality and performance".

In most organizations, rewards are directly linked to employee performance (Zaman, 2011). Dewhurst et al (2010), defines rewards as both financial and non-financial benefits that are given to employees for good performance at work, or for accomplishing assigned duties, as stipulated in an organizational structure, strategies, policies, and processes. Zaini, Nilufar, and Syed (2009) define employee rewards as tangible financial benefits and services and other non-tangible benefits given to employees for playing their part in an organization. Richard, Ryan, and Deci (2010) say that organizational rewards significantly influence employee performance in organizations.

The basic reason for this study is to evaluate the impact of reward on employee's performance taking Awash Insurance Company S.C as a case study.

1.2 Background of the study organization

Awash Insurance Company was established as a third in a row following the opening up of the financial sector for private investment in 1994. The idea of establishing a private insurance company was originally conceived by entrepreneurs under the support of Oda S.C. Its feasibility study and preparations leading towards its realization was fully sponsored by Oda S.C. The study was undertaken in 1992. The revised and final copy of the study was submitted to the National Bank of Ethiopia early in 1994. Following the promulgation on March 1, 1994 of proclamation No 86/1994, the founders' assembly was held on August 6, 1994 at ERTA hall and Awash Insurance Company S.C became a reality. The founder subscribers were 456 at that historic moment. The company was licensed on October 1, 1994 and it started operations on January 2, 1995 on Africa Avenue, on the first floor of Genete Limat building.

1.3 Statement of the Problem

In the financial industry and specifically insurance company, it is very important for organizations to stay focused on employee performance and seek ways to enhance it. While employees are assets in any organization, the importance of an employee in the financial industry is more significant because the industry is by nature manpower intensive. Most of the employee activity and behavior in the financial industry involves direct contact with customers. Performance is a major multi-dimensional construct aimed at achieving results. It has strong links to an organization’s strategic goals. Employee performance encompasses the activities related to a job and how well these activities are executed by employees. Every employee's behavior or activity does not result in performance. If the activities or behavior have nothing to do with the organization’s an objective such as increasing the deals of the organization and making a profit, it is unlikely to contribute to the organization’s performance (Mwita, 2002).

According to Kahya, there are two dimensions of employee behavior and activities in employee performance, task performance and contextual performance (Kahya, 2009). Task performance is employee behavior and activities that directly involve the transformation of raw materials to goods and services which are specific to the job or the core technical skill. Contextual performance concerns aspects of an individual’s performance that maintains and enhances an organization’s social network and the psychological climate that supports technical tasks. Task performance is further split into two. On the one hand, we have activities that transform raw materials into goods and services. Examples of such activities include operating a production machine in a manufacturing plant or selling merchandise in a retail store. On the other hand, we have activities that service and maintain the organization’s technical core by replenishing its supply of raw materials or distributing its finished products (Kahya, 2009).

Awash Insurance Company has employee reward manual since 2013. These reward programs include the following, first basic salary/wage; this is the stated minimum pay to an employee at the end of the month. The second is Fringe benefits; this is another motivational package that is given to an employee in the form of financial or non-financial payments in addition to his/her basic salary. Fringe benefits increase the morale of employees, make them feel belonging, and motivate them to add more effort to their work. This fringe benefit comes as a result of a good relationship between the employers and employees. Examples of fringe benefits are housing allowance, transport allowance, free medical care, and meal subsidy and leave allowance. These benefits are what an average worker supposed to get. But, employee sometimes may not give their full effort because of lack of motivation due to poor or unsatisfying existing reward systems exercised by their organizations. Consequently, the organization should plan a suitable reward system to gain better results. Because of the correct reward system the employee's work performance can boost up and enhance their commitment to their company Akafo & Agyekum (2015).

According to observation and discussion with different staffs of Awash Insurance S.C, issue relating to the rewarding practice of the company like salary, benefit, promotion, working condition, recognition, leadership, and work content is a major source of demonization for staffs to boost up their best performance. Consequently, the reason needs to conduct this study were, in many occasion, I have observed that many employees seem to be not committed to their work and they luck trust and belongingness to the company. Even though the HR department says the company reward is better from the other competitive companies. But, the staffs have a number of problems associated with financial and non-financial rewards provided by the company. For instance; basic salary, transport allowance, is not subject to adjustment with the increase in the cost of living, housing, and the staff loan including emergency loan is said not to be enough, and fair. The medical benefits provided by the company are not satisfactory. In addition to this, there is a lack of subsidiary benefits like café, restaurant, gym, and entertainment, and absence of interesting jobs. Moreover, there is a lack of promotion opportunities; there is also a lack of work commitment and a lack of loyalty observed in many of the current company staff. Meanwhile, the following problems have been observed in the AIC. according to the human resource annual report issue related to reward practices the following unhappy employee turnover have been recorded 33 in 2017, 53 by 2018 & 51by 2019. These result in increases recruiting cost, increase training cost, under performance, missing talented and experienced employees. Therefore; the stated problems initiated the researcher to further investigate the effects of reward practice in AIC and fill the gaps.

Therefore, this study will establish the effects of rewards on employee performance in Awash Insurance Company, by examining the extent to which intrinsic rewards influence employee performance, the extent to which extrinsic rewards influence employee performance, and the extent to which rewards are aligned to employee performance.

1.4 Research Questions

1. What is the rewarding practice of AIC?
2. To what extent does intrinsic reward affect employee performance?
3. To what extent does extrinsic reward affect employee performance?

1.5 Research Objectives

- **General Objectives**

To investigate the effect of rewards on employee performance of employee at Awash insurance company S.C.

- **Specific Objectives of the study**

1. To Examine the reward practice of AIC
2. To measure the relationship between intrinsic reward and employee performance.
3. To measure the relationship between extrinsic reward and employee performance.

1.6 Significance of the Study

This study is significant to the following stakeholders;

- **Awash Insurance Company**

The findings of this study will benefit AIC because both management and staff will gain a clear understanding of how rewards affect employee performance.

- **Human Resources Practitioners**

This study will be used by human resources practitioners to make decisions regarding reward options of reward systems that they should consider for their respective organizations.

- **The Government**

The government will benefit from this study because it will be a source of statistics that will help policymakers develop the sector rewards policies that are in line not only with sector objectives, but that is also aware of the existing circumstances in the sector.

- **Other Researchers and Scholars**

This study will add value and knowledge to the body of researchers and academicians. Researchers can utilize these findings as a basis for testing a hypothesis, or conducting further research, while academicians can utilize it for literature review, conducting further studies, or confirming findings through study hypothesis on the same.

1.7 Scope of the Study

The study covers the types of rewards extrinsic and intrinsic, their relationship between and impacts on the employee performance at Awash Insurance Company S.C. The area of the study was limited at the Addis Ababa Head office due to time and money constraints. Therefore, the researcher can’t observe the real situation in the remaining branch offices of the organization.

1.8 Limitation of the study

The limitations of the study area in terms of coverage and depth owing of time, resource availability and pandemic covid 19 due to that the student researcher limited to make interviews and personal discussions with the targets of the study located in different portfolios of the organization that could help to get well-organized responses for the subject under study. To minimize the impact of this limitation the student the researcher has tried to design good quality questionnaires to enable respondents to provide relevant data.

1.9 Organization of the Thesis

This thesis is organized into five chapters. The first chapter is the introductory part of the study which consists of a background of the research, background of the organization, statement of the problem, research question, objectives, significance, scope, and limitation of the study. The second chapter deals with the related review of literature relevant to this study. The third chapter discusses the research method. The collected data from the subject of the study are carefully analyzed and interpreted under the fourth chapter. The fifth chapter presents a summary, conclusions, and recommendations on the findings of the study. Reference and appendix which include questionnaire, interview questions, and other related materials are also being part of this study paper.

CHAPTER TWO

LITERATURE REVIEW

2. Introduction

In this chapter, literature in the area of the effect of rewards and employee performance has reviewed. It begins with a review of important concepts and mining regarding employee performance. Human resource management practices rewards that determine employee performance the organization reviewed. Empirical and theoretical studies conducted in the area reviewed. Lastly, this the chapter finished up with the presentation of a conceptual framework that indicates rewards as the independent variable and employee performance as the dependent variable.

2.1 Concepts of Reward

Under HRM philosophy, rewards are financial and non-financial means used in order to get the best effort and commitment from the employee as a partner in business. As observed by McKenna & Beach (2002). Employee satisfaction can be looked at as the extent of positive feeling or attitude that an individual has towards their job. Also Armstrong and Murlis (2004), reward management refers to the strategies, policies, and processes that are required to ensure that the contribution of people in an organization is recognized by both non-financial and financial means. Reward management in an organization is one of the most crucial elements in motivating employees to contribute their best performance in order to generate innovative ideas that lead to better business operations. This implies that the aim of rewards management is to develop and operate rewards systems that lead to improved employee performance and organizational commitment.

Rewards basically fall into two categories; extrinsic and intrinsic rewards:

- **Intrinsic and Extrinsic Reward**

Shanks note that extrinsic rewards are ‘a host of external things that managers can provide that may serve as incentives for employees to increase productivity’ (2007). These include money, benefits, bonuses, promotions, flexible schedules, etc.

According to Shanks, intrinsic rewards are internal to the individual and are in many ways less tangible. In fact, they are highly subjective, in that they represent how the individual perceives and feels about work and its value' (2007:30). Malhotra et al (2007:2098) argue that 'intrinsic rewards are inherent in the content of the job itself' and include 'motivational characteristics such as skill variety, autonomy and feedback' as well as employee participation in decision making and role clarity (Gilsson&Durick, 1988, Singh, 998). Manion (2005) also notes five types of extrinsic rewards which can be summarized as healthy relationship, meaningful work, competence, progress, and choice.

- **Total rewards**

Armstrong &Taylor, (2014) combined those two types of rewards into total rewards. Total rewards are the combination of financial and non-financial rewards made available to employees. The various aspects of reward, namely base pay, contingent pay, employee benefits, and non-financial rewards, which include intrinsic rewards from the work itself, are linked together and treated as an integrated and coherent whole. The concept of total rewards describes an approach to reward management that emphasizes the need to consider all aspects of the work experience of value to employees, not just a few such as pay and employee benefits. It aims to blend the financial and non-financial elements of reward into a cohesive whole. A total rewards approach recognizes that it is necessary to get financial rewards (pay and benefits) right. But it also appreciates the importance of providing people with rewarding experiences that arise from their work environment (the job they do and how they are managed) and the opportunity to develop their skills and careers. It contributes to the production of an employee value proposition that provides a clear, compelling reason why talented people should work for a company.

2.2 Theoretical Review

The theoretical literature review help establish what theories already exist, the relationships between them, to what degree the existing theories have been investigated, and to develop new hypotheses to be tested. The unit of analysis can focus on a theoretical concept or a whole theory or framework.

Various theories explain the impact rewards have on employee performance laying emphasis on the role of reward management in the exercise. These would thus be the theories that would form the foundation of the present study.

2.2..1 **Expectancy Theory**

The concept of expectancy was originally contained in the Valency–Instrumentality–Expectancy (VIE) the theory formulated by Vroom (1964). In this theory, Valency stood for value, instrumentality was said to be the belief that if we do one thing it will lead to another while expectancy was said to be the probability that action or effort will lead to an outcome. This principle was borrowed as the foundation of valency theory that all actions are based on the expectation of a favorable result. The modern expectancy theory thus states that all actions are based on the expectation of a favorable reward putting bi-polar pressure on organizational employee-employer relationship. The first side is the pressure on management to reward employee to the expectations of their performance and the second to employees to perform to the expectation of the employers. This the theory was developed by Porter & Lawler (1973) into a model that follows Vroom's ideas by suggesting that there are two factors determining the effort people put into their jobs namely the value of the reward to individuals in so far as they satisfy their need for security, social esteem, autonomy and self-actualization and the probability that reward depends on effort, as perceived by individuals. The theory thus asserts that the greater the value of a set of rewards, and the higher the probability that receiving each of these rewards depend upon effort, the greater the effort that will be made in a given situation. But, as Porter and Lawler emphasize, the mere effort is not enough. It has to be an effective effort if it is to produce the desired performance.

Sturman et al (2011) further argues that as much as the strength of expectations may be based on the strength met expectations have on improved performance as among the employees. He, therefore, proposes that reward management about understands the expectations of the employees and meeting these expectations to ensure their performance keeps on improving.

Expectancy theory thus explains the effects rewards and to an extension rewards management has on employee performance. This theory will thus be used in the study to explore the various reward management practices used and how they fit in the scheme of expectations of the hotel industry employees and further how these expectations shape the actions of these employees which would translate to their performance.

2.2.2. Instrumentality Theory

Instrumentality can be defined as the belief that if we do one thing it will lead to another. In its crudest form, instrumentality theory stated that people work only for money, though this early version has been modified with time. The theory emerged in the second half of the 19th century, when the emphasis was on the need to rationalize work and to concentrate on economic outcomes. At the time, the theory assumed that employee performance is tied to the direct relationship between rewards and penalties to performance, (Condly et al, and 2005). From this basis, it is seen that the theory has its roots in the scientific management methods of Taylor & Muchinsky (1976), who wrote and the assertion that It is impossible, through any long period of time, to get workmen to work much harder than the average men around them unless they are assured a large and permanent increase in their pay.

At present, instrumentality theory is based on the principle of reinforcement, which states that, with experience in taking action to satisfy needs, people perceive that certain actions help to achieve their goals while others are less successful. Success in achieving goals and rewards, therefore, acts as a positive incentive and reinforces the behavior, which is repeated the next time a similar need emerges. Conversely, failure or punishment provides negative reinforcement, suggesting the need to seek alternative means of achieving goals. This process has been called the law of effect, (Tahir Et al, 2013).

2.3 Concepts of Performance

Performance is defined as behavior that accomplishes results. As noted by Brumbach (1988).

”Performance means both behaviours and results. Behaviours emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviours are also outcomes in their own right – the product of mental and physical effort applied to tasks – and can be judged apart from results. ”

Performance is concerned with how well something is done and the reward is with how people should be recognized for doing it. Performance management and reward management are closely associated topics that play an important part in achieving one of the key goals of HRM – to contribute to the development of a high-performance culture. This is understood by the CIPD, which in its profession map (2013) defines what an HR or reward professional needs to do about performance and reward as follows: ‘Builds a high performance culture by delivering programs that recognize and reward critical skills, capabilities, experience, and performance and ensures that reward systems are market-based, equitable, and cost-effective.’

The aim of this part is to explore the relationship between performance and reward and how in consort they contribute to the achievement of business goals. Performance is defined as behavior that accomplishes results. Performance management influences performance by helping people to understand what good performance means and by providing the information needed to improve it. Reward management influences performance by recognizing and rewarding good performance and by providing incentives to improve it.

As defined by Cappelli (2008: 196) wrote that: ‘When employees fail in their jobs, part of the organization also fails.’ Performance management aims to eliminate or at least significantly reduce this possibility. Pulakos (2009) emphasized that: ‘Performance management is the key process through which work gets done. It’s how organizations communicate expectations and drive behavior to achieve important goals; it’s also about how organizations identify ineffective performers for development programs or other personnel actions.’

The earliest mention of performance management in the literature was made by Warren (1972). Another early reference to performance management was made by Beer and Ruh (1976). Their thesis was that ‘performance is best developed through practical challenges and experiences on the job with guidance and feedback from superiors’. Performance management developed out of merit rating, which originated in the early 20th century and was influenced by the scientific management movement. This was followed by performance appraisal and management by objectives. But it is said that the first known use of merit rating took place during the Wei dynasty (ad 221–265) when the emperor employed an’ imperial rater’ whose task it was to evaluate the performance of officials.

Today, the term performance management as an overall description of a process of performance planning and review conducted by managers and individuals has largely replaced the term performance appraisal. The latter has often been relegated to a description of the performance assessment and rating aspect of performance management. Indeed, there are those, including the writers of this handbook who prefer to avoid the use of the phrase performance appraisal altogether because of its connotations with the worst aspects of traditional merit rating, i.e. a top-down pronouncement by managers on what they think of their subordinates, which is used as an instrument for command and control. We prefer ‘performance review’, which signifies that performance management is a joint affair, based on dialogue and agreement.

2.4 Empirical Literature

In any competitive business environment, both locally and globally, it is common for companies to offer employees attractive, lucrative and competitive remuneration packages. These are directly linked or inter-related to improving an individual’s job competency, retaining high achievers, and finally achieving organizational performances and goals. An attractive remuneration package has been the norm of any employment contract. The appraisal and rewards systems for employees are now closely linked to the performance measurement indicators of the companies. If such reward does not commensurate with their job performance, this can lead to low motivation and high attrition, finally affecting service delivery (Thum & Sardana, 2012).

Remuneration and rewards are thus very important to ensure that adequate benefits and rewards packages can significantly increase the motivation of an individual to increase their work performance. Rewards systems have traditionally been designed to attract and retain productive employees as well as to motivate them to increase their effort and output towards achieving the organizational goals (Phillips and Fox 2003). The reward has therefore been seen to be a vital instrument in employee performance. This is because a well-rewarded employee feels valued by the company. The employee is thus encouraged to work harder and better if they are aware that their well-being is taken seriously by their employers, and that their career and self-development are also being taken care of by their company thus increasing employee performance, (Condly et al, 2005)

Moreover, Markova & Ford (2011) mentions that the real success of companies originate from employees' willingness to use their creativity, abilities, and know-how in favor of the company and it is the organization's task to encourage and nourish these positive employee inputs by putting effective reward practices in place. Lotta, (2012) also contends that motivated employees are more productive, more efficient and more willing to work towards organizational goals than the employees who are experiencing low levels of motivation.

Mendonca, (2002) also sees a reward and compensation system that is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive there is a strong link between their performance and the reward they receive. Guest, (2002) is of the opinion that reward is one of the keys that motivate employees to perform as expected. Performance-related schemes reward a group or team of employees with a cash payment for achieving an agreed target. These schemes are all designed to enhance company performance by aligning the interests of employees with the financial performance of their companies (Chin-Ju, 2010).

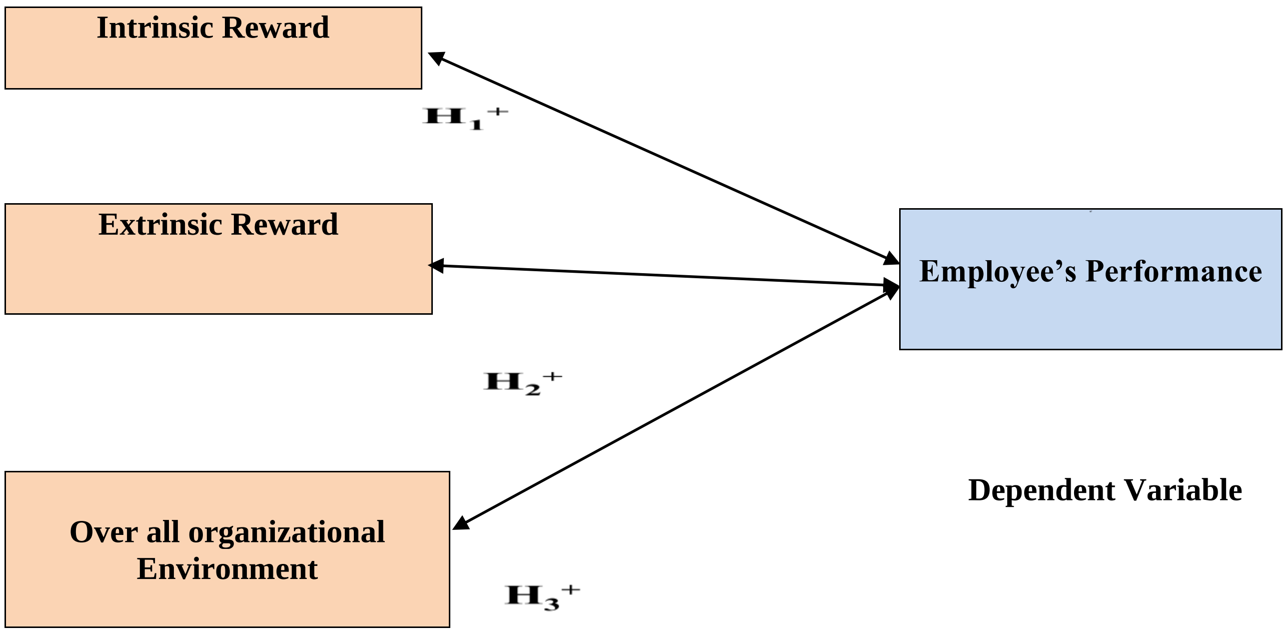
According to Armstrong (2000), reward strategy is the policy that provides specific directions for the organization to develop and design programs that will ensure its rewards the performance outcomes supporting the achievement of its business goals. Furthermore, reward strategy gives specific direction to how the company will design its individual reward programs. This rises from the fact that a reward strategy is seen as the deliberate utilization of the pay the system as an essential integrating mechanism through which the efforts of various sub-units and individuals are directed toward the achievement of an organization's strategic objectives.

Total reward could be used to manage and motivate people by thoroughly understanding the relative the significance placed on the various aspects of the reward proposition and applied the well-designed total reward strategy effectively. According to Armstrong & Stephens, (2006) total reward is seen as the combination of both the financial and non-financial rewards made available to the employees. It includes all type of rewards, direct and indirect, as well as intrinsic and extrinsic. Each aspect of rewards is being linked together as an integrated and rational whole. Chen & Hsieh (2006) have shown the trend of reward method is changing from a simplex to a multiplex context due to the rapidly changing environment. The adoption of a total reward system is believed to help in retaining the best worker and ensure the organization stay in a best positioned for future success. This is depicted into five elements that are compensation, benefit, work-life, performance and recognition, and development and career opportunities; they also take into concern the external influences on a business, such as legal or regulatory issues, cultural influences and practices, and competition

2.5. Conceptual Framework of the Study

Based on literature reviewed the research model which is depicted below is developed. This framework attempts to determine the effect of rewards on employee performance in AIC. These rewards, which are selected to examine in the study, are Employee Intrinsic, Extrinsic & Over all organizational Environment. These rewards are proposed to be more influential for employee Performance.

Fig. 1 PROPOSED CONCEPTUAL FRAMEWORK OF THE STUDY



Independent Variables

Sources: This theoretical framework of the study slightly adopted from Nyaga, Josephine (2015)

CHAPTER THREE

RESEARCH METHODOLOGY

3. Introduction

This chapter is provided the details of the research methodology and techniques that used to conduct the study. The method and techniques that are used in this study are presented under the following sub-heading, Research Design, Population, Sampling Design, Data Collection Methods, Measurement, Administering the Questionnaire**,** Ethical Considerations, Method of Data Analysis, Validity and Reliability

3.1. Research Design

As define research design, Cooper and Schindler (2014) as the blueprint that maps how research data will be collected, measured, and analyzed. A research design is significant for the researcher is able to work effectively allocation of limited resources where they are needed most. This study adopted an explanatory approach. Exploratory research is conducted when enough is not known about a phenomenon and a problem that has not been clearly defined by Saunders (2007). As adding Brown (2006) does not aim to provide exclusive answers to the research questions, but simply explores the research topic with varying levels of depth. For that reason, its thesis is to attempt new problems on which little or no previous research has been done.

Therefore there are three approaches to conduct research, quantitative. Creswell, 2003; Creswell & Plano-Clark (2007); Teddlie & Tashakkori (2009). As this research study involves collecting and analyzing both quantitative and qualitative data, a mixed-methods approach is implemented to address the research questions.

3.2. Population

The research is intended to attain a detailed awareness and understanding of the relationship that exists between reward (independent variable) and performance (dependent variable), in the AIC. Awash Insurance Company working in almost all regions with more than 45 branches and 12 contact offices, the head office is found in Addis Ababa. The study will cover only head office. Awash Insurance Company S.C total numbers of permanent employees are 589 from 57 branches including contact office and headquarter. At head office, 288 permanent employees are found.

Saunders, Lewis, and Thornhill (2012) define that a research population as the total collection of subjects or elements regarding which a researcher wishes to described and draw to make conclusions. The population for this study is 590 employees of Awash Insurance Company from all branches; however, the study focused on only working at head office which 288 employees' are that the target population.

3.3. Sampling Design

3.3.1. Sample Frame

A sample frame represents the total population of the study subjects from which the research draws the sample size Cooper & Schindler (2014). For a sample frame to be valid, it has to contain a holistic representation of the entire population. This study adopted a sample frame from Awash Insurance Company Human Resources Office.

3.3.2. Sampling Technique

The researcher used a stratified random sampling technique. Stratified sampling is defined as a sampling technique where the study population is placed in various groups based on similar characteristics of the members of the group. The groups are referred to as 'strata' Denscombe (2007). Simple random sampling on the other hand, is defined as a sampling that is done randomly within a study population so as to give every member equal opportunity of being sampled Saunders (et al., 2012).

Respondents were selected randomly based on their current department. This approach was appropriate since it's ensured a representative sample. In order to find the best possible sample, stratified sampling was the best method to use as it provided reach and in-depth information. The sample size was appropriate for the study as it ensured that all the cadres in the organization are represented thus reducing sampling bias and achieving a high level of representation.

3.4. Data Collection Methods

The study used primary data that was collected through self-administered questionnaires closed-ended questionnaires by adopting survey questions from previously published journal articles and by modifying slightly to ensure the validity of the work. A questionnaire, as the data collection instrument of choice is, easy to formulate and administer and also provides a relatively simple and straightforward approach to the study of attitudes, values, beliefs, and motives Robson, (2002). Questionnaires were also adapted to collect generalized information from almost any human population and result in high amounts of data standardization. The questionnaire was divided into three sections; Section I is focused on demographic information, Section II covered intrinsic rewards, Section III was on extrinsic rewards, Section IV other factors influencing employee performance while Section V: Employee Performance (Dependent Variable)

3.5. Measurement

The independent variables for the study, financial, non-financial and total reward rewards such as job independence which was measured by Hackman & Oldham (1975) job diagnostic survey, whereas the rest learning and development, employee retention, employee recognition, and the supportive work environment was measured by Demo, Neiva, Nunes & Rozzett (2012) Human Resource Management Policies and Practices Scale.

3.6. Administering the Questionnaire

In order to get the required data from respondents and the Human Resource office, first permission was requested from the HR director of AIC. After getting the permission, questionnaires were distributed to respondents to facilitate good response rate consent was made with employees in AIC; the collection of the data should take a maximum of three weeks. By considering, the respondent could possibly fill the questionnaires with full attention without the interference of normal working hours.

3.7. Ethical Considerations

Permission to conduct the study was asked from the Human Resource Directorate of the company and after getting their consent, the student researcher tried to get the relevant information from there. The questionnaire was administered in a controlled environment. Participation was voluntary. The objective of the study was explained to participants in detail on the questionnaire and at their place of work where the data collection was taken place, confidentiality and anonymity were assured.

3.8. Method of Data Analysis

The data collected was analyzed using descriptive statistics (measures of central tendency and measures of variations). Once the data was collected, the questionnaires were edited for accuracy, consistency, and completeness. However, before the final analysis was performed, data was cleaned to eliminate discrepancies and thereafter, classified on the basis of similarity and then tabulated. The responses were coded into numerical form to facilitate statistical analysis. Data were analyzed using a statistical package for social sciences based on the questionnaires. In particular mean scores, standard deviations, percentages, and frequency distribution were used to summarize the responses and to show the magnitude of similarities and differences. Results were presented in tables and figures.

3.9. Validity and Reliability

3.9.1. Validity

Validity refers to the extent to which a test measures what we actually wish to measure. Content validity is the scope of cover to which a measuring instrument provides enough coverage of the topic under study Kothari, (2004). The validity of the study, therefore, was checked through content validity the method by taking advice from the advisor and an experienced person on the topic understudy and adopting questionnaires from previous researchers increased its validity.

3.9.2. Reliability Test

Reliability is broadly defined as the degree to which measures are free from error and therefore yield consistent results Zikmund, (2003). Reliability can be computed through different methods like test-retest reliability, internal consistency reliability, and equivalent forms reliability. In this study, questionnaire reliability was checked by using an internal consistency method to measure the correlation between each item in the questionnaire. One of the most commonly used indicators of internal consistency is Cronbach's alpha coefficient. Ideally, the Cronbach's alpha coefficient of scales should be above 0.7 Pallant, (2005).

Therefore, reliability checks for questionnaires were used by using Cronbach's Alpha statistic method to ensure internal consistency by using pre-testing method. The basic reason for carrying out pre-testing was to determine whether the instruments are going to serve the purpose for which they were assigned.

Table 3.1 Reliability Statistics

Variables	Measure	No. of Items in the Scale	Cronbach's Alpha Result (a)
Intrinsic Reward	Perception/satisfaction (Questionnaire)	8	0.845
Extrinsic Reward	Perception/satisfaction (Questionnaire)	8	0.790
Others factors	Perception/satisfaction (Questionnaire)	8	0.828
Employee Performance	Desire, energy, effort, performance, commitment (Questionnaire)	5	0.711

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4. Introduction

What we will look at in this chapter will be the analysis and findings of the study as set out in the research methodology. The results are presented on the influence of rewards on employee performance at Awash Insurance Company. The data was collected directly from the questionnaire and the questionnaire was taken from previous studies and is closely related to the purpose of my research. To enhance the quality of data obtained, Liker-type questions were included whereby respondents indicated the extent to which the variables were practiced on a five-point Likert scale.

4.1 Response Rate of Questionnaire

The study targeted to sample 106 respondents in collecting data. From the study, 88 out of 106 sampled respondents filled in and returned the questionnaire contributing to 83%. This preferred response number was obtained through monitoring to ensure that respondents read and respond appropriately and complete the questionnaire in a timely manner.

4.2 Analysis using Descriptive Statistics

4.2.1 Demographic Profile of Respondents

In this section፣ you will find the personal data of the respondent and work-related information.. Frequency distribution and mean for gender, age, marital status, education level, employment level, years of experience in AIC of participants is presented in the below table.

Table 4.1 Frequency Distribution of respondents (Demographically)

Demographic variables		Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	44	50.0	50.0	50.0
	Female	44	50.0	50.0	100.0
	Total	88	100.0	100.0	

Age	18-25	9	10.2	10.2	10.2
	26-34	52	59.1	59.1	69.3
	35-45	22	25.0	25.0	94.3
	46-55	5	5.7	5.7	100.0
	Total	88	100.0	100.0	
Marital status	Single	48	54.5	54.5	54.5
	Married	36	40.9	40.9	95.5
	Divorced	4	4.5	4.5	100.0
	Total	88	100.0	100.0	
Education	College	8	9.1	9.1	9.1
	Degree	53	60.2	60.2	69.3
	Masters degree	27	30.7	30.7	100.0
	Total	88	100.0	100.0	
Employment Level	Senior Manager	1	1.1	1.1	1.1
	Mid-level Manager	8	9.1	9.1	10.2
	General Employee	79	89.8	89.8	100.0
	Total	88	100.0	100.0	
years of experience In AIC	<1YR	1	1.1	1.1	1.1
	1-3 YRS	22	25.0	25.0	26.1
	3-5 YRS	24	27.3	27.3	53.4
	5-10YRS	32	36.4	36.4	89.8
	>10 YRS	8	9.1	9.1	98.9
	99	1	1.1	1.1	100.0
	Total	88	100.0	100.0	

As shown in Table 4.1 above, 50% of the sample respondents were male and 50% were female. This indicates that the number of men and women is equal, which means that the AIC is good at gender balance.

In terms of age, 10.2% are between 18 and 25 years old and 59.1% are above 25 but not exceeding 34 years and 25% are between 35 and 45 years old and the remaining 5.7% are between 46 and 55 years. Based on this finding, most employees of the organization are young between the ages of 26 and 34.

And when it comes to marital status, 54% of the total respondent is unmarried

40.9% are married and 4.5% are divorced. What this finding shows us is that most of the participants in the study were single On the other hand, this result is related to the fact that most of the participants in the study were young.

In terms of education level, 9.1% of the graduates are college graduates, 60% have a bachelor's degree and 30.7% have a master's degree. These results show that the majority hold a bachelor's degree, followed by a master's degree. Based on this result, it shows that AIC employees have a habit of learning to grow themselves or that education is necessary to grow within the organization.

In terms of Job level, 1.1% is Senior Manager, 9.1% are Mild-level Manager, and the rest 89.8% are General Employee. The General Employee which included officers and supporters is high in number in the company.

Finally, from demographic information, we can see that the respondents' work experience in the IC. 1.1% of respondents have less than one year of work experience, 25% of respondents worked 1-3 years, 27% worked 3-5 years, 36.4% worked 5-10 years, and 9.1% worked for more than 10 years in AIC and 1.1% is not the answer for this question.

When we concluded that 88.7% of AIC employee work experience is between 1 and 10. It indicates that the organization is letting the employee go to the other company after holding a good experience of the job.

4.3 Descriptive Analysis

The first section of the questionnaire asked demographic information of respondents and the second section asked basic research questions that intended to acquire information regarding intrinsic reward, extrinsic reward, overall organizational environment and employee performance at Awash Insurance Company.

The basic research questions collected from employees of Awash Insurance Company through structured questionnaire was analyzed and presented in the section below. Respondents were asked to indicate the rewards that they believe are currently practiced in Awash Insurance Company. Accordingly, the result of responses provided by respondents has been presented below the table.

4.4 Descriptive Statistics for Reward Components and Employee performance

According to Akmaliah (2009) mean score measurement was used while interpreting the data. Mean score > 3.79 is considered high, 3.40-3.79 considered moderate and below 3.40 considered as low. Therefore, the below table shows the description of Respondents agreement on the effect of rewards on employee performance that have been practiced in AIC are interpreted accordingly.

Table 4.2 descriptive statistics for reward components and employee performance

Variable	N	Mean	Std. Deviation
Intrinsic Reward	77	3.8	0.84
Extrinsic Reward	87	3.35	1.09
Other factors	88	3.58	0.99
Employee Performance	88	3.82	0.89

As shown in table 4.2, the results show, the majority of respondents' believe that inconsideration of the Reward Compensation in AIC. They believe that components are very poor in AIC as the mean value of these components are below 3.40. In mine time most of the staff considers the AIC practice in a better way intrinsic rewards than other reward types as the mean score is 3.82 out of 5. Therefore, the reward components with higher scores to be expected have contributed a lot to the overall employees' performance level of staff of the organization under study.

4.4.1 **Perception of employees' agreement on the Intrinsic Reward practice of AIC**

Table 4.3 Perception of employees' agreement on Intrinsic Reward practice of AIC

Intrinsic Reward Statements	**Mean**	**Std. Deviation**
You possess the technical skills required to perform your duties	3.98	0.871
The management believes in your ability to perform performance at work	3.89	0.784
The management's belief in your ability enhances your performance at work	3.78	0.850
The trust the management has in you enhances your performance	3.47	1.174
You receive recognition for your work	3.74	1.097
Recognition by managers enhances your performance	4.08	.967
You have well-articulated goals and objectives you are required to achieve	3.90	.876
The achievement of the above goals are a source of incentive to perform better	3.58	1.169
Aggregate Mean	**3.80**	

From the above table 4.3, the majority of the respondents were highly agreed about the recognition practices that are taking place at AIC. It discovered also much of the respondents are moderately agreed about the contribution they serve to AIC is being recognized by their supervisor or higher management body. More than half of the respondents also moderately agreed that achieving the organization's goal is the source of motivation to perform better.

In general this result also indicates that respondents do not agree highly with regard to the recognition the practice of the company, this shows there are unfinished assignments that have to be done on the management of AIC.

4.4.2 Perception of employees agreement on Extrinsic Reward of AIC

Table 4.4 Perception of employee agreement on Extrinsic Reward of AIC

Extrinsic Reward statement	Mean	Std. Deviation
You receive salary as payment for your work	2 .75	1. 135
The salary paid is commensurate to the work done	4.23	0.663
You understand the link between your performance and your Salary	3.33	1.107
Your performance would go up if your salary was increased	3.73	1.080
You would recommend that management use high salaries as a way of enhancing employee performance	3.50	1.125
You receive an annual bonus based on your performance	3.30	1.224
The anticipation of the bonus enhances your performance	3.44	1.138

You are paid travelling allowance during your annual leave	2.56	1.304
Aggregate Mean	**3.35**	

The above table 4.4, points up the majority of respondents do not believe paid is an adequate amount for their work and they do not satisfy the company bonus method. However, most of the respondents agreed that performance would go up if the salary was increased.

The overall respondents‟ average agreement (total mean score) with regard to the Extrinsic the reward statement of the company was 3.35. As compared to the standard mean score comparison, this result show majority of the AIC respondents are not agreed to the company payment and bonus are satisfactory.

4.4.3 **Perception of employees' agreement on other factors of AIC**

Table 4.5 Perception of employees' agreement on other factors of AIC

Other Factors Influencing Employee Performance	**Mean**	**Std. Deviation**
You enjoy the environment in which you perform your duties	3.41	1.090
You appreciate the physical attributes of your work area	3.51	1.006
Your work environment enhances your performance	3.75	1.085
You receive constructive feedback from your supervisor	3.45	.994
Your supervisor provides constant guidance and support	3.48	.956

in the course of your work		
The company leadership has overall goals and objectives	3.98	.835
The leadership has communicated the goals and objectives to all employees	3.51	1.061
The company management staff are qualified for the positions they hold	3.57	.956
Aggregate Mean	**3.58**	

The above table 4.5 shows that popular of respondents do not like their workplace so the score is 3.41, when we come to constructive feedback, and support from their supervisor also moderate scored 3.45 and 3.48 accordingly. However, most of the respondents agreed that all in all organization status register 3.58 which are moderate.

The overall respondents average agreement (total mean score) with regard to the Extrinsic the reward statement of the company was 3.58. As compared to the standard mean score comparison, this result show majority of the AIC respondents are agreed with the company over all organization environment situation is not bad at all.

4.4.4 Summary of reward variables mean result

Table 4.6: Summary of mean result

S. no.	Variable Name	Aggregate Mean Result
1	Intrinsic Reward	3.80
2	Extrinsic Reward	3.35
3	Other Factors Influencing Employee Performance	3.58

The above table 4.6 illustrates that majority of respondents agree for the practice of Extrinsic rewards at AIC were low, and the others two variables were moderate, this evidenced show that the human resource department of AIC doesn't give adequate emphasis for using those extrinsic rewards as a means of excellence performance tool s as employees as needed.

4.5 Status of Employee Performance

Table 4.7 Perception of employee's agreement on Performance in AIC

You understand the company's broad goals					
		Frequency	Percent	Mean	Standard Deviation
Valid	Strongly Disagree	5	5.7	3.92	.937
	Disagree	21	23.9		
	Neutral	1	1.1		
	Agree	34	38.6		
	Strongly Agree	27	30.7		
	Total	88	100.0		
You understand the link between your job and the company's broad goals					
		Frequency	Percent	Mean	Standard Deviation
Valid	Strongly Disagree	1	1.1	3.98	.934
	Disagree	5	5.7		
	Neither	21	23.9		
	Agree	34	38.6		
	Strongly agree	27	30.7		
	Total	88	100.0		
You are held accountable for achieving specific measurable results					
		Frequency	Percent	Mean	Standard Deviation

Valid	Disagree	6	6.8	3.98	.816
	Neither	12	13.6		
	Agree	48	54.5		
	Strongly agree	22	25.0		
	Total	88	100.0		
There are positive consequences for good performance and negative consequences for poor performance					
		Frequency	Percent	Mean	Standard Deviation
Valid	Disagree	8	9.1	3.68	.891
	Neither	29	33.0		
	Agree	34	38.6		
	Strongly agree	17	19.3		
	Total	88	100.0		
More often than not, your department meets its goals and objectives					
		Frequency	Percent	Mean	Standard Deviation
Valid	Strongly Disagree	4	4.5	3.57	.894
	Disagree	2	2.3		
	Neutral	32	36.4		
	Agree	40	45.5		
	Strongly agree	10	11.4		
	Total	88	100.0		
Aggregate Mean				**3.826**	

From the above 4.7 paragraph, it shows that the majority of respondents were highly agreed about the employee's performance, their willingness to serve their company beyond expected of them, and have a very positive attitude about their company. This indicates that respondents have organizational citizenship behavior. On the other hand, most of the respondents were agreed moderately or between ("agree" to "strongly agree") about understanding the company's broad goals and the link between their jobs to achieve. As a result of this, overall respondents" mean score was M=3.82 indicate that most of the respondents are performing well for their company.

4.6 Data Analysis Using Inferential Statistics

4.6.1 Bivariate Correlation Analysis

Table 4.8 Correlations Matrix

	Intrinsic Reward	Extrinsic Reward	Over all organizational environment	Employee Performance
Intrinsic Reward		.671**	.629**	.568**
Extrinsic Reward			.459**	.504**
Over all organizational environment				.564**
Employee performance				
** Correlation is significant at the 0.01 level (2-tailed).				

4.7 Correlation between Reward Components and Performance

- **Interpretation of output from correlation table**

Table 4.8 shows the result of a statistical test for correlation of independent (rewards) and dependent (employee performance) variables. Accordingly in the correlation matrix table intrinsic reward correlated with employee performance at correlation coefficient ($r=0.568$ at $p<0.01$), extrinsic reward correlated with employee performance at correlation coefficient ($r=0.504$ at $p<0.01$), and Over all organizational environment correlated with employee performance at correlation coefficient ($r=0.564$ at $p<0.01$), and those references indicate, this means that AIC employees can do the work that makes the organization effective as long as the Reward system is right.

4.8 Assumptions of Multiple Regression

According to Pallent (2005), SPSS conducts sequential scans on variables as part of a number of regression processes. This can lead to a multicollinearity problem that is not unique to a related matrix. Results Coefficients are presented in Table Co. Values are given Inflation Tolerance and Variability (VIF). Tolerance is an indication of how much neutrality is specified by other neutral variables in the model and is calculated using the 1-R_2 formula for each variable. If this value is too small or less than .10, it indicates a high correlation with other variables and indicates the possibility of using multicollinearity. More than 10 VIF values will be a concern here referring to multicollinearity

4.9 Linearity Test

Table 4.9: Multicollinearity test

Variables	Collinearity Statistics	
	Tolerance	VIF
Intrinsic reward	0.405	2.456
Extrinsic reward	0.549	1.820
Over all organizational environment	0.591	1.693

In table 4.9 shows that ccordingly, tolerance is> 0.1 and VIF <5, so there is no multicollinearity between Intrinsic reward, Extrinsic reward, and Overall organizational environment. Therefore, there is a strong connection between them.

4.9.1 Correlation (Pearson product Moment Correlation Coefficient)

As we can see in the above table 4.9 the Pearson's Product Moment Correlation Coefficient was computed to determine the size and magnitude of the relationship between different Reward Components and Employee Performance. To do so, the three reward components (Intrinsic and Extrinsic, and other Overall Organizational Environment) were correlated with Employee Performance.

The result proves that all the three Reward Components have a direct, positive, and significant (at 0.01 level) relationship with Employee Performance, in AIC. Roberts' (2005) study shows that there is a significant and positive relationship between reward, recognition and performance.

Among all, intrinsic (r=1), Extrinsic (r=0.671), and Overall organizational Environment (r=0.629) all demonstrate a strong relationship to Employee Performance, in AIC. This means Intrinsic reward components have a relatively stronger attachment with Employee Performance, in AIC. Therefore, extra effort has to be given to those components in AIC.

4.9.2 **Multiple Linear Regression Analysis**

These sections Regression analysis conduct to measure the effect of independent variables on dependent variables.

Table 4.10 Result of Multiple Linear Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.660[a]	.436	.410	.49302
a. Predictors: (Constant), Intrinsic reward, Extrinsic reward and all over organizational environment.				

R Square means the amount of variance in the dependent variable that is an account for or explained by the independent variables. The regression outcomes model summary shows a 0.41 adjusted R square (regression rate), most of the dependency variance (employee performance) is explained by the model. This means that the model explains the 41% difference in employee performance in AIC and the remaining 59% for other reasons which in external from these variables

4.9.3 Analysis of Variance (ANOVA)

Table 4.11 Analysis of Variance (ANOVA) for rewards and employee performance

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.397	3	4.132	17.001	.000[b]
	Residual	16.042	66	.243		
	Total	28.439	69			
a. Dependent Variable: Employee Performance						
b. . Predictors: (Constant), Intrinsic reward, Extrinsic reward and all over organizational environment.						

To calculate the statistical significance of the result, it is necessary to search in the above ANOVA table. The maximum F value and the minimum value (page <0.001) indicate that the model has reached statistical significance, which tests the hypothesis that the population is equal to zero.

4.9.4 Evaluating Effect (Significance) of Each of Independent Variable to Employee Performance

Table 4.12 Regression Coefficients

Coefficients[a]		
Predicting Variables	Beta	Sig.
Intrinsic reward components	.268	.069
Extrinsic Reward	.182	.148
Over all organizational environment	.321	.010

The result (adjusted r square) shown in the above table indicates that 41% of the variance in Employee Performance can be explained by the three variables (Intrinsic reward components, Extrinsic Reward & Overall Organizational Environment) entered in the equation. The overall model is statistically significant (p=0.000). The *F*-ratio in the **ANOVA** table shows that the independent variables significantly predict the dependent variable, $F = 17.001$ $p < .05$ (i.e., the regression model is a good fit of the data). Hence, the hypothesis that the seven reward components (dependent variables) together will significantly explain the variance in Employee Performance is accepted.

The result proved that all the three reward components have a statistically significant impact on Employee Performance.

Over all organizational environments has the major effect on employee performance with beta value of 0.32 and $p < 0.05$. Hence, the hypothesis over all organizational environments has a statistically significant effect on employee performance.

In the same way Intrinsic reward components played a significant role in positively affecting employee performance with beta value of 0.27 and p=0.05. Therefore, the hypothesis intrinsic reward component has a statistically significant effect on work performance.

Therefore Extrinsic Reward also has a statistically significant effect on employee performance with beta value of .18 and $p < 0.05$. So the hypothesis Extrinsic Reward is accepted

Generally, the regression analysis has shown us that the three reward components contribute 49% in defining employee performance and it was statistically significant. The results of the correlation analysis and the descriptive statistics also support this as those three rewards components showed the highest mean value and the strongest correlation with performance. This means that non-financial rewards are truly more powerful in affecting performance than financial ones.

CHAPTER FIVE

5. Summary, Conclusion and Recommendation

The study conducted to examine the effect of rewards on employee performance in Awash Insurance Company through questionnaire data collected from 88 employees. Therefore summary of findings have been presented as follows:

5.1 Summary of Findings

- The target group was equal to male respondents with females.
- Majority of the respondents who participated in the study ranged from the age category of 26-34year-old, and also they are single employees.
- The majority of the respondents were first-degree holders.
- The majority of the respondents served the company between 5-10 years, besides most of the respondents were general-employee.
- The result of descriptive statistics towards the perception of employees on the reward practices at AIC shows that the majority of respondents moderately agree about company intrinsic rewards, extrinsic reward and other reward practices.
- According to the standard mean score comparison, employees' performance status of AIC shows that they are highly agreed towards the performance statements
- The result of correlation analysis indicated the existence of a strong positive relationship between total rewards and employee performance.
- This result is also consistent with the proposed hypothesis.

Effects of Rewards on employee Performance

- The model summary of regression results indicate that the adjusted R square was significant 41% of the variance in performance of employees in AIC.
- The ANOVA result also confirms the model summary result found to be significant to employees' performance.

- The result of regression coefficients had also further revealed that non-financial rewards has huge impact on affect the performance of employee
- Extrinsic rewards are low impact on employee performance at AIC.
- Intrinsic and other factors found to have the greatest importance to improved employee performance in AIC
- The model summary of regression results indicates that the adjusted R square was significant 41% of the variance in performance of employees in AIC.

5.2 Conclusion

Awash Insurance Company employee performance levels is high, most of them know that their job is and are very loyal for their company and work hard to enhance their performance to achieve the organization's goals, vision and mission. When we come to the effect of reward management system on employee performance, we can say that it is playing a significant role if the gaps listed below are taking seriously

- The descriptive statistical the analysis shows that the level of agreement or perception of respondents towards the intrinsic rewards result was high so in my opinion, the company has to make sure their employee are satisfied by their reward because the result seems to guide them if they perform well no need to improve rear practices on AIC.
- In another way, descriptive analysis shows that the majority of respondents' about the result of extrinsic reward is a low score. This result shows that majority of the AIC respondents are not agreed to the company's payment and bonuses are satisfactory.
- Total reward has a positive and significant association with improve employee performance in Awash Insurance Company. For this reason, offering better reward would lead staff to achieve organization aim with high performance levels.
- Also those intrinsic factors are the major motivation drivers for humanitarian workers, as AIC is one of the leading insurance companies. The AIC has good organizational environments including good mission, objectives, and procedures which are highly appreciated by its employees.

- From the findings we can also conclude that the reward components are distributed fairly in regard to almost all the demographic variables (Sex, Age, Job Grade, Education, Experience and position)
- So many authors propose that intrinsic rewards have a more dependable effect to motivate the employee to perform their best than financial ones and also tell us that the effect of financial rewards is not long-lasting as the people finally need meaning in life than money. But so many others also say that financial rewards have also had a significant effect too as many are one means to satisfy needs. The empirical studies also end with varying results some concluding the importance of many and some others the reverse. Hence, even though this study shows the significance of most of the non-financial components, it would be a joke to underestimate the importance of financial rewards as they are at least a source of dissatisfaction and dissatisfaction would lead to decrease job performance over time.

5.3 Recommendations

In light of the summary of the findings and conclusions drawn above, the following recommendations are provided to address the pitfalls identified by the study.

- AIC extrinsic reward practices are incompetent for the employee to enhance their performance. So the student researcher suggests that the company payment practice and bonus be improved and get attention that to be considered.
- Employee salary satisfaction is very low so the management needs to see and take action to collect every employee good performance.
- And company has to revise and consider on improving the bonus since it makes the employees to get unhappy and lowers their performance as well as loyalty to the company.
- Therefore Rewards can play an important role in motivating to develop employees perform. The theory is that employees will be motivated to undertake a task if they think a particular reward will be helpful.

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Appendix I

Addis Ababa University School of Commerce
Department of Human Resource MA Program

Questionnaire to be filled by Employees, Supervisors and Managers

Dear Respondents:

The objective of this questionnaire to collect data about "The effect of rewards on employee performance in Awash Insurance Company S.C." and the information that you provide me will be used as primary data in my study. The study is meant for academic purpose only and the information you supply will be kept confidential. I, therefore, kindly request you to fill the questionnaire honestly and accurately, so that quality of information you provide determines the ultimate reliability of the study.

I would like to express my sincere appreciation and deepest thanks in advance for sparing your precious time as well as frank and prompt responses in filling the questionnaire.

Directions for filling the questionnaire

There is no right and wrong answer of the options provided. Therefore, you are kindly requested to fill your real opinion regarding each question. Your response is utilized only for the purpose of this survey.

►Please put a "√" mark on your choice in the space provided

►No need of writing your name

SECTION I: Demographic Information

Kindly respond to the following questions by ticking in the appropriate box (ü)

1. What is your gender?

( ) Male ( ) Female

2. What is your age range?

( ) 18-25 ( ) 26-34 ( ) 35-45 ( ) 46-55 ( ) 56 and above

3. What is your current marital status?

( ) Single ( ) Married ( ) Divorced ( ) Separated ( ) Widow (er)

4. What is your highest level of education?

( ) High School ( ) College ( ) University ( ) Masters ( ) Other

5. What is your employment level?

( ) Senior Manager ( ) Mid-level Manager ( ) General Employee

6. How long have you been working with Serena?

( ) Under one year ( ) 1-3 years ( ) 3-5 years ( ) 5-10 years ( ) 10+ years

Kindly answer the following questions using the following Likert Scale If the item strongly matches with your response choose 5 (strongly agree), if you moderately agree on the idea choose 4 (agree), if you can't decide on the point choose 3 (neutral), if you don't agree with the idea choose 2 (disagree) and if you completely disagree with the point choose 1 (strongly disagree).

SECTION II: Intrinsic Rewards

Statements	5	4	3	2	1
7. You possess the technical skills required to perform your duties					
8. The management believes in your ability to perform					
9. The management's belief in your ability enhances your performance at work					
10. The trust the management has in you enhances your performance					
11. You receive recognition for your work					
12. Recognition by managers enhances your performance					
13. You have well-articulated goals and objectives you are required to achieve					

14. The achievement of the above goals are a source of motivation to perform better					

SECTION III: Extrinsic Rewards

Statements	5	4	3	2	1
15. You receive salary as payment for your work					
16. The salary paid is commensurate to the work done					
17. You understand the link between your performance and your Salary					
18. Your performance would go up if your salary was increased					
19. You would recommend that management use high salaries as a way of enhancing employee performance					
20. You receive an annual bonus based on your performance					
21. The anticipation of the bonus enhances your performance					
22. You are paid travelling allowance during your annual leave					

SECTION IV: Other Factors Influencing Employee Performance

Statements	5	4	3	2	1
23. You enjoy the environment in which you perform your duties					
24. You appreciate the physical attributes of your work area					
25. Your work environment enhances your performance					
26. You receive constructive feedback from your supervisor					
27. Your supervisor provides constant guidance and support in the course of your work					
28. The company leadership has overall goals and objectives					
29. The leadership has communicated the goals and objectives to all employees					
30. The company management staff are qualified for the positions they hold					

SECTION V: Employee Performance (Dependent Variable)

Statements	5	4	3	2	1
31. You understand the company's broad goals					

32. You understand the link between your job and the company's broad goals					
33. You are held accountable for achieving specific measurable results					
34. There are positive consequences for good performance and negative consequences for poor performance					
35. More often than not, your department meets its goals and objectives					

The End

Thank you for your participation