

THE RELATIONSHIP BETWEEN REWARDS IN PRACTICE AND MOTIVATION OF  
EMPLOYEES IN THE MODERATING EFFECT OF REWARD MANAGEMENT IN  
ETHIOPIAN AIRLINES



A Thesis Submitted to the Business Administration and Information Systems Program Unit  
Presented in Partial Fulfillment of the Requirements for  
Master of Arts Degree in Human Resource Management

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## **DECLARATION**

I, **BETHELHEM GETACHEW**, declared that this research paper entitled “the relationship between rewards in practice and motivation of employees in the moderating effect of reward management in Ethiopian airlines” is my own **original research work**. I have been conducted it independently through the use of significant contribution of my research advisor and all sources of information in the study has been appropriately acknowledged.

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Confirmed by  
**WORKU MEKONNEN (PhD)** \_\_\_\_\_  
Research Advisor Signature Date

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I would like to express my deepest gratitude to those persons who have helped me making this thesis a reality.

**Certify that:**

This work entitled the impact of perceived price fairness on customer satisfaction and loyalty: the case of Ethiopian airlines". Submitted by **BETHELHEM GETACHEW** for award of Masters of Arts in Marketing Management was done under my supervision.

**Worku Mekonnen (PhD)**

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Signature and Date

## *Abstract*

*Nowadays, organizations are striving to establish an equitable balance between the employee's contribution to the organization and the organization's contribution to the employee. Among other things, establishing balanced provision of rewards and reward management systems in an organization is one of the basic factors that optimizes employees' motivation. Research has proven that employees who achieve balanced rewarding categories, that is, extrinsic versus intrinsic rewards, individual versus group rewarding...etc. with fair procedures of reward distribution tend to be more motivated and perform optimally. The purpose of the current study is to assess the relationship among rewards in practice, reward management systems and motivation in Ethiopian Airlines and investigate the effect of rewards in practice and motivation of employees in the presence of reward management system as a moderating factor. A two-stage mixed data collection method paired with convenience technique of sampling using Semi-Standardized Interview and Self-Administered Questionnaires produced data of 152 respondents. Results of the qualitative analysis showed that extrinsic, intrinsic, and individual based rewarding systems are available in the organization. The quantitative data outcomes on the relationships between rewards in practice and motivation of employees in the existence of reward management systems as moderating factor indicated that rewards in practice and reward management systems have strong relationship with motivation contributing around 50% of employees' motivation. In addition, the hierarchical regression analysis indicated that reward management has an enhancing power on rewards in practice and motivation of employees with  $R^2$ -change rate of 1.9% with statistical significance of  $F(1, 148) = 4.8127$  of  $p = 0.03$ . Nonetheless, the insights derived from the current research, results need to be interpreted with caution since a convenience sample was used and insufficient sample size acquired the generalizability is only restricted to the current population.*

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# Chapter One - Introduction

## 1.1 Background of the Study

Effective and efficient human resource management is a core factor for the development of organizations in contemporary society. Organizations are heavily engaged in investing and satisfying of their employees in order to achieve the goals of the business they are running. Generally, the tools assumed to directly, relate and enhance motivation of employees in organizations are job design, goal setting, performance feedback, and reward systems (Bauer & Erdogan, 2010).

In the current study, the categories of rewarding systems and their relationship with motivation of employees is assessed fully. Nowadays, rewarding and motivating systems are changing because of the global technological developments and competitions. Rewarding of employees to enhance motivation and acquire higher performance is the basis for the prosperity and stability of organizations' success.

The overall purpose of rewarding in organizations is to attract, motivate and retain employees. Rewards are categorized as financial versus non-financial, tangible versus intangible, intrinsic or extrinsic. Rewarding systems are part of an organization's overall system including processes, regulations, people and decision activities that enables employers compensating employees in accordance with their performance. Regarding with the reward systems of higher-level managers and executives, other alternatives such as size of reward, hierarchy of responsibility and contribution of each executive might come into play(Griffin & Moorhead, 2014). However, rewarding system have influence on the culture of organization, in a way that, how firms evaluate and reward their employees such as behaviors in the process against outcomes, rankings against ratings or performance versus seniority. Mostly in those companies that evaluate and reward their employees according to behaviors and rankings are expected to have competitive or individual oriented organizational culture; whereas, those, which use outcome and rating, based evaluation and rewarding systems are predicted as having group or team focused culture. In other cases of rewards such as promotion depending on seniority rather than performance could be difficult for the organization to show team oriented culture.

Therefore, rewarding systems have inevitable effect in shaping organizational cultures (Bauer & Erdogan, 2010).

According to Bratton and Gold Human (1999), rewarding systems are grouped in two general categories that the first classification is that employees are rewarded either at individual, group or organization level. The second category is related with the types of rewards that employees obtain, that is, the financial or non-financial rewards. Alternative naming, for the second category is as intrinsic meaning non-financial (i.e. career development, challenging assignments, education, recognition, etc.) or extrinsic such as financial rewards and other related tangible rewards.

Motivation is one of the factors that enhance performance. Psychologically, motivated behavior has three processes that include: initiation, direction and intensity. Initiation is a desire to gain some specific goal; whereas direction is preference of personal objectives and intensity is associated motivated individuals choose more favorable tasks than the unfavorable ones (Laegaard, & Bindslev, 2006).

Thus, the outcome of highly motivated behavior displays focused, energetic, persistent and planning of task towards success. This indicates that motivation is a psychological condition inside the individual and performance is an external standard set outside of the employee's control. Therefore, motivational processes are influenced by the individual (i.e. skill, personality, mood, value...etc.) and job conditions such as job design, social norm, culture, including the reward systems (Laegaard & Bindslev, 2006).

In the case of the current research, that is, the relationship between reward systems and motivation, there are contrasting and controversial results. For example, a comparative study in two companies, where managers and key employees were asked to rank their preferences of motivational factors from 19 items, a mixture of individual and job related conditions. The result in the first company (n=25) ranked challenging tasks, open and honest communication with managers, credit for performed work, result oriented culture and influence; from first to fifth, in their descending order respectively. In contrast, the second company (n=28) participants graded their preference from first to fifth as pay/bonus, challenging tasks, good

working environment, credit for performed work and open and honest communication with managers respectively (Laegaard & Bindslev, 2006). Besides, other studies claim that intrinsic rewards motivate individuals more in the long term than financial incentives (McLean, 2005).

The purpose of the current study is to investigate the relationship between reward systems and motivation of employees and the moderating effect of reward management system by identifying the types of rewards that effect motivation of workforces in Ethiopian Airlines. In this study, the researcher has collected information related to the categories of reward systems available, that is, the extrinsic versus intrinsic rewards being utilized, the reward levels and reasonability and equity of reward distribution and the level of employees' motivation in the organization.

## 1.2 Statement of the Problem

In the current time of globalization, high competition and technological development, organizations try to utilize several types of rewarding systems in order to attract, motivate, maximize longevity and minimize turnover of employees and consequently to achieve optimum output through higher performance. In Ethiopia, it seems that the working population, either in the public or in private sector, does not receive standardized and sufficient motivating incentives. Those limited existing rewarding systems are not documented and most of them are related to the fulfillment of labor laws and legal obligation such as retirement pension, basic salaries, retirement pension, medical insurances, leave and maternity pays.

In Ethiopia, except few merely related researches, there are no documented or published research reports available regarding rewarding systems and their influence on the motivation of employees. Discussing with many employees from different public and private organizations on their level of satisfaction and motivation in their current job, reflected similar feelings of discontentin their existing jobs because of lack of adequate rewarding systems such as salaries, bonuses, remuneration, recognition, career development programs, promotions...etc. They also claim that they are working in their current jobs because they did not have other alternatives otherwise, most of them report that they are not receiving equivalent to their performance and those existing rewards are not fairly distributed among employees. In

addition, the researchers' discussion with many employees revealed that many public or private face high degree of employees' turnover because employees, whenever they get the recruitment opportunities, prefer to work for international organizations as well as foreign companies in order to get better and attractive compensation systems.

On contacting different academicians and people of interest in the human resources and rewarding systems management, the Ethiopian Airlines (EAL) was one of the recommended organization that to begin with studying on reward management. Further investigation of literature on the overall situation of the EAL indicates that the organization has good reputation and overall success stories. Several sources claim that the organization at hand has many success stories that creates a lot of enthusiasm for systematic investigation of reality in the ground.

For instance, a report by World Bank Group (2015) on the export growth in Ethiopia, the airline plays a central role due to the improvements in the number of passengers and cargo services. Similarly, in a review article on Ethiopia's role in regional security, the Ethiopian Airline is one of the three airlines with best safety measures in Africa and earned a Star Alliance membership in 2011 for its safety services (Kłosowicz, 2015). Besides, in 2013, the International Air Transport Association (IATA) graded the Ethiopian Airlines as the largest air carrier in Africa in relation with revenue and profit; besides, its CEO claimed that this success is because of collective effort of the board of directors, management and its morethan 8,000 employees (Hawkins, 2015). Another case study on three African airlines disclosed that the Ethiopian airlines is one of the best in Africa which has been profitable for 12 consecutive years with 78 international destinations and takes major portion in the Pan African network systems (Esther, 2014).

Therefore, investigating the relationship between the existing rewarding systems and employees motivation in EAL is worth investigating because if the success story of the organization is related with good rewarding practices and employees motivation. Because, unlike the success stories of the organization, there was no any literature related to the existing reward systems in the organization. Conducting research on the rewarding and motivation procedures in such successful organization might be a huge experience to other organization in

Ethiopia. Furthermore, understanding the relationship between reward practices and employees' motivation level might add to the scarce documented knowledge in Ethiopian context and it might enable the organization to improve its human resources management systems. Furthermore, this study might open other opportunities to researchers and practitioners to investigate the general reward management and their effects on the motivation of employees.

Therefore, in this study, the researcher tried to assess the available rewarding systems, their distribution reasonability and the relationship between existing reward practices and the employees' level of motivation in the organization. In the current investigation, the categories of rewarding and the types of incentives utilized have been assessed.

### 1.3 Research Questions of the Study

In this study, the relationship between rewarding systems and motivation of employees have been addressed by assessing opinions of employees on the reward systems in the organization. The preference of employees on the categories of rewarding systems have been assessed giving participants alternatives to choose among the different types of available rewarding categories. Moreover, the difference in receiving motivating incentives and the fairness and equity of distribution of rewards has been assessed based on the demographical data of the participants. Thus, the research questions addressed in the current research are:

- i. How does the reward management system look like in the EAL?
- ii. Is there difference in preferences of employees of EAL among the reward categories?
- iii. Is there relationship between the reward in practice and motivation of employees in EAL?
- iv. How does reward management affect the relationship between rewards and motivation of employees in EAL?

### 1.4 Objectives of the Research Study

#### *1.4.1 General Objective*

The general objective of this study is to investigate the existing reward practices and their relationship with motivation of employees in relation with the management of rewards in the Ethiopian Airlines. In addition, the study has looked into the categories of existing rewards used by the HRM in the organization and their relationship with motivation of employees.

#### *1.4.2 Specific Objectives*

As per the general objectives of the study, the specific objectives are enumerated below based on their sequential orders.

- To assess the existing reward practices in the Ethiopian Airlines.
- To assess preferences of employees of EAL among the reward categories.
- To assess the relationship between the reward categories and motivation of employees in EAL.
- To investigate the effect reward system on employees' motivation and the moderating effect of reward management in EAL.

### 1.5 Significance and Justification of the study

Nevertheless the complaints and dissatisfactions of many employees from the public and private organizations on rewarding, the researcher's intention is to assess how bigger companies like the Ethiopian Airlines are practicing the human resources management in general and the procedures of rewarding and motivation factors in particular. In addition, due to lack of studies in relations with rewarding and motivating of employees locally, this research might also open the door for further researches in wider and more comprehensive studies in the area of human resources management in Ethiopia.

Another perspective, which inspires the researcher for conducting this study, is the contextual or cultural differences that directly affect most activities of organizations. Currently many western companies are investing outside of their region and try to consider the cultural differences that might arise in the new investment area. As per Bauer and Erdogan, (2010)

report of a Dutch social scientist, Geert Hofstede, who studied IBM employees across 66 countries found out four dimensions of cultural variation namely: *Individualism-Collectivism*, *Uncertainty Avoidance*, *Power Distance* and *Masculinity-Femininity*. Further studies indicated, these four dimensions have direct impact on employee job behaviors, attitudes, well-being, motivation, leadership, negotiations, and other related organizational behaviors (Bauer & Erdogan, 2010). Therefore, the study might also help to look into the cultural appropriateness of the rewarding systems and their relationship with motivational behaviors of Ethiopian employees working in the airline.

Summing up, the reasons mentioned above for choosing the Ethiopian Airlines, which presently is practicing rewarding systems to motivate and retain its employees, might serve as a model to other private and public organizations to introduce or revising their culture of rewarding their employees. In addition, the research could contribute to the little researched area of rewarding systems and HRM procedures in Ethiopia.

### 1.6 Scope of the study

Though, the motivation of employees is enhanced through so many factors, the current study is only limited to the relationship between rewarding systems and motivation of employees. Besides, due to the constraints of time and resources, the population of the current study has only comprised the employees of the Ethiopian airline in Bole International Airport. Therefore, result of this study is generalizable only to the employees of EAL in Bolie International Airport. According to Schofield (2006), probabilistic sampling is the less error prone because of every element of the population has equal chance and independently being selected. However, in the current population because there is no any compensation or obligation for participation of respondents, purposive sampling technique have been utilized the intention of collecting sufficient sample size.

## 1.7 Definition of Terms

### *1.7.1 Operational Definitions*

*Work Motivation* is the psychological forces within a person that determine the direction of that person's behavior in an organization, level of effort and persistent in face of work challenges. Motivation is the internal state of workers that enables them to perform in certain ways in their job and it directs their behavior, their level of effort and their level of persistence to achieve their goals and goal of the organization (Cartwright, 2005).

*The reward system* consists of all organization components – including people, processes, rules and decision-making activities involved in the allocation of compensation and benefits to employees in exchange for their contribution to the organization (Cartwright, 2005).

*Financial/Extrinsic/Tangible rewards* are monetary payments, material prizes and benefits that an employee receives because of his performance, seniority, responsibility and specific dedications one makes in his/her job (Rose, 2014).

*Non-financial/ Intrinsic/Tangible rewards* are those awards an employee receives from the organization he/she works in terms of recognition (thank you from CEOs and managers, special medals), challenge of the task the employee enjoy, comfortable work area, positive communication and relationship with colleagues and seniors, social gatherings...etc (Rose, 2014).

## Chapter Two - Review of Related Literature

### 2.1 Overview

The insights in this literature review have been incorporated by searching several websites, books, journals and reports of many organizations in various internet sites. The major terms that the researcher searched for this literature review include human resources management theories, organizational behavior theories, motivation and rewarding in the work place, relationship between reward systems and motivation, categories and theories of rewarding, theories of motivation, factors enhancing motivation, ...etc. Hence, the literature review section of the study consists of five major parts: Reward Systems Management, Theories of Motivation, The Relationship between Reward and Motivation, Diversity Issues in Organizations and Reward Factors that Enhance Motivation of Employees respectively.

### 2.2 Reward Systems Management

#### 2.2.1 *Reward Management and Its Aims*

Reward systems in organizations are various types due to that of organizations' goals, cultures, policies, business strategies differ from one another. In the contemporary organizational systems, the rewarding patterns are changing from time to time not only to motivate employees so that companies achieve high productivity or profit through performance appraisal, but also to harmonize the reward systems with the goals, cultures, strategies, policies...etc. of organizations and employees preferences (Tropman, 2001).

Armstrong (2007) defines reward management as systematic approach that deals with strategies, policies and processes that involvement of people to the organization is acknowledged through financial and non-financial rewards. That means, reward management is about the design, implementation and maintenance of the reward systems that appeal to both the organization and stakeholders. Then, Reward systems are the reward strategies, policies, processes, procedures and practices implemented in an organization. Reward strategies are organizations' intentions for the future in developing and implementation of reward policies, processes, procedures and practices. Policies are instructions for decision-making and acting,

practices are techniques for implementing rewards plans, processes are ways of carrying out policies and practices and procedures used for preserving the system (Armstrong, 2007).

According to Armstrong (2007), the purposes of reward management are to: award people equivalent to the values they create; align reward practices with organizational goals and employees values and needs; reward specific things in order to convey the right message on the importance of either behavior or outcomes or both; help attract, retain and motivate people to achieve their engagement and commitment; and finally to develop optimum performance culture. He further argued that these aims are achieved through philosophical bases such as distributive and natural justice, function fairly, equitably, consistently and transparently which are aligned to the business strategy, suitable to the context and culture of the organization that acquire a high performance culture.

### 2.2.2 *Categories of Reward Systems*

Reward systems are the outcomes of reward management system that are actual reward practices in place in organizations. Usually, reward systems are classified into two major classes: financial and non-financial reward systems. Several authors have different nomenclatures to the term rewards such that some call it compensation or total compensation, *total remuneration*, incentives, benefits others say total reward, all rewards, *value proposition* still others use *total value*, total pay system...but, usually they agree on that their meaning is rewards. Similarly, in the categorization of reward systems several terms and vocabularies are used. Terms such as extrinsic vs. intrinsic, tangible versus intangible, financial against non-financial, monetary with non-monetary, transactional versus relational...etc. are used in the literatures although conceptually mean similar (Armstrong, 2007; Cartwright, 2005; Ryan&Deci, 2000; Tropman, 2001; WorldatWork, 2007).In this study, the terms rewards or reward systems are used in order to include all types of reward systems but specific differences and categories are explained to indicate their contextual meanings’.

Apart from categorizing reward systems into two major types -financial/ extrinsic or tangible and non-financial/intrinsic or intangible – new approach to reward systems is emerging. For example, total reward is assumed to include all types of rewards that are direct or indirect,

extrinsic or intrinsic or transactional and relational. The claim is that effective total reward system is holistic in its approach and it is not reliant on one or two rewards alone. Instead total reward is a wide range of rewards that consider every aspect of employees' values in the employment relationship (Armstrong, 2007). As long as, the purpose of rewarding is to maximize motivation, commitment and job engagement, total rewards are all employers' available tools used to attract, retain, motivate and satisfy employees (WorldatWork, 2007).

Reward systems are also categorized according to organizational practices on reward distribution and the attitudes and preferences of employees on how rewards are distributed, that means, individual rewarding versus group or organizational rewarding (Bratton & Gold, 2000). This classification is more related to the procedures and practices of rewards in relation with the justice, equity and fairness of reward distribution among employees. Moreover, it is also directly connected to the criteria (organizational culture) used in rewarding depending on performance of individuals or groups against reward distribution according to qualification, tenure or behaviors in work area (Armstrong, 2007; Bratton & Gold, 2000).

All reward systems within agreed budget, have three main objectives. First, rewards should market competitive in order to attract and retain qualified and competent individuals. Second, rewards should be designed to improve performance or productivity while controlling labor costs, nonetheless, what motivates each individual and the relationship between performance and people behavior to perform, is more complex than expected and finally, rewards should comply to regulatory and judiciary procedures (Bratton & Gold, 2000).

#### *2.2.2.1 Financial/Extrinsic Versus Non/Intrinsic Rewards*

Extrinsic/Financial rewards, usually known as compensation packages, have two divisions; (1) direct pay and (2) indirect pay or benefits. The direct pays include base pay, base pay add-ons (overtime, shift premium and allowances) and contingent or performance pays (bonuses, merit and incentive pays). *Base Pay or Salary* is the fixed wage an employee receives as per the position or grade of the job and this pay considers only the job title. This pay has an advantage due to objectivity and impersonality but it ignores the individual's performance, characteristics and behaviors in the job. Contingent/Variable pay also known as performance or result based

pay is a financial reward given to employees according to their performances, contributions, competence, behaviors and skills developed in the job. Contingent pays given as bonuses in cash that could be consolidated to base salaries or awarded alone and its timing might vary or could be expected or unexpected by employees depending on rewarding system of organizations. For example, incentive scheme is money tied with performance of employees that is communicated before and during performance while merit pay is award for past outstanding performance, behaviors, skills, tenures, and it is not communicated (Armstrong, 2007; Bratton & Gold, 2000; Cartwright, 2005; Tropman, 2001).

Indirect pays or Benefits are non-cash services or benefits awarded to employees in which, some are legal obligations of employers whereas others are awarded for employees' wellbeing at the discretion of employers besides, benefits are provided as a commitment and retention means or as performance dependent or merit awards. Benefits are costly part of the remuneration systems that can amount a third of base pays and need careful planning and management. Commonly, benefits can be divided into three major employee benefit systems as *personal security*, *financial assistance* and *personal needs*. *Personal security* benefits include (1) health care insurance – covering cost of permanent health insurance or periodic screening or dental insurance; (2) insurance services – (3) cover cost in death occurrences, accident or travel insurance; (4) sick pay- full or proportional payment for the period of sickness and after; (5) redundancy pay – paid to workers who lost their job as compensation; and (6) personal pension- employers cover some percentage of base pay for continuation of payment after retire, death or leaving of job. *Financial assistance* is a monetary benefit paid indirectly to employees as low or interest free loans and it includes company loans, season ticket loans mortgage assistance, relocation packages fees to professional bodies and so on. *Personal needs* are benefits that are improve employees' social life and wellbeing so that personal matters does not interfere with their work life and these benefits attract, retain and commit in the organization. These personal needs include maternity, paternity and personal reasons leaves with better pays; providing day-care services in work place; company discounts that enable employees to use company's outputs with lower prices; retail coupons used for shopping in big stores, counseling services for personal assistance and preparation of employees on pre-

retirement and communal gatherings on social and sports gatherings (Armstrong, 2007; Bratton & Gold, Cartwright, 2005; 2000; Tropman, 2001).

Non-financial or Intrinsic Rewards are those that does not involve money awards and mostly come from the work itself. According to Armstrong (2007), non-financial rewards are termed as relational or intangible rewards and they are classified into two major areas as *Learning and development and Work environment* and they operate in continuum of intrinsic rewards from individual towards group rewarding respectively.

*Learning and development* is one part of the intangible rewards, in which employees get the opportunity to learn and grow their skill and it consists of workplace learning and development, training, performance management and career development. *Learning and development* practices in workplace is assumed as rewards to employees due to their feeling of importance, skills they achieve and employ ability when planned and intentional instructions provided by their managers. *Training* programs that are systematic and prestigious are considered as critical reward packages which not only enable employees to develop their skills but also make them primary targets of promotion and career development opportunities. *Performance management* is one of the basic motivating package that enhances the psychological contracts between managers and their staff through techniques of feedback and communication. *Career development* can be used as rewarding technique by supporting those employees strive to grow their career and it is also used for management of talented employees needed for specialized tasks in the organization(Armstrong, 2007; Bratton & Gold, Cartwright, 2005).

Supportive *Work environment* is one of the major drives that enhance employees' wellbeing, satisfaction and commitment, and it comprises many variables considered as enhancing employee's job satisfaction. The variables of work environment include core values of the organization, leadership, employee voice, recognition, achievement, job design and role development, quality of working life, work-life balance and talent management. Organizations with substantial *core value s*(e.g. people are our main assets)have rewarding work environment and studies show that employees positive attitude towards HR policies and practices, predict

effective operational performance(Armstrong, 2007; Bratton & Gold, Cartwright, 2005;Tropman, 2001).

Leadership plays a central part in the managements of rewards and performances, and their main duties are to make sure employees comply with organizational goals. Leaders, which accomplish their responsibilities through harmonious and positive relationships with and among employees that enhances rewarding effect on work environment. Besides, employee voice highly related with leadership in that managers, who consider their employees voices in decision-making processes either directly or indirectly, have rewarding impact through recognition of their contribution achievement and commitment. Recognition is one of the intrinsic rewards that satisfies employees' esteem needs. It is communicated through different channels such as positive feedback, promotion, public applause, symbolic status, sabbaticals, trips and others that serve as rewards(Armstrong, 2007; Bratton & Gold, Cartwright, 2005; Tropman, 2001).

Achievement is one of intrinsic rewards and people need to achieve is a universal behavior though, the degree of achievement varies among individual. Achievement depends on individual's orientation and the scope of the work provides to the individual's need for success. Achievers feel rewarded and motivated if they get the supportive environment and recognized for their achievement. Optimally motivated achievers develop discretionary behavior – that is, they make choices on the way they do their job including the effort, skills, knowledge needed to accomplish the task the organization demands. They are self-motivated, autonomous, perform high, seek recognition and enjoy the challenges and tasks in their job area. Job design is defined as: 'the process of combining tasks and responsibilities to form complete jobs and the relationships of jobs in the organization.' (Bratton & Gold, 2000, pp.102). That means, job design of has two objectives that it is a means to accomplish organizational goals and to provide employees with jobs that fulfill their goal in ways of interest, challenge, achievement, recognitions and mutual relationships with their managers. Therefore, job design acts as reward to employees in a way that it provides them the choices, autonomies, interests and challenges of work they enjoy. Besides, job designs are not static, instead they are dynamic and this changing demands of job design further fuel the employees' role development for success through more skill developments, competitions, challenges and feedback channels and

communications with each other and their superiors, autonomously(Bratton & Gold, Cartwright, 2005; Tropman, 2001).

Quality of work life refers to optimally organizing, facilitating and designing of work environment so that employees' wellbeing and safety is secured. Acquiring such work environment is a part of the intrinsic rewards to employees that makes them feel safe and enjoy doing their job without burnout. Work-life balance is a means by which organizations create a flexible working schedule, which harmonizes employees on, and out of job life activities and it has rewarding effect on employees. Talent management is not only a process used to attract, retain and commit employees to organizations but also used as a means to identify and developing of workers with talents and special abilities. As a result, organizations, which efficiently strive on talent management, are considered rewarding by their employees(Armstrong, 2007; Bratton & Gold, Cartwright, 2005; Tropman, 2001).

#### 2.2.2.2 *Individual Versus Group Rewarding*

As mentioned above, on the objectives of rewarding employees, individual rewarding has also purposes of achieving the organizations' goals. In individual rewarding, rewards are distributed strictly depending on a person's performance in several ways of rewards and pay systems like wage increments, incentives, benefits, commissions and subjective review. In this system, a person might be member of team or group but his/her contribution is measured individually, whatever the deliverance of the group amounts that means individual's doing the same job are rewarded differently. This rewarding procedure is usually called as performance based pay. Performance based (individual) rewards mostly have the purpose of clearly linking the individual to financial rewards but covers a variety of reward systems. The performance based rewards share common scheme characteristics; (1) setting performance criteria of each individual employee; (2) assessing and evaluating individuals whether they met the performance criteria; and (3) integrating the report to rewarding. Performance criteria are related with what an employee fetches to the work area such as behaviors, competences, output, targets or goals. Assessment of employee's performance depends on who did the evaluation (supervisors, managers or peers), frequency of time (monthly, quarterly, monthly...etc.) and type of evaluation (formal or informal). The linking of results to rewards

depends on what type of rewards are awarded such that could be consolidated to wages or salaries or given alone or rewards might be non-financial (Bratton & Gold, 2000).

In contrast, group or organizational rewarding is that groups or members of an organization are rewarded because of the groups' or organization's output or profitability. Group compensation necessitates that the task in hand should be critical for group duty and members should perform cooperatively to accomplish the job with predefined accuracy, speed, and budget and they are rewarded as percentage of scale to the outcome. Individuals who own the same job title get similar salaries and bonuses. Gain sharing is a best example for group based reward systems. It is an incentive system in which groups or organization employees share the financial gains as a result of increase in productivity or output or decrease in cost of production in an organization. Gain sharing is achieved through two mechanisms that incentives or bonuses are provided to the organization members and employees voices are considered as participation in the organizational goals (Bratton & Gold, 2000).

#### *2.2.2.3 Advantages and Disadvantages: Group versus Individual Rewarding*

The advantages of individual rewarding system are that it creates competition among employees that gives strong incentive to perform and achieve. As a result, high performing individuals receive more rewards than low performing and supports in retaining best performers. Other benefits are individual rewarding enables to provide equitable distribution of compensation and it is more applicable in cultures that are individualistic (Ferrin & Dirks, 2003).

The disadvantages of individual rewarding are that some important factors rather than performance factors may not rewarded be or overlooked. Besides, factors not in the employee's control might impact outcomes. Another limitation is that establishing performance standards is time-consuming and unrealistic standards can hamper motivation of individuals that leads to mistrust between workers and management. It might also increases compensation at risk pays (Bolch, 2007).

Team based rewarding has also its advantages and shortcomings. The merits of team rewarding include it increases organizational performance as a whole because individuals strive high to

perform in order to achieve organizational goals through developing sense of ownership collaboration that result in team reward and group satisfaction. In addition, in team rewarding systems the performance measures are prepared in accordance with the goals of the organization that means workers are evaluated equally and periodically which decreases compensation pay at risk. The limitations of team rewards include that high performing individuals might not be happy and line of sight may be lessened (Maurer, 2010).

### *2.2.3 Factors that Affect Reward Systems*

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

The external factors that interfere with reward systems policies and practices are globalization, employment and demographic trends, governmental and Job unions intervention. Globalization mean, in which expatriates are privileged in rewards than the local employees. Employment trends and demographic trends are issues related with the rewarding differences among job structures and qualifications, rates of pay in the market-highly competitive labor markets also affects rewarding from basic wages up to benefits and incentives- whereas, governmental and

Job unions intervention are in ways they try to set standards on rewarding systems...etc. (Bolch, 200; Maurer, 2010).

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

### 2.3 Theories of Work Motivation

Studying people's past motivation - that is to understand the internal desire and tendency of individuals to perform a task in order to achieve their goals – enables to predict about their future behaviors. The reasons why people get motivated in order to perform has been approached through several theories. These theoretical explanations of motivation vary from one another due to that people's behaviors vary because of individual differences as well as environmental and social influences. This shows that no single theory of motivation can explain the process of motivating employees; instead, internal and external factors are involved. In organizational perspective, understanding these internal and external factors of motivation enables managers and employers to enhance motivation of their employees that supports to achieve goals of the organization consequently boost their performance(Laegaard & Bindslev, 2006). The following are brief summaries of the major theories of motivation.

#### 2.3.1 *Motivation Theories of Needs*

Maslow's theory explains that people get motivated when they fulfill their needs that are universal and genetically encoded in all human beings and he identified five hierarchical needs. He ordered these needs from the lowest to the highest levels as physiological needs (food, water, air, shelter, clothing, sleep, sex), security needs (freedom from any threat), social needs (tendency to create relationship with others), ego or esteem needs (self-respect and respect from others) and self-actualization needs (fulfilment of own human potential). The first three

needs are assumed as lower level or deficiency needs whereas the last two are considered as higher level needs and Maslow further argued that one cannot be motivated by higher needs without achieving the needs in the lower level. That means, individuals cannot assume security needs without fulfilling their physiological needs or their esteem needs without getting their social needs...etc. (Shields, 2007).

Though, the Maslow's theory remains famous in the psychological and organizational literatures for its simplistic and comprehensive explanations of human behavior but it is criticized for several reasons. One is its prepotency nature, hereditary transmission of human needs from one offspring to the next, is difficult to verify it empirically. Another limitations of the theory is that it lacks or little empirical data in formulating of the theory and its strict ordered needs satisfaction from lower to higher level. That is, people cannot satisfy higher needs if they did not satisfy lower level or cannot satisfy more than one of the needs simultaneously(Shields, 2007).

A modified version of Maslow's need theory is Alderfer's ERG theory of needs. ERG needs theory reduces the five hierarchal needs into three needs that Existence, Relatedness and Growth (ERG). Existence needs mean that basic survival needs and are similar to Maslow's physiological needs while Relatedness needs are interpersonal and social affiliation needs equivalent to the social needs of the hierarchies. Besides, growth need is maximum capacity achievement of human beings and it is also equivalent to the Maslow's self-actualization need. However, unlike Maslow's strict ordered needs and genetic inheritance of these needs, Alderfer's claim that once the lower needs are satisfied can reactivate in cases where higher needs are not achievable a phenomenon he called it regression-frustration. These phenomenon is created as a result of contextual and environmental factors that result negative motivation and restrict development and growth of individuals. Employers need to understand these restricting factors and modify to facilitate employees' growth. Generally, Alderfer's needs theory does not have much difference in comparison to Maslow theory and most of the critics of the latter apply to the current theory of needs (Laegaard & Bindslev, 2006;Shields, 2007).

McClelland's achievement motivation theory diverts from the Maslow's prepotency nature of needs into primacy of acquired needs. McClelland's organization researched on the needs



theory has three acquired needs and they are needs for affiliation – is desire for friendship and interpersonal; achievement – need for success and excellence; and power – the desire for influence, control and influence. He hypothesized that these needs are acquired through experience and can be enhanced through human resources development initiatives. Furthermore, these needs related to individual's position in the organizational hierarchies that means, ordinary workers needs have basic need for affiliation whereas, junior or medium level members are motivated by their needs for achievement and senior management staff have motivation for acquiring power. McClelland's claims that organizational management systems need to identify the position of employees in the organizational hierarchies and subsequently their needs in order to promote their motivation (Laegaard & Bindslev, 2006; Shields, 2007).

However, the McClelland's theory has several limitations in that primarily it only applicable in hierarchical management systems but what happens if it is applied in flat or egalitarian management systems. Secondly, its contextual practice in western cultures where the value systems is individualistic but in eastern cultures and collective societies, application of the theory lacks clarification in that how will a manager with collective value practice the concept of power and achievement. Besides, affiliation is a day-to-day activity of people in collective societies, do we need further effort to affiliate individuals...etc. bring about further empirical evidence in non-western culture(Shields, 2007).

### *2.3.2 Herzberg's two-factor theory*

Herzberg's two-factor theory is based on empirical studies conducted on several hundred engineers and accountants in 11 American organizations asked to list their job experience that made them exceptionally good and exceptionally bad respectively. Herzberg identified two groups of job factors that result in employees' satisfaction or motivational factors and dissatisfaction or hygienic and maintenance factors. He argued that process of employees' satisfaction and dissatisfaction are not measured with the same group of factors. This means, the significance of individual factors that range from less satisfied to more satisfied, have specific motivational job factors similarly, the range of individual factors from more dissatisfied to less also have specific job factors known as maintenance and hygienic factors. He concluded that the sources of the maintenance or hygienic factors and motivational factors,

which are different from each other, are job context and job content respectively. Job context that makes employees feel dissatisfied or not dissatisfied are variables such as pay, job security, working conditions (physical or psychological), interpersonal relations, supervision/management, benefits, and personnel policy; whereas, job content variables that satisfy or dissatisfy employees include performance, meaningful work, responsibility, influence, growth, advancement and recognition (Laegaard & Bindslev, 2006; Shields, 2007).

<b>Herzberg's Two-Factor Theory</b>			
<b>Motivational Factors</b>		<b>Maintenance and Hygienic Factors</b>	
Performance	<b>Satisfied</b>  <b>Dissatisfied</b>	Pay	<b>Dissatisfied</b>  <b>Not-dissatisfied</b>
Meaningful Work		Job Security	
Responsibility		Working Conditions (Physical or	
Influence		Interpersonal Relations	
Growth		Supervision/Management	
Advancement		Benefits	
Recognition		Personnel Policy	
<b>Table-2.1: Herzberg's two-factor hygiene and motivation theory</b>			

As indicated in Tab.1 the two-factor's theory shows that the motivational and hygienic factors operate in two discrete variable continuum rather than one and this two dimensional perspective is the best argument of this theory. Besides, the theory provides the importance of intrinsic rewards specially the diversity and challenges of job. It also reminds us that money is not everything but one of the many rewards that satisfies employees' needs (Laegaard & Bindslev, 2006).

However, despite its unceasing popularity and presence of evidence on two-dimensional factors of the theory, it has not been empirically replicated since its formulation and again it has several conceptual limitations. One limitation is that the theory doesn't clearly indicate the relationship between the motivational, and hygiene and maintenance factors. Second, Herzberg's conclusion on putting monetary reward (pay) as having no motivational effect contradicts with empirical evidences that indicate pays have on motivating effect and this leads to the possibility that his empirical data were biased. Thirdly, the fact that individuals or groups have personal and differentiated motivation factors but this theory perceives all people under general motivational features (Laegaard & Bindslev, 2006; Shields, 2007).

### *2.3.3 Job characteristics model*

Job characteristics model is a theory developed by Richard Hackman and Greg Oldham (1976) intending to modify Herzberg's two-factor theory. Their purpose has been to identify the dimensions of job characteristics that gave rise to intrinsic motivation. The five job characteristics identified include task identity – the extent of employees to complete cycle of tasks; task significance – status and importance of the job, skill variety – job allows employees to apply all available skills they have; autonomy – the extent to which the employee has control in his job; and feedback – the degree of response employee get from peers and supervisors regarding the work done (Shields, 2007).

The researchers claim that having satisfaction on these five dimensions gives employees boost their psychologically identify with the results they achieve in the job as meaningful and their responsibility, thereby see these dimensions of job characteristics as intrinsic rewards. Hackman and Oldham's job characteristics gave rise to focus on intrinsic rewards that employees get from the job itself; however, looking back to the previous needs theories, the job characteristics theory seems applicable to those higher level needs (achieving employees) but moderately ignores the low level needs and also in relation to extrinsic rewards(Shields, 2007).

### *2.3.4 Process Theories of Motivation*

These theories are called as process theories of motivation because of that all of them try to explain people's motivation in work area based on perspective of cognitive mental processes which enables them to follow the rewarding pathways in order to attain rewards to satisfy their basic needs. These process theories of motivation include: Reinforcement theory, expectancy theory, goal-setting theory, social cognition theory and cognitive evaluation theory. Each theory's hypothesis, advantages and criticisms are briefly summarized as follows.

#### 2.3.4.1 *Reinforcement theory*

Reinforcement theory is an early paradigm of the behaviorists' psychologists such as Thorndike, Skinner and Pavlov. Thorndike's 'law of effect' postulates that behaviors that are pleasurable are likely to be repeated again than unpleasurable behavior while Skinner's operant conditioning posits that human behaviors are maintained by the conditions in the environment and Pavlov's incidental findings of stimulus-response association suggested that associating of unconditioned stimulus (bell) with conditioned stimulus (meat) repeatedly results in similar response (saliva) to the conditioned stimulus. Learning and reinforcement processes influence individuals to associate behaviors and consequences; that means, desired behaviors bring about rewards and undesired behaviors give rise to punishments (Shields, 2007).

Based on this principles, reinforcement theory proposed four points on association between motivation and effort and rewards. The points are (1) rewards do reinforce performance; (2) to reinforce desired behavior rewards should be follow immediately after desired behavior; (3) unrewarded behaviors will extinguished and; (4) withholding or increasing rewards are good ways of discouraging unwanted behaviors. The merits of reinforcement theory are directly related to usefulness in performance-contingent extrinsic rewards, particularly money incentives awarded immediately after performance are practices of good reward management practice (Shields, 2007).

However, reinforcement theory is criticized for its mechanistic view that depending on behavioral experiments made on rats to make direct analogy with human behavior. Additional criticism is that depending solely on extrinsic rewards may underestimate employees' intrinsic motivation by losing their self-control and feel manipulated, humiliated and powerless that ends in dissatisfaction. Furthermore critics claimed that reinforcement theory is applicable to job situations that are simple and routine (Shields, 2007).

#### 2.3.4.2 *Expectancy Theory*

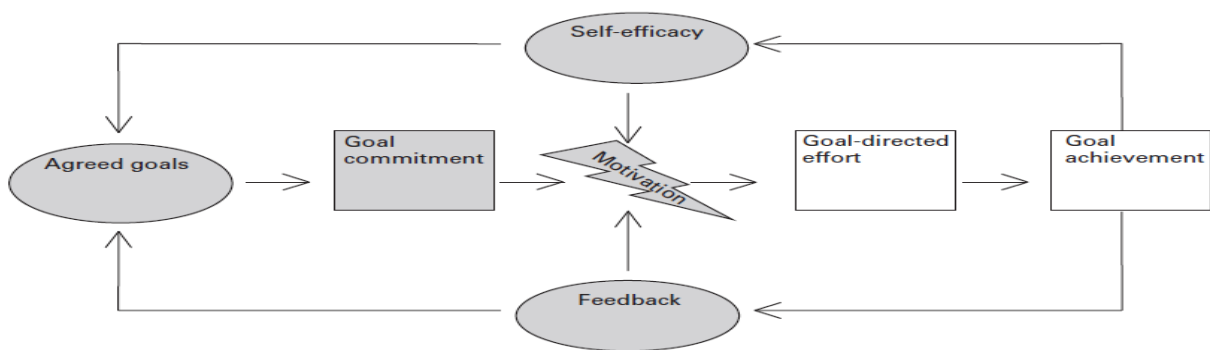
Expectancy theory, founded by Victor Vroom that later extended by Porter and Lawler, is originally based on reinforcement theory but its approach is more sophisticated and contingent motivation. The expectancy theory assumption is that human behavior can be controlled through maximum use of a given behavior, that means, motivation is a function of certain reproducing factors such as expectancy, Instrumentality and Valence (i.e.  $\text{Motivation} = E \times I \times V$ ). Expectancy (E) is employee's expectation regarding his performance will result to the desired outcome, meaning successful performance. While Instrumentality (I) is personal assessment on the probability of successful performance brings about different rewards in which some will definitely happen other does not. Valence (V i.e. Value) is the personal value of the probable rewards, that is, the value attached by the employee to the rewards received. The above mathematical formula explains that each the three factors have transitive property in that motivated behavior is achievable if and only if E, I and V have optimum value, otherwise, lower in one variable ends up in incomplete motivation. Therefore, motivated behavior is dependent on good relationship among effort of the employee, probability of success and value achieved in return to performance; that means unrewarded or less rewarded for good performance or expecting success with little effort or negative evaluation self while performance is good; allend-up on unmotivated behavior (Laegaard & Bindslev, 2006; Shields, 2007).

The expectancy theory has been extended by Porter and Lawler to measure the level of motivation and satisfaction through inclusion of added factors such as fairness and equity of rewards by calculating the ratio of input(i.e. employee effort) to output (reward received) in relation with other employees in the organization. Furthermore, they formulated task performance measure of actual capacity of employee rather than perceived, that is the link between individual performance and resources of the organization by including mediating variables such as skill, knowledge, ability, complexity of task and how knowledgeable an employee is about a given task(Laegaard&Bindslev, 2006; Shields, 2007).

Studies show that expectancy theory a reliable and valid theory and it has been a good hand for managers in measuring motivation and satisfaction in the job area. However, the theory is criticized for its complexity in that it depends on individual ability to make rational decision but, only few can understand the relationships between effort, outcome and reward values; consequently it does not address the differences in organizational behaviors (Laegaard & Bindslev, 2006; Shields, 2007).

#### 2.3.4.3 Goal Setting Theory

Goal setting theory formulated by Edwin Locke and Gary Latham, is based on empirical evidences of laboratories and field works gathered for about two decades in different tasks and settings. According to Latham and Locke (2006), a goal is defined as ‘is a level of performance proficiency that we wish to attain within a specified time period’. (pp. 332) The theory claims that people are optimally motivated when they a) set specific, challenging and attainable goals b) have enduring commitment on the goals; and c) have sound and realistic self-efficacy about achieving the goals. Briefly, the theory states that motivation and performance are optimum if employees set specific goals that are difficult but achievable and supervisors gave feedback on performance of employees. As indicated in Fig.1 below persistent feedback, commitment and strong self-efficacy strengthen the motivation of the individual thereby goal-directed effort that results in goal achievement (Shields, 2007).



**Figure 1.**Expectancy theory (Porter & Lawler)

Since its formulation, goal theory has many practical applications in that clear, specific, feeling of ownership of goal and challenging but achievable goals motivate employees to perform

well. Besides, communication between employees and supervisors during feedback on performance create higher motivation level while goals to facilitate performance, employees' need to have knowledge, materials needed, skills and abilities (i.e. instrumentality) as well as positive self-efficacy. One controversy occurs between goal theory and expectancy theory, that is, in the former challenging goals maximize motivated behavior where as in the latter higher expectation of goal achievability (i.e. less challenging) results in high motivated behavior. However, this contradiction is resolved by involving the needs theory in which successful performers are those individuals who have higher order needs that is, achievement and self-actualization, the most motivation drivers. Therefore, challenging goals and tasks are to those individuals who are high achievers (Donovan, 2001; Shields, 2007).

#### 2.3.4.4 *Social Cognition Theory*

Albert Bandura has formulated the social cognition theory, which complies with many assumptions of goal theory, in 1986. The theory identifies itself with goal theory assumptions and recognizes the importance of higher order needs and task autonomy claimed by the content theories. However, the social cognition theory assumption is that the specific, challenging and attainable goal setting; feedback processes and self-regulation of employees are not enough for performance and achievement. Instead, goal setting effectiveness is not only mediated by goal commitment and feedback acceptance but also additional factor learned self-efficacy takes central significance (Donovan, 2001; Shields, 2007).

According to Bandura (1989), self-efficacy is defined as 'the faith in one's own ability to mobilize motivation, one's cognitive resources, and one's own ability to choose the right actions in relation to specific expectations'. According to social cognition theory, effective motivation management that leads to performance and achievement means that employees must have ownership of job goals, confidence of their ability to achieve and confidence on positive feedbacks provided for success or deficits, which are seen as social acquired cognitions rather than fixed personality traits. This means individual employees not only have confidence on themselves to perform and achieve outcomes but also they have control on the outcomes achieved. In cases of goal deficits, problems in goal ownership, self-efficacy and confidence of feedbacks are supported through development practices such as counseling,

coaching, role-modeling, competency assessment, training and development programs(Donovan, 2001; Shields, 2007).

#### *2.3.4.5 Cognitive Evaluation Theory*

Cognitive evaluation theory, sometimes seen as hybrid theory due to that it adds up concepts from content and process theories, is also known as intrinsic motivation theory. Formulated by Deci and Ryan (1985), cognitive evaluation theory reverses the cognitive rational sequential processes assumed by the previous process theories. That is, instead of premeditating on possible performance and achievement before doing actual job, the cognitive evaluation theory claims that people primarily go to course of action, then after, they evaluate, rationalize and attribute meanings and motives behind their actions. Meaning, individuals with strong intrinsic motivation will try to question and attribute causal explanation for their desired behavior after they get extrinsic incentive (money) that resulted in high performance and achievement. Consequently, the cognitive evaluation theory concluded that extrinsic rewards destructs workers' intrinsic or implicit motivation (Donovan, 2001; Shields, 2007).

However, the cognitive evaluation theory is criticized for its conceptual limitation that no evidence shows intrinsic and extrinsic motivation are incompatible mutually; instead researches indicate both categories are jointly reinforcing. Furthermore, there is no evidence that work behavior are evaluated retrospectively; instead work behaviors are evaluated either way, which are prospectively and retrospectively. Practically, due to that, not all jobs are intrinsically motivating, the appropriate approach is either to enrich the job or apply extrinsic rewards to motivate employees(Donovan,2001; Shields, 2007).

#### *2.3.5 Organizational Justice Theories*

Organizational justice theories are more concerned with the perceptions of employees in relation with the fairness on procedures used on employee performance evaluation and allocation of rewards. In regard with organizational justice, there are several theories formulated but the basic theories usually used in reward management are procedural, distribution and equity theories. The first two are more of general assumptions on the fairness in organizations, whereas equity theory is one of the widely used in the HRM practices.

Therefore, procedural and distribution theories are briefly defined but the equity theory, which is directly related to perception of employees of reward fairness, is discussed in detail including its contributions and limitations (Donovan, 2001; Shields, 2007).

#### *2.3.5.1 Procedural Justice Theory*

Procedural justice theory deals with the fairness of the procedures that are employed on the assessment of the performance of employees and the grades allocated to individual employee. The employees' perception of the fairness of the performance outcome might have good consideration but not too much weight is given at this stage. The employees might complain about the incorrect or inconsistent criteria, inadequate performance information or biased judgment...etc. are applied in appraising their efforts (Donovan, 2001; Shields, 2007).

#### *2.3.5.2 Distributive Justice Theory*

Distributive justice theory is the main theory related to perceptions of employees on the decision making process of reward allocation, that is, how fair or unfair are the rewards they receive. The perception process that employees evaluate the fairness of the rewards they retain are either absolute – perception depending on their contribution on the job or comparative – perception of rewards in comparison to other employees in the organization, both of which results changes in employees behavior in the job (Donovan, 2001; Shields, 2007).

#### *2.3.5.3 Equity Theory*

Equity theory, one of the distributive justice theories, formulated by John Stacey Adams (1963) is more related with employees' rewarding fairness. The theory proposes that employees try to evaluate the rewards they receive in relation with the efforts or performance they invest in comparison with other employees in the same job or organization. In assessing the fairness of their rewards, that is, over or under rewarded in comparison to others, the consequence is either they feel guilty or dissatisfaction respectively. More attention is given to their dissatisfaction because its consequences are more various and bigger in magnitude. When an employee perceives inequity of the reward he achieves (i.e. subjective calculation of the ratio

output versus input), the six consequences the individual might decide in the aftermath of unfair perception (Donovan, 2001; Shields, 2007).

The probable consequences might include: quit the work, change outcomes in the organization, maximize their input, try to justify the inequity through by changing their perception of their efforts and outcomes, to distort psychologically the efforts and outcomes of others in order to avoid the inequity or change the employees that achieve higher rewards. The first three consequences are behavioral decisions that unfairly treated employee might try to maximize their rewards by changing other organization or demand for increment in the current organization while improving their inputs. Whereas, the latter three are cognitive decisions that the assumed unfairly rewarded employees overtly or covertly reduce their contribution either demand a shift to jobs with less efforts or elongating break or coffee times and lowering their effort in the job (Donovan, 2001; Shields, 2007).

The theory has been criticized for its two shortcomings. One is related to the unfairness consequences employees take is not clearly defined in that we do not know particularly which pathways they follow as a result of their dissatisfaction. Second the theory doesn't explain in detail the referent groups that dissatisfied employees compare themselves, that is either the persons in similar job – social comparison – comparison with dissimilar individuals that is, the senior management in the hierarchy. Despite the shortcomings mentioned above, the equity theory has showed several contributions on reward management efficiency. The theory provides the distributive fairness perception of employees is conducted through two assessment processes: the first is comparison of their own contribution in the job with the outcomes or rewards they achieve and the second is social comparison that means, they compare themselves with other employee in the same organization (Donovan, 2001; Shields, 2007).

Empirically, the theory formulated has been tested in practice and the results indicated not only its applicability but also additional dimensions were discovered. One best example is a survey conducted by Morehead et al. (1997) in Australia on 347,000 employees from different organizations and sectors were asked whether they are satisfied or not with the rewarded they receive as a result of their performance in their job. The results showed that 47% agreed that they are paid fairly; one-third (32%) disagreed they are not fairly paid and 21% of the

respondents neither agreed nor disagreed. Those employees, disagreed or unfairly paid, were male full-timers, age ranges between twenties and thirties work in public sectors, service providers, work in large companies and unionized. Whereas those agreed in fairness of rewards they achieve are females, teenagers and those age above fifty, job types of part-timers, sales people, administrators and managers, work areas were medium size and single site organizations with recreation, entertainment, communication businesses and non-unionized. The data not only showed the proportion between satisfied and dissatisfied employees; however, those unfairly rewarded employees indicated that their rewards were unfair either in relation to effort they contribute to the job or in comparison to others in the organization. Moreover, the data indicated other dimensions such as age (i.e. those between twenties and thirties were unfairly rewarded versus teenagers), sectors (public versus private), size of work-areas (large versus mid-size), types of jobs sales, managers, administrators against others or part-timers versus full-timers...etc. showed the very prestigious contribution of the equity theory empirically (Morehead et al., 1997).

## 2.4 The Relationship between Reward and Motivation

The relationship between rewards and motivation seems a direct and easy association that provision of rewards enhances the motivation of employees. However, as observed in the previous theoretical and empirical explanations regarding these two variables, the relationship between reward system and motivation is more complicated than the simple assumptions and conclusions people assume in their daily routines. Michael Rose (2014) argues that in order to understand the fundamental relationship between rewards and motivation first it is better to define and understand the concepts of intrinsic and extrinsic motivations. He defines these concepts as follows:

Intrinsic motivation is the internal satisfaction the individual has from doing the work. This is about basic job satisfaction; someone taking pride in their work. It builds self-esteem and feelings of competence and self-determination. Extrinsic motivation is the behavior that results from factors external to the individual such as reward and punishment. Any form of financial incentive (e.g. bonuses, performance-related pay) is, by definition, an extrinsic motivator. (pp. 29-30)

In the following sub sections, the opposing arguments made by both camps (those favor non-financial rewards and those favor financial rewards), regarding the impact of intrinsic rewards and extrinsic rewards on motivation are summarized briefly. Besides, reward distribution fairness in relation with justice theories are summarized.

#### *2.4.1 Intrinsic Rewards Impacts on Motivation*

Though, rewarding systems positively impact the motivation of employees is almost universally accepted norm, the degree of impacts that the financial and non-financial rewards create on motivation of employees has created many controversies among researchers. Rose (2014), took position in favor of intrinsic motivation claiming evidences show that intrinsic rewards have powerful and sustained influence than extrinsic motivators. He assures his claim stating that reward beliefs model are more of a continuum in five scale from strong driver to neutral that extrinsic rewards have short term effect but not enduring sources of motivation. Referring to report of Institute and Leadership management of UK (2003), Rose argues that 94% of organizations in the country pay annual incentive to their employees and the effect of the incentives have little or no effect on performance and commitment, that is, only 13% show improvements. Furthermore, Kohn (1993) argued that extrinsic motivators do not have enduring effects on the attitudes that underlie in the behaviors of employees that result on more commitment except changes in what we do temporary.

Others even claim that financial incentives might have a negative impact in motivation of employees that is dependent on complexity of the roles and tasks in hand. An experimental research on candle problem in which one group were told that time will be registered to identify who completes the task faster. In the second group, participants were promised an award of 5USD if they complete within the 25% fastest time of their group. The group without incentive finished with an average 3.5 minutes faster than the rewarded group. Again, the experiment has been repeated in both groups except the task for the incentive group has been made easier and this time the incentive group finished faster. Both results demonstrated that in the first experiment incentives might sometimes lower the motivation of participants; whereas in the second experiment incentives might motivate employees in easier and routine tasks but not in challenging and more complex tasks (Pink, 2010).

As we have seen in section 2.3.4.2, the expectancy theory postulates employees do job tasks based on what they value depending on the rewards they get and the tasks they are expected to accomplish. If they get more incentives, they might try to achieve the needed outcomes using some shortcuts that could involve unethical behaviors that still get them the final destination. Such incentive and unethical procedures might have get us in to the outcome temporarily but might have long-term negative consequences (Rose, 2014). A survey done by PwC (2011) on 100 senior executives in order to look on the balance between intrinsic and extrinsic motivators, the result indicated that goal setting and work preference were more correlated with motivation whether money is attached to them or not. They conclude that incentive is does not replace good management. Another claim is that incentives or pays increase the retention rate of employees. Most agree with this claim that incentive has retaining power of employees but some disagree partially. The opponents argue that incentives, which are average relative to the general market, does not have retention capacity. In addition, to support their claim a research done by the PwC on employees asked whether they prefer ideal job with pay cut or any job with more incentive. The results indicated that half of the respondents would prefer to work their ideal job with 50% pay cut; quarter of them with pay cut 70% and only five percent reported that they would not sacrifice their pay for an ideal job. Incentives, which are very low in comparison to the market average increase employees' turnover(PwC, 2011).

Finally, the proponents of intrinsic rewards on influencing motivation demonstrate three survey researches done on employees asking what motivate them most. A research report conducted by global strategy consultancy McKinsey (2009) indicated the most three motivating factors in their job are factors such as praise from immediate manager; communication with leadership particularly – a one-to-one; and getting an opportunity to lead projects or task force. They further claimed that these factors are at least equal or more motivating than monetary incentives such as cash bonuses, increased base pay and stock or stock options. Another similar survey research conducted by Mercer (2011) showed that factors in their descending ranks: treated with respect; work–life balance, the type of work that you do and related factors take the first five orders but base pay sixth while bonus was last. Civil Service People Survey (2012) in UK on 300, 000 employees indicated their first three motivating factors were perceptions of leadership and managing change; what work people do; and the quality of

managers. In contrast, a research conducted on employers across the world, Towers Watson (2010) found out that employers did not identify the following three factors, which are convenient work location; holiday/paid time off; and flexible schedule as motivating factors to employees.

#### *2.4.2 Extrinsic Rewards Impacts on Motivation*

Proponents of financial rewards in enhancing motivation does not negotiate the ability of money in motivating workers. Instead, their arguments are more related with, which type of financial reward (i.e. variable pay, gain sharing, incentives, stock option, bonuses...etc.) or what procedures of rewarding (i.e. individual, group or organizational) are more effective in engaging employees.

According to Bratton and Gold(2000), based on the needs theories Maslow and Herzberg and considering Vroom's theory of expectancy organizations in USA and UK began to relate pay to performance. That means, people cannot assume higher order satisfactions without achieving the lower needs. Furthermore, they were interested not on how employees are motivated instead what motivates employees and pay systems are the primary needs employees need in order to increase performance. As a result different firms introduced many kinds pay for performance such as piecework, bonus schemes, commission...etc. depending on different scheme proportions (Bratton & Gold, 2000).

An alternative pay system called all-salaried work force was also introduced in other organizations. This system does not depend on number of hours an employee worked thus; it is almost similar to manual and clerical workers that a prescribed amount of money paid to all employees. Pay for knowledge system is another system, which vary payments as the functions of different job areas and skills that employees can perform competently. Group incentives were also introduced in different forms such as gain-sharing, profit sharing, cost savings (Scanlon plan) and other benefits (Bratton & Gold, 2000).

Other proponents of extrinsic or financial rewards claim that employees' empowerment and self-efficacy thereby motivation, are dependent among other things, on the value of incentives they receive that means, high pays maximize employees motivation to perform (Conger, 2003).

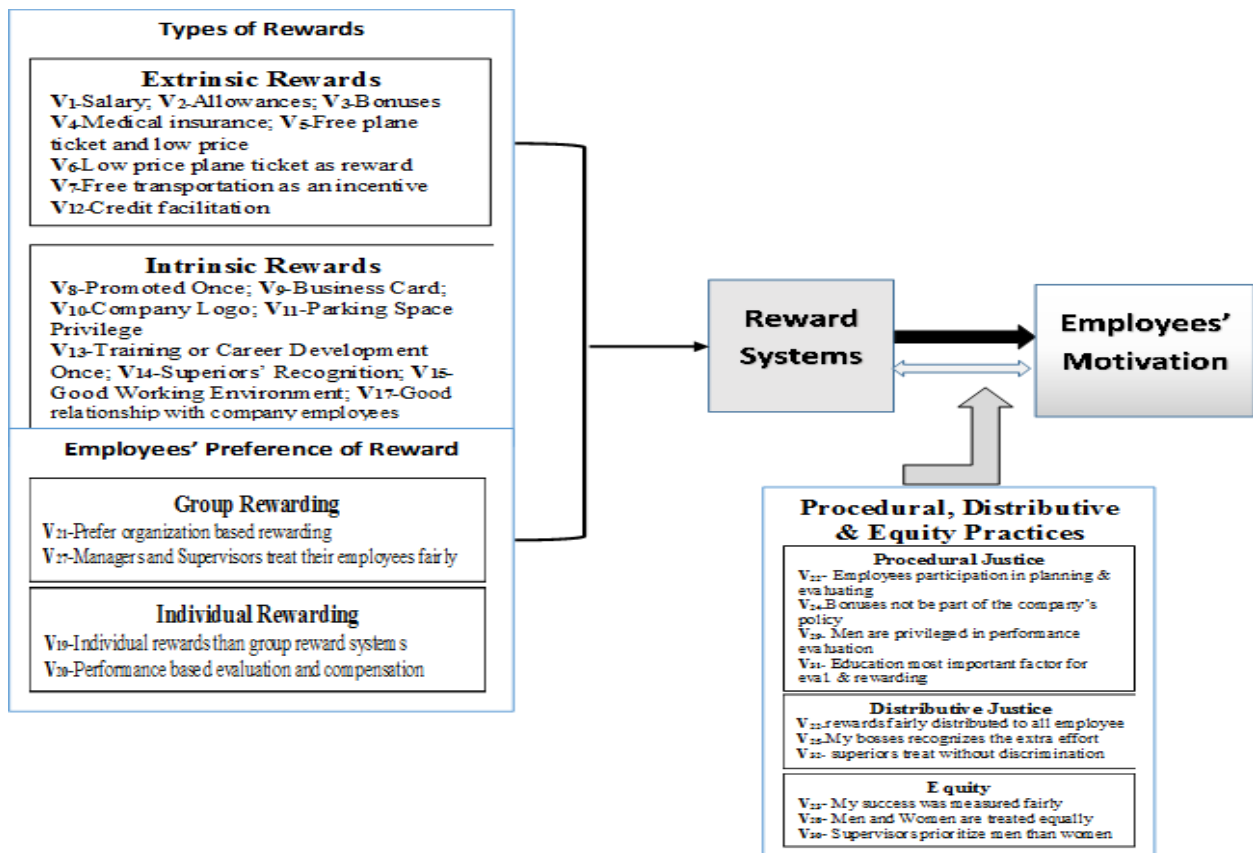
According to Durham and Bartol (2003) argue that awarding monetary rewards using carefully designed compensation systems that considers employees' fairness issues results in higher performance. In conclusion, they claim that pay for performance schemes increase the performance of workers through two major mechanisms; first, they positively affect the motivation of employees to perform and secondly pays attract and retain recruits, which later will be available for performance (Durham & Bartol, 2003).

For example, Mitchell, Lewin, and Lawler (1990) predicted that appropriately implemented piece rate pay increases from 10% to 15% increase in performance. Another meta-analysis research on the impact of piece rate on performance indicated increase in quantity of items produced and no negative impact has been observed on quality of items (Jenkins, Mitra, Gupta, & Shaw, 1998). A research on pays effectiveness indicated that variable pays have boosting effect on performance of employees (Chung & Vickery, 1976). Similarly, a review study on 25 researches on the impact of merit pay on performance showed that merit pay has moderate effect (Heneman, 1992). Another meta-analysis study conducted by Weitzman and Kruse (1990) on collection of previous studies related with profit sharing and gain-sharing plans concluded that these pay systems improve performance by around 7.1%. Stock option is a kind of extrinsic reward that previously restricted to executives and senior management members but nowadays employees are getting the opportunity to have stock ownership. However, there are not enough evidences regarding its effect to performance it is believed to enhance the sense of ownership in organizations and motivate employees to display behaviors that align with the goals of the organization (Durham & Bartol, 2003).

## 2.5 Conceptual Framework of the Study

In order to comply with the purpose of the study, that is, to assess the reward management system and its relationship with motivation of employees, is represented in the conceptual framework on Fig.1 below. As represented below the extrinsic and intrinsic rewards add up to form the total reward system and their relationship with motivation employees is indicated by the gray arrow. The effect of the rewards systems on the motivation of employees is indicated by the wider black arrow accordingly. Besides, the wider arrow that protrudes upward indicates

the moderating effect of justice and equity of rewards systems in the relationship between rewards and motivation of employees.



**Figure 2:** Conceptual Framework of the Study: (Pratheepkanth,2011)

## **Chapter Three - Methodology**

### **3.1 Research approach**

The selection of research approach depends on the philosophical worldview, research problem or issue being addressed and procedures of inquiry the researcher employs in the study (Creswell, 2014). As the title of the study indicates, the relationship between the reward systems and motivation of employees are assessed using the quantitative method of data collection using close-ended self-report questionnaire. The second part of the research title, that is, categorization of reward systems used in the organization, the data have been collected using semi-structured interview method by conducting deep interview with the personnel in the HRM department. Therefore, the current research study will utilize the mixed (quantitative and qualitative) research approaches in data collection, analysis and interpretations of data in order to accomplish the purpose of the study and to triangulate information collected using both methods. Thus, each method is used appropriately to comply with the respective research questions of the present study. In the next subsections, specific techniques of sampling, data collection, procedures of inquiry and ethical issues are described successively.

### **3.2 Sampling Technique**

The sampling technique used in this research is purposive non-probabilistic method of sampling. According to Schofield (2006), purposive sampling is a technique of sampling which enables collect data according to the availability and willingness of participants in the population, but with sufficient number of participants to imply representativeness. Teddlie and Yu (2007) argued that purposive sampling a technique that has two broad characteristics that is, sampling used to achieve representative and comparative data in dimension of interest. Therefore, to achieve representativeness and achieve sufficient data, 240 questionnaires were distributed and 70% (159) of the questionnaires have been retained for analysis. However, again seven questionnaires are removed because of too much missing values and non-discriminative ticking of one scale. In collecting data, survey method data collection has been employed using close-ended self-administered questionnaire whereas the qualitative data has been conducted using semi-standardized interview method.

### 3.3 Data Collection and Tools

The current study applied two stages of data collection. In the first stage, semi-standardized interview method is done to assess the rewarding systems in practice, the mode of rewarding employees, the procedures used in rewarding employees and other rewarding and motivation related processes in the organization. To achieve this information, the researcher conducted a face-to-face interview with three HRM personnel. In the second stage, a self-administered questionnaire has been distributed to the employees of the organization, in every sector/departments of the organization.

#### *3.3.1 Semi-Standardized Interview*

The semi-standardized interview is adapted from previous researches and related literatures and interview format that included several questions that assess the overall HRM and rewarding systems and procedures of the organization, categories of rewards, evaluation of employees, participation of employees in rewarding policy and implementation, motivation and satisfaction of employees as a result of reward.

#### *3.3.2 Self-Administered Questionnaire*

The self-report questionnaire has been prepared depending on the review of related literature and similar research reports published on several international journals. The self-report questionnaire has two parts: the demographic information and 5-point Likert scale items. Likert scale items that measure the availability of rewards to the employees of the organization (17-items) motivation of employees (18-items) that results from the reward systems and fairness and justice of reward distribution (15-items) on the categories of reward systems. The demographic data of all participant employees such as age, sex, years of work (in current task and in the organization) and level of education are included. The Likert scale items, which measure the employees' perception on reward systems and the relationship between rewards and motivation was prepared after collecting data from the HRM department personnel.

### 3.3.3 *Reliability and Validity of Research Questionnaire*

Reliability is a measure for the consistency of collected data through time and validity refers to whether the items measure what they are supposed to measure. Therefore, prior to data collection, a pilot data collection has been conducted by distributing the questionnaires to six HRM staff. So that, the validity and reliability checks of the instrument have been conducted accordingly. The internal consistency of the pilot questionnaire items have been significant with Cronbach-alpha value of 0.72 but relatively lower and this might be due to smaller sample size of the pilot (n=6). However, the internal consistency of the questionnaire after data collection has been excellent. The major variables (reward types, distribution justice and motivation) and the total reliability of the questionnaire items have been highly reliable with Cronbach-alpha values of 0.928, 0.82, and 0.917 and 0.955 of total reliability respectively. In addition, to check for validity of the questionnaire items the HRM staff have been asked to rate each scale and an agreement has been reached for the selection of 17, 15 and 18 of reward types, distribution justice and motivation respectively.

In addition, the data collected from the questionnaire was useful for triangulating with the first stage data in order to make sure the reliability and validity of the data collected. In order to avoid response bias and outlier data seven questionnaires has been removed because of too much missing values (4) and three questionnaires were ticked at one scales without reading the items. These questionnaires were removed because the respondents have been difficult to access again.

### 3.4 Procedure

The procedures employed in the study are determination of population and criteria of inclusion of sample units, accessibility and availability of participants, ethical procedures and method of data analysis utilized. Hence, the following are short summaries of the procedures undergone through the research process.

#### *3.4.1 Population and Inclusion Criteria of Participants*

The population of the current study included employees of Ethiopian Airlines in Bole International Airport, Addis Ababa. According to the Ethiopian Airlines CEO interview with Ascend Profile magazine editor (2015), he reported that the organization has overall 8000 plus employees. A researcher on economic success of the organization estimated around 5,000 employees in Bole International Airport (Selamawit, 2012). Thus, the inclusion criteria to the participants of the study is employees of the organization working in Bole International Airport. Besides, the respondents of the interview method are the staff members of the HRM department and for the self-administered questionnaire, the participants are non-management employees of the organization. According to the Ethiopian Labor Law, the work age of citizens is 18 years and above, but due to a minimum of six-month work experience is required for the study, all the participants are 19 and above years old and their tenure at least six months.

#### *3.4.2 Research Ethical Issues*

In this study, the researcher has addressed different ethical issues. An Informed Consent Form (refer Appendix-3), which explains the purpose of the study, request for cooperation, absence of any remuneration for participating, confidentiality of their identity and the information they supply and their freedom to withdraw from participation. Therefore, the Informed consent form has been provided and clarified to every participant during the questionnaire distribution. In addition, confidentiality of the data provided and anonymity of respondents has been applied by giving successive numerical codes (1, 2, 3...etc.).

#### *3.4.3 Data Analysis and Interpretation*

Analysis of the data collected in this research has been conducted using qualitative and quantitative methods to comply with the respective nature of the data collected. The data gathered in the second stage of sampling using the self-administered questionnaire related with the demographic data of employees, the relationship between rewards and motivation including employees perception of the rewards was analyzed using Statistical Package for Social Sciences (SPSS Version 22, 2013). In this analysis process, the correlation between the rewards and their categories and motivation using Pearson correlation coefficient, and the

effect of reward systems on motivation and the buffering effect of procedural and distributive justice and equity of in managing rewards using hierarchical regression have been examined and the outcomes are reported in results section of the paper. The variables of the reward systems and motivation have been classified, arranged and sorted for analysis as indicated in table-3.1 below.

<b>Table-3.1: Items Classification of Self Report Questionnaire (Lawler, 2003)</b>		
<b>Rewards Systems Scales</b>		
1.	I receive Financial reward – Salary	<b>Extrinsic Rewards</b>
2.	I receive Financial reward – Allowances	
3.	I receive Financial reward – Bonuses	
4.	The organization covers my medical insurance	
5.	I get free plane ticket and low price	
6.	I have the access for low price plane ticket as reward	
7.	I get free transportation as an incentive	
8.	At least I have been promoted once since my recruitment in the	<b>Intrinsic Rewards</b>
9.	The company provides me business card reward	
10.	I enjoy the company logo as a motive	
11.	I do have parking space privilege	
12.	Credit facilitation is available as reward to employees	<b>Extrinsic</b>
13.	At least once I received training or career developmentsince my	<b>Intrinsic Rewards</b>
14.	My superior recognizes my efforts in the work place	
15.	I enjoy the good working environment	
16.	The company organizes social events for workers outside of the	<b>Both</b>
17.	I have good relationship with company employees	
<b>Reward Distribution Fairness and Preference between Individual VS. Group rewarding</b>		
18.	I believe employees must participate in planning and evaluating of	Procedural
19.	I prefer individual rewarding system than group reward systems	Individual Reward
20.	I prefer performance (individual) based evaluation and compensation	
21.	I I prefer organization based (when all members of EAL are rewarded)	<b>Group Reward</b>
22.	I believe the reward system in the organization is fairly distributed to	Distributive
23.	I know how my success was measured fairly	Equity Theory
24.	Bonuses should not be part of the company’s policy	Procedural
25.	My boss recognizes the extra effort I put at work	Distributive
26.	Rewards should be based on performance of individual employee	Individual

27.	Managers and Supervisors treat their employees fairly with equity	Group Reward
28.	I think Men and Women are treated equally nevertheless their gender	Equity Theory
29.	I feel Men are more privileged than women during evaluation of	Procedural
30.	Managers and Supervisors recognition of employees prioritize men	Distributive
31.	Educational level is the most important factor for evaluation and	Procedural
32.	People receive appropriate treatment from their superiors without	Equity Theory
<b>Work Motivation</b>		
33	Items 33-50	
43	My job is routine and I usually feel bored	Low
44		
45	I like more challenging task at work	High Motivation
50		

## Chapter Four - Results

### 4.1 Overview

Results of the quantitative and qualitative analysis of the study are displayed in the following sub-sections. The statistical outcomes of the quantitative analysis data are presented in tables as per the format taken from SPSS data output formats with their respective description and interpretation of the analysis. The results of the qualitative data that retained from the HRM personnel of the EAL are summarized in the subsection below.

#### 4.1 Reward Management System in EAL (*Qualitative Output*)

The qualitative data provided by the HRM staff, in order to assess the available reward systems in the organization enabled and eased the formulation of the self-report questionnaire for collecting data from employees of EAL. The responses of the semi-structured interview questionnaire (i.e. Appendix-1) indicated that the types of rewards available in Ethiopia Airlines are include financial and nonfinancial reward types. The financial rewards in the organization include *salaries, allowances, bonuses, per diems, annual salary rises and other fringe benefits such as free and low price plane ticket, free medical services, free transportation and interest-free credit facilitation*. The non-financial rewards available in EAL comprise of *recognition by managers and supervisors, work-environment facilitation- business card, company logo & parking space*.

In addition, the categories of rewarding available are mostly *individual or performance based, considering to their profession responsibility and available productivity*, however, the HRM respondents also argued that groups also get recognition. The frequency of financial rewards in the organization are provided on monthly and yearly basis depending on the type of the reward. For example, salaries, allowances and per diems are granted monthly, whereas, bonuses and salary rises and other financial benefits are settled on yearly basis. The report also showed that employees' have no participation in rewards planning and decision making because of rewards

are fixed, nevertheless, the respondents claimed that complaints & suggestions of employees get appropriate consideration. In responding questions related to preference of employees on either individual or group rewarding, the replies were opposing to each other. The first respondent replied that employees prefer performance based rewards without providing reason. The second respondent claimed that employees prefer group performance because it hides poor performers while the third respondent replied employee's preference is individual based rewarding because individual strength, quality & qualification are different for every individual employee. However, in responding the motivating power of the reward system in place, they positively replied "yes" and reasoned as high performers keep on being creative and middle and low performers are motivated to increase their performance. Besides, there is a system, which aims to increase productivity and to reward performance of employees.

## 4.2 Descriptive Analysis Results

### 4.2.1 *Demographic Data*

The demographic information of the participants (n=152) are almost equally divided by gender with only 1.4% (i.e. 2 males more) difference between males and females. The majority of respondents (89.5%) fall within the range of first two age groups (19-26 and 27-37) and the rest comprise 10.5% (n=16, 38-49 years). Educationally, first-degree holders take the most share (65.8%, n=100), MScs' cover 14.5% while vocational employees are 12.5% and the rest 7.3% of the participants have high school (n=7), primary (n=3) and an individual with PhD respectively. The most prevalent work experience group is 2-5 years which contains 34.9% while two groups (1-2 years and 5-10 years) share equal 22.5% each and the remaining 21% are scattered on the groups (Less than 1 year, 11-15 years and 16-20yrs) with rates of 11.8%, 5.3% and 3.3% in their decreasing order. The current job position experience is more or less similar with their experience in the organization, except eight participants (5.3%) failed to respond. Regarding the descriptive summaries of central tendency and variability, the mean and standard deviations of the demographic variables indicated that approximate normal distributions are achievable.

**Table-4.1:** Demographic Data

Gender of Participant			Age of Participant		
Category	Count	Percent(	Category	Count	Percent(%)
Female	75	49.3	19-26	54	35.5
Male	77	50.7	27-37	82	53.9
Total	152	100.0	38-48	13	8.6
			49-59	3	2.0
			Total	152	100.0

Educational Background			Years of Work EAL			Years of Experience in		
Catego	Cou	Percent	Categ	Coun	Percen	Categ	Cou	Percent
1-8	3	2.0	Less	18	11.8	Less	21	13.8
10-12	7	4.6	1-2	34	22.4	1-2	35	23.0
Vocati	19	12.5	2-5	53	34.9	2-5	52	34.2
1st	100	65.8	5-10	34	22.4	5-10	25	16.4
Msc.	22	14.5	11-15	8	5.3	11-15	7	4.6
PhD.	1	.7	16-	5	3.3	16-	4	2.6
Total	152	100.0	Total	152	100.0	Missin	8	5.3
						Total	152	100.0

*4.2.2 Reward, Motivation and Distribution Scale Descriptive*

The descriptive characteristics of the items that form the three major variables (rewards in practice, motivation of employees and reward management) are displayed in table-4.2 below. The total internal consistency of the questionnaire items is highly reliable with Cronbach- $\alpha$  of 0.96. The distribution of the means of the item values are normally distributed because the variance value presented below indicates lower dispersion. The grand mean of the questionnaire scales is 3.13, that shows respondents average perception of the reward systems and motivation is between fair and agree in the Likert five-point scales that inquire respondents of the questionnaire to rate their opinion on the availability, justice and equity of the rewards and their motivation level because of the rewards.

**Table-4.2:** Scale Descriptive Data

	Mean	Mean Std. Error	Std. Deviation	Variance
<b>Rewards in Practice</b>	3.2773	0.06663	0.82145	0.675
<b>Rewards Management</b>	3.0580	0.05016	0.61846	0.382
<b>Employees' Motivation</b>	3.0551	0.05749	0.70872	0.502
<b>Grand Mean</b>				3.1292

#### 4.3 Preference of Employees on the Categories of Rewards

As indicated in table-4.3, one sample t-test of employees' preferences on the categories of rewards (i.e. extrinsic versus extrinsic, individual versus group) has been analyzed. The one sample t-test analysis is performed to look assess if there is difference on the categories of rewards taking the minimum test value as  $m=3$  (fairly in the five point scale).

Respondents t-test results indicated that extrinsic rewards  $t(151) = 3.702$ ,  $p= 0.001$  but their response to intrinsic rewards show no difference. Besides, analysis of their respective frequency tables shows that around two-third (66%) of respondents as per test value of fairly and above ( $\geq 3$ ) preferred extrinsic rewards whereas, those responses of intrinsic rewards shows almost equal preference of 50% at the test value fairly ( $m=3$ , .e  $3 \times 8 = 24$ ) and statistically insignificant t-test values (refer table-4.3). Similarly, the results of one sample tests for individual versus group rewarding preferences showed that statistically significant value of  $t(151) = 5.048$   $p= 0.01$  on individual or performance based rewarding with 69% cumulative at  $\geq 3$  or fairly test value. Furthermore, that of group rewarding responses are not statistically significant in the one sample test, whereas, their cumulative frequency is around halfway (55%) including the test value counts.

**Table-4.3:** Employees' preference of reward categories Analysis

<b>Table-4.3A: One-Sample t-test</b>							
<b>Test Value = 24</b>	t	df	p	Mean Difference	95% CI of the Difference		
					Lower	Upper	
Extrinsic Rewards	3.702	151	0.000	2.41447	1.1259	3.7031	
Intrinsic Reward Total	1.149	151	0.252	0.67763	-	1.8427	
<b>Test Value = 6</b>			p		Lower	Upper	
Indv. preference	5.048	151	0.000	0.86842	0.5285	1.2083	
Group Preference	1.131	151	0.260	0.17763	-	0.4880	
<b>Table-4.3B: One-Sample Statistics</b>							
		N		Mean		Std. Deviation	
Extrinsic Rewards Total		152		26.4145		8.04083	
Intrinsic Reward Total		152		24.6776		7.27019	
Individual preference		152		6.8684		2.12111	
Group Preference		152		6.1776		1.93641	
<b>Table-4.3C: Test values cumulative percentage</b>							
<b>Extrinsic Rewards</b>		<b>Intrinsic Reward</b>		<b>Individual</b>		<b>Group Rewards</b>	
Range of values	%	Range of	%	Range	%	Range	%
4-23	33.6	8-23	44.1	1-5	31.6	2-5	55.3
24-40	66.4	24-40	55.9	6-10	69.4	6-10	44.7

#### 4.4 Rewards in Practice, Motivation and Reward Management Relationship

As the main objective of the study is to assess the relationship between reward systems and motivation of employees, the results in table-4.3 showed that reward systems are strongly correlated with motivation of employees. The correlation matrices indicated that the correlation among the three pairs, that is between reward types, and reward management with motivation are statistically significant 0.596 and 0.620 at  $p=0.01$  (two-tailed) besides, the former two are correlated each other at  $r = 0.520$   $p = 0.01$ . Similarly, analysis of the relationship of motivation with intrinsic and extrinsic rewards indicates, both are strongly correlated with Pearson correlation value of 0.635 and 0.512 at  $p$ -value of 0.01 with two tailed.

**Table-4.4: Correlation Analysis**

<b>Table-4.4A: Correlation of Rewards in Practice and Reward Management and Motivation</b>			
		Employees Motivation Total	
Reward in Practice	r	<b>0.596**</b>	
	p	0.000	
Reward Management	r	<b>0.620**</b>	
	p	0.000	
<b>** Correlation is significant at the 0.01 level (2-tailed).</b>			
<b>Descriptive Statistics</b>			
	Mean	Std. Deviation	N
Employees Motivation Total	53.7237	12.95034	152
Rewards in Practice	53.8158	15.22303	152
Reward Management	28.1250	6.69418	152
<b>Table-4.4A: Correlation of Types of Rewards Types and Motivation</b>			
Reward Types		Employees Motivation	
Extrinsic Rewards Total	r	<b>0.529**</b>	
	p	0.000	
Intrinsic Reward Total	r	<b>0.643**</b>	
	p	0.000	
<b>** Correlation is significant at the 0.01 level (2-tailed).</b>			
<b>Descriptive Statistics</b>			
	Mean	Std. Deviation	N
Extrinsic Rewards Total	26.5933	7.87324	152
Intrinsic Reward Total	24.8467	7.03179	152
Employees Motivation Total	53.7800	12.99864	152

#### 4.5 Effect of Rewards Systems on Motivation

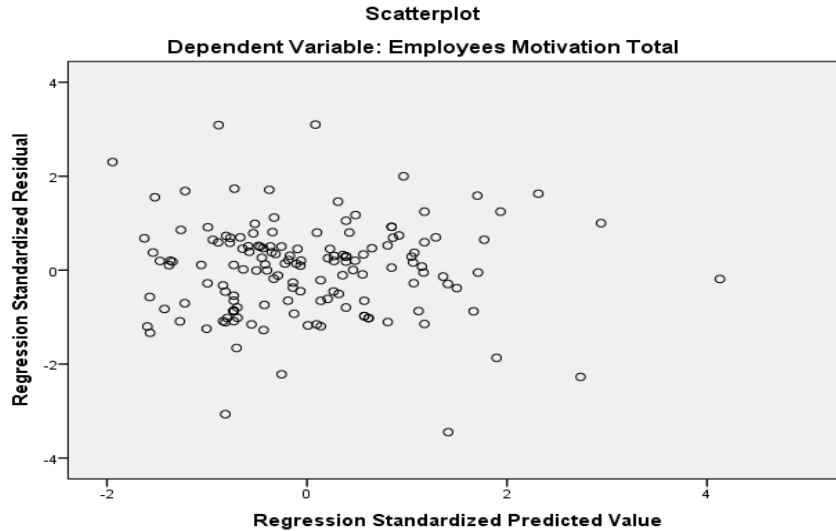
Table-4.4 shows preliminary hierarchical regression analysis of rewards available or in practice (predictor variables) versus the motivation of employees as criterion variable in the presence of moderating variables (reward management systems – equity, procedural and distributive justices). According to Aiken and West (1991) moderator is a variable that specifies conditions

under which a given predictor is related to an outcome. The moderator explains ‘when’ a DV and IV are related. Moderation implied an interaction effect, where introducing a moderating variable changes the direction or magnitude of the relationship between two variables. A moderation effect could be (a) enhancing - the moderator would increase the effect of the predictor (IV) on the outcome (Y); (b) Buffering - the moderator would decrease the effect of the predictor on the outcome; or (c) Antagonistic, the moderator would reverse the effect of the predictor on the outcome (Aiken and West, 1991).

**Table-4.5:** Preliminary hierarchical regression analysis

<b>Table-4.5A: Model Summary</b>									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	p
1	0.698 <sup>a</sup>	0.487	0.480	9.33919	0.487	70.675	2	149	0.000
2	0.711 <sup>b</sup>	0.506	0.496	9.19827	0.019	5.600	1	148	<b>0.019</b>
a. Predictors: (Constant), Equity Procedural distributive Total, Rewards in Practice									
b. Predictors: (Constant), Reward Mngmt, Rewards in Practice, Non-standardized Rewards & moderator product									
<b>Table-4.5B: ANOVA <sup>a</sup></b>									
Model		Sum of Squares	df	Mean Square	F	p			
1	Regression	12328.554	2	6164.277	<b>70.675</b>	0.000 <sup>b</sup>			
	Residual	12995.840	149	87.220					
	Total	25324.395	151						
2	Regression	12802.387	3	4267.462	<b>50.438</b>	0.000 <sup>c</sup>			
	Residual	12522.008	148	84.608					
	Total	25324.395	151						
a. Dependent Variable: Employees Motivation									
b. Predictors: (Constant), Reward Management, Rewards in Practice									
c. Predictors: (Constant), Equity Procedural distributive, Rewards in Practice, Non-centered Rewards X moderator									
<b>Descriptive Statistics</b>									
	Mean	Std. Deviation	N						
Employees Motivation Total	53.7237	12.95034	152						
Rewards in Practice	53.8158	15.22303	152						
Equity Procedural Distributive Total	28.1250	6.69418	152						
Non-centered Rewards & moderator product	1566.2566	699.52810	152						

To check the effect of a moderator on the predictor or outcome variables, first we run the preliminary hierarchical regression of the moderator, the independent and dependent variables including the product or interaction term achieved by the multiplying the unstandardized score of the moderator and the independent variable ( $X*M$ ). In the table-4.5A, first, the significance of the regression analysis of the moderator ( $M$ ) has been checked by regressing the dependent variable with the independent and moderator variables including their interaction ( $X*M$ ). In the preliminary checking of the moderating effect of reward management, the results of the analysis indicated that the Equity and Justice scores produced significant F-ratios in models 1 and 2, which raised the  $R^2$ -value from 0.487 to 0.506 that led to net  $R^2$ -changes of  $= .019$ ,  $p = 0.019$ . This preliminary test in both model 1 and 2 gave significant F-ratio and F change values  $F(2, 149) = 70.675$ ,  $p = 0.000$   $F(3, 148) = 50.438$   $p = 0.000$  are respectively (refer Table-4.4B) and this is a precondition to for testing the moderating effect of the moderator and its interaction with the independent variable. Therefore, our preliminary analysis gives the green light to continue the investigation of the true effect of rewards in practice on motivation of employees in the presence of the moderator (reward management). As part of checking the assumptions of hierarchical regression a scatter plot of graph of the residuals versus the outcome variable (motivation) has been analyzed and as indicated in figure-3, the distribution is randomly distributed (i.e. homoskedasticity). However, the collinearity indicators in model-2 showed higher out of range values of Tolerance and IVF (0.059 & 16.918, 0.062 & 16.191 and 0.021 & 47.164) for rewards, reward management and their interaction terms respectively. That is why moderator analysis is done after centering or standardizing of the independent variables and moderators including their interaction product values.



**Figure-3:** Regression Standardized Predicted Value versus Motivation graph

As motivation of employees has many explanatory factors, the purpose of this analysis is to test the effect of rewards in practice on motivation of employees in the presence of reward management (equity, procedural justice and distribution justice) as moderator. More specifically, whether reward management system moderates the relationship between rewards and motivation of employees a hierarchical multiple regression analysis is conducted.

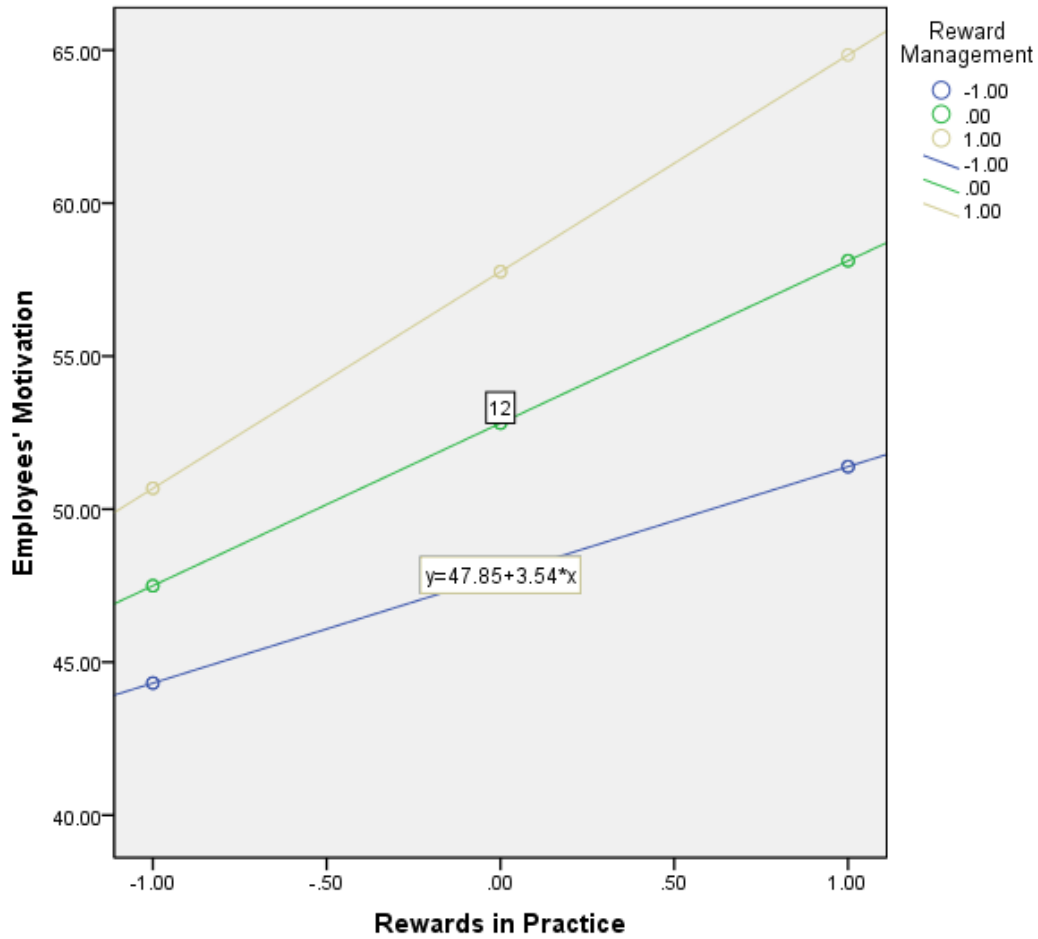
**Table-4.5:** Hierarchical regression analysis Interaction Matrix

Outcome: Motivation of Employees							
<b>Model Summary</b>							
R	R-sq	MSE	F	df1	df2	p	
.7110	.5055	84.6082	32.7344	3	148	.0000	
<b>Model</b>							
coeff	se	t	p	LLCI	ULCI		
constant	52.8074	0.7864	67.1529	0.0000	51.2534	54.3614	
ZReward Management	4.9537	1.0768	4.6005	0.0000	2.8259	7.0815	
ZRewards in Practice	5.3104	1.0200	5.2062	0.0000	3.2947	7.3260	
Interaction-1	1.7722	.8078	2.1938	<b>0.0298</b>	0.1758	3.3686	
Product terms key:int_1 ZReward in Practice X ZReward Management							
<b>R-square increase due to interaction(s):</b>							
	R2-chng	F	df1	df2	p		
interaction_1	0.0187	4.8127	1	148	<b>0.0298</b>		
<b>Conditional effect of X on Y at values of the moderator(s):</b>							

ZRewardManagt	Effect	se	t	p	LLCI	ULCI
-1.0000	3.5381	1.0791	3.2787	.0013	1.4056	5.6707
0.0000	5.3104	1.0200	5.2062	.0000	3.2947	7.3260
1.0000	7.0826	1.4905	4.7519	.0000	4.1372	10.0280
ZRewards in Practice	Z Reward Management	MotivationTotal				
-1.0000	-1.0000	44.3156				
0.0000	-1.0000	47.8537				
1.0000	-1.0000	51.3919				
-1.0000	0.0000	47.4970				
0.0000	0.0000	52.8074				
1.0000	0.0000	58.1178				
-1.0000	1.0000	50.6784				
0.0000	1.0000	57.7611				
1.0000	1.0000	64.8437				

In the first step, two variables were included: reward management and rewards in practice. These variables accounted for a significant amount of variance in employees' motivation,  $R^2=0.487$ ,  $F(2, 149)=70.675$ ,  $p < 0.001$ . To avoid potentially problematic high multicollinearity with the interaction term, the variables were standardized and an interaction term between rewards in practice and rewards management was created in a software (PROCESS Procedure for SPSS Release 2.16.3) written by Andrew F. Hayes (2013). Next, the interaction term between rewards in practice and rewards management was added to the regression model, which accounted for a significant proportion of the variance in rewards in practice and rewards management,  $\Delta R^2=0.019$ ,  $\Delta F(1, 148)=4.8127$ ,  $p=0.03$ ,  $b=1.77$ ,  $t(151)=2.1938$ ,  $p=0.03$  (refer table-4.5 for the Hayes matrix output below). In order to examine the moderator effect on the independent variable the matrix output supplies data for visualizing conditional effect of the moderator variable in its interaction with the independent variable on the dependent variable at minimum-medium and higher values of the both predictors' (independent variable and the moderator) standard deviations and means. In our case, the high-medium-low values of SDs were 1, 0 & -1 which correspond with their respective mean values respectively (refer table-4.5). Examination of the interaction simple plot as indicated below in figure-4, showed an enhancing effect that as rewards in practice increased and reward management increases, motivation of employees increased. When employees experience low rate of rewards in practice, motivation of employees and the reward management were also low

respectively. When employees experience high motivation, similarly, workers receive higher rates of rewards in the organization and the rewards are managed well.



**Figure-4:** Simple Slop Plot

## Chapter Five - Discussion

### 5.1 Findings Discussion

The findings of the study comprises of qualitative and quantitative output. The qualitative output indicated that in the EAL there are several types of rewarding systems, including extrinsic/financial and intrinsic/non-financial rewards. The financial rewards in the organization include *salaries, allowances, bonuses, per diems, annual salary rises and other fringe benefits such as free and low price plane ticket, free medical services, free transportation and interest-free credit facilitation*. The non-financial rewards available in EAL comprise of *recognition by managers and supervisors, work-environment facilitation- business card, company logo & parking space*. Besides, rewards are distributed based on individual, performance, profession and responsibility of employees and the productivity of the organization. Mostly, the frequency of rewarding in the organization are yearly and monthly basis depending on the category of the rewards provided.

Looking into the quantitative results, the relationship between rewards in practice and motivation indicates statistically significant relationship with p-value of less  $p=0.01$ . The relationship of rewards in practice and reward management with motivation showed a Pearson correlation values of 0.596 and 0.620 at  $p=0.01$ (two-tailed) respectively, besides, the former two are correlated each other at  $r = 0.520$   $p = 0.01$ . Motivation is also significantly correlated with intrinsic and extrinsic rewards that provides positive Pearson correlation values of 0.635 and 0.512 respectively; at significance value of  $p= 0.01$  with two tailed. The strength of the relationship between reward practices and reward management systems with motivation (Pearsons Correlation coefficient values of 0.58 and 0.60) are more or less similar in the current research and both are equally important in motivating employees. In addition, the hierarchical regression analysis of the relationship between rewards in practice and motivation of employees in the presence of moderating effect of reward management system indicated that employees motivation is enhanced by rewarding rewards in practices. However, the

moderating effect of reward management systems also enhance the motivation of employees in the work place. As the result of the current study shows employees' motivation is directly affect by reward in practice and reward management system which brought about accounted for 48% ( $R=0.698$ ) of employees motivation. However, in assessing the moderating effect of reward management system it has increased the rate of  $R^2$ -change by 1.9% with significance value of  $F(1, 148) = 4.8127$  of  $p=0.03$ . The presence of rewards in the job life motivates employees to perform in their job but concurrently managing reward system with fair, equity and justice produces more motivation. As the simple slope plot indicated, when low level of reward management system are observed similarly motivation of employees and reward provision are also low. In contrast, if the reward management is good the motivation of employees and reward practices are also higher and at the same time the rate of reward management at the medium rate of produces medium rate of employees motivation and reward retention. According to Donovan, (2001) justice theory deals with the fairness of the procedures employed on the assessment of the performance of employees and the grades allocated to individual employee. While distributive justice theory deals with the perception of employees on the decision-making process of reward allocation, that is, how fair or unfair are the rewards they receive. Shield (2007) also argues in regards with equity theory that employees try to evaluate the rewards they receive in relation with the efforts or performance they invest in comparison with other employees in the same job or organization. In assessing the fairness of their rewards, that is, over or under rewarded in comparison to others, the consequence is either, they feel guilty or dissatisfaction respectively. Therefore, applying to moderating power of reward management systems in the effect of reward practices in motivating employees in the job area, the regression results tell us that it is possible that even if employees get many kinds of rewards, if they perceive that they are not fairly rewarded or fairly treated in relation to other employees they might not get enough motivation to achieve the objectives of the organization.

Further one-sample analysis of the preference of employees on the categories of reward systems in the organization indicated that the majority of the extrinsic rewards are more preferable than intrinsic because 66.4% of the employees respond in favor of the financial reward. This has been justified by their one sample t-test that showed significant variance of t

(151) = 3.702,  $p < 0.001$ . Similarly, respondents favor individual or performance based rewarding system than the group or organizational rewarding system, in which 69.4% of the responses are related to the individual rewarding preference and their one-sample test has been statistically significant with  $t(151) = 5.048$   $p = 0.01$ . However, the intrinsic and group rewarding results of one sample t-tests showed no statistically significant t-test results and their cumulative percentage of preference half been almost in the half-way. The preference of in the categories of rewards depends on many several factors such as organizational culture, objectives, type of business, economic factors, nature of the work activities...etc. Michael Rose (2014) argues intrinsic motivation is the internal satisfaction the individual has from doing the work. This is about basic job satisfaction; someone taking pride in their work. It builds self-esteem and feelings of competence and self-determination. Extrinsic motivation is the behavior that results from factors external to the individual such as reward and punishment. However, as broadly discussed in section 2.4 the impact of intrinsic and extrinsic rewards on motivation is still in heated discussions and the opposing arguments made by both camps (those favor non-financial rewards and those favor financial rewards) provide empirical evidences. Except believing, that both reward types have positive influence on motivation of employees no agreement or consensus is reached, which category of reward is more effective than the other is. In Ethiopian context, favoring extrinsic or financial rewards might be related to our economic and cultural situation due to that still we are living in low-income society. Regarding the individual or group categories, are more related with the management of rewards in organizations on how rewards are distributed, are more related to the procedures and practices of rewards in relation with the justice, equity and fairness of reward distribution among employees. Moreover, it is also directly connected to the criteria (organizational culture) used in rewarding depending on performance of individuals or groups against reward distribution according to qualification, tenure or behaviors in work area (Armstrong, 2007; Bratton & Gold, 2000). As we have seen in moderating effect of reward management analysis, understanding of employees' choices in reward procedures might increase their motivation that could result in better performance and satisfaction in the work area.

## 5.2 Discussion of Qualitative and Quantitative Results

According to Creswell (2014), mixed methods involves combining or integration of qualitative and quantitative research and data in a research study. Qualitative data tends to be open-ended without predetermined responses while quantitative data usually includes closed-ended responses such as found on questionnaires or instruments. Data collection using quantitative and qualitative data has several advantages because utilizing a unilateral method makes our search of truth incomplete. Besides, as the nature of human life is highly complex and diversified, it is difficult to study such complicated matter using one method.

In the current research, the qualitative data collected from the HRM officers of the EAL has been used as a preliminary information collection and a way of understanding how the human resources department operates in EAL. One major purpose has been to collect enough information about the rewards types available and the reward management systems practiced in the organization so that it has been easier for the researcher to prepare the items to be included in the self-report questionnaire. In relation to the results and experiences gained in both methods is that the reward management system in the organization is unilaterally decided by the senior management staff and in the analysis of the preferences of employees in either in categories of reward systems indicated that employees prefer the extrinsic rewards than the intrinsic. This might indicate that the work organizational structure is vertical system in which the bosses are entitled in planning everything and the lower employees live with it as long as they get-paid and receive their financial benefits. Another issue to be addressed is that the interview respondents claim that the rewarding system is fixed and individual or performance based distribution and similarly the majority of the employees prefer individual based benefits. But, performance based rewards mostly are not fixed and stable, because from time to time people's performance and motivation are not stable and around one-third of the employees prefer group based rewarding.

### 5.3 Limitations of the Research

The major limitation in this study has been in the sampling process. First, the data to be collected has been planned to achieve sample size of at least 200 respondents. According the plan, the researcher distributed 250 questionnaires assuming 80% (200 participants) of the questionnaires could be retained successfully. Unfortunately, only 159 questionnaires are gained, out of which seven more questionnaires were discarded due to lack of complete data

and presence of biased information. Secondly, the participants were reluctant in responding some portions of the demographic data, that is, ethnicity and area or position of work were almost around 80% unfilled. Therefore, in addition to the scope and limitations of the study presented in the introduction section of the thesis, these limitations confines the study to be generalizable only to respondents of the study.

#### 5.4 Suggestions for Further Research

The current study might contribute little, but important clues to the rewarding systems and motivating of employees in the organizations operating in the country because it gives the general rewarding systems and their motivating power of employees in one of the elite organizations in Ethiopia. Therefore, further researches might add on this study a better understanding on the reward systems of the organization and enhance their motivating factors more effectively.

Furthermore, as we have assessed in the literature review part of the paper, the theories that explain how employees are motivated are several kinds, which need additional research for application and practice in the context of Ethiopia. Because these theories including Maslow's needs theory, Herzberg's two factors theory, the five job characteristics and the cognitive related process theories explain the motivating factors of employees in several contextual situations. Therefore, additional studies are required in these several factors in order to have full picture of how employees are motivated in our country's context and the reward systems that suit the needs of employees. Besides, the management of the organization needs to assess its reward management system so that it might be support to consider the introduction of total reward system approach.

## Chapter Six - Conclusion

### 6.1 Conclusion

The current study indicated that intrinsic and extrinsic rewards are available in Ethiopian Airlines. The rewards in practice, the reward management system and work motivation, are positively and strongly related to each other. However, the moderating effect of reward management system has shown an additional enhancing factor in the motivating power of reward practices on motivation of employees. Employees preferences on the categories of rewards seem to cover the needs of the majority of workers but, considerable part of the employees also favor the opposite of the majority. The intrinsic and extrinsic rewards available in the organization are strongly correlated with motivation of employees, but also intrinsic rewards having stronger relationship with motivation than the extrinsic rewards. The hierarchical multiple regression analysis between rewards in practice and motivation of employees in the presence of reward management system indicated that reward management system has an enhancing effect of on the rewards being provided and the motivation of employees at rate of  $R^2$ -change by 1.9% with statistical significance of  $F(1, 148) = 4.8127$  of  $p = 0.03$ . Generally, the rewards in practice and the reward management system accounted for about 50% predicting power of work motivation.

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**Addis Ababa University**

**School of Commerce**

**Graduate Program in Human Resources Management**

**Appendix-1: Semi-Standardized Interview Questionnaire**

**I. BACKGROUND INFORMATION**

1. Gender (Tick the appropriate one)

a) Female

b) Male

2. Age \_\_\_\_\_

3. Position \_\_\_\_\_

4. How long have you been working for the this organization \_\_\_\_\_

**II. Interview Questions**

1. Could you please introduce the researcher about the Organization in general and the HRM department's activities in particular in relation with Compensation and reward systems? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Do the organization reward its employees? If yes, what are the rewarding systems being used in the organization?  
\_\_\_\_\_  
\_\_\_\_\_

- 
- 
3. What are the categories of rewarding systems employed in your organization in relation to motivating the employees? Financial/Extrinsic versus Non-financial/Intrinsic rewards.

- 
- 
- 
- 
4. Are rewards distributed to individuals, groups or all members of the organization?

- 
- 
5. Could you please explain the frequency/timeframe of rewarding? (How often are employees are rewarded? Yearly, Semi-annual, Quarterly or other/ Please mention.

- 
- 
6. Does employees have their say in developing reward systems in the organization? (That means, Do the employees have an opportunity to influence on the decision making process of the reward system?)

- 
- 
7. On what basis (i.e. the procedues used), does the organization reward employees? Individual or group performance? Total Profit? Individual behavior of employees? Seniority...? Please explain.

---

8. Which reward system do you believe the employees prefer most? Why?

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9. Do you believe the rewards have increased employee motivation? If yes, Why? If no, why not?

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10. If you have any additional comment or suggestion, please forward your comments.

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**Appendix-2: Structured Self-Report Questionnaire**

1. Participant ID

a) No. \_\_\_\_\_ b) Ethnicity \_\_\_\_\_

2. Gender

a) Female  b) Male

3. Age

19-26  27-37  38-48  49-59  Over 59; years old.

3. Educational Background/Level

1-8 (Primary)     
 10-12 (High School)  Vocational     
 1<sup>st</sup> Degree     
 Msc. Degree  PhD. and above

4. How many years have you been working in your current work tasks?

Less than 1 year     
 1-2 years     
 2-5 years     
 5-10 years  
 11-15 years     
 16-20yrs     
 over 20 years

4. Job Title/Task \_\_\_\_\_

5. How many years have you been working in your current work tasks?

Less than 1 year     
 1-2 years     
 2-5 years     
 5-10 years  
 11-15 years     
 16-20yrs     
 over 20 years

Could you answer the questionnaire by rating the following statements by ticking only one appropriate box on the side of each question, where 1= strongly disagree, 2 = Dis-agree, 3 = fair, 4 = Agree, 5 = strongly agree, which best corresponds with your opinion.

<b>Rewards: What is your opinion on the following statements</b>		<b>Rating Scale</b>				
1	I receive Financial reward – Salary	1	2	3	4	5
2	I receive Financial reward - Allowances	1	2	3	4	5
3	I receive Financial reward – Bonuses	1	2	3	4	5
4	The organization covers my medical insurance	1	2	3	4	5
5	I get free plane ticket and low price	1	2	3	4	5
6	I have the access for low price plane ticket as reward	1	2	3	4	5

7	I get free transportation as an incentive	1	2	3	4	5
8	At least I have been promoted once since my recruitment in the organization	1	2	3	4	5
9	The company provides me business card reward	1	2	3	4	5
1	I enjoy the company logo as a motive	1	2	3	4	5
1	I do have parking space privilege	1	2	3	4	5
1	Credit facilitation is available as reward to employees	1	2	3	4	5
1	At least once I received training or career developmentsince my recruitment in *EAL	1	2	3	4	5
1	My superior recognizes my efforts in the work place	1	2	3	4	5
1	I enjoy the good working environment	1	2	3	4	5
1	The company organizes social events for workers outside of the working times	1	2	3	4	5
1	I have good relationship with company employees	1	2	3	4	5
<b>Reward Distribution Justice &amp; Equity:What is your opinion on the following statements</b>		<b>Rating Scale</b>				
1	I believe employees must participate in planning and evaluating of reward systems	1	2	3	4	5
1	I prefer individual rewarding system than group reward systems	1	2	3	4	5
2	I prefer performance (individual) based evaluation and compensation	1	2	3	4	5
2	I I prefer organization based (when all members of EAL are rewarded) rewarding	1	2	3	4	5
2	I believe the reward system in the organization is fairly distributed to all employees	1	2	3	4	5
2	I know how my success was measured fairly	1	2	3	4	5
2	Bonuses should not be part of the company's policy	1	2	3	4	5

2	My boss recognizes the extra effort I put at work	1	2	3	4	5
2	Rewards should be based on performance of individual employee	1	2	3	4	5
2	Managers and Supervisors treat their employees fairly with equity	1	2	3	4	5
2	I think Men and Women are treated equally nevertheless their gender	1	2	3	4	5
2	I feel Men are more privileged than women during evaluation of performance	1	2	3	4	5
3	Managers and Supervisors recognition of employees prioritize men than women	1	2	3	4	5
3	Educational level is the most important factor for evaluation and rewarding	1	2	3	4	5
3	People receive appropriate treatment from their superiors without discrimination	1	2	3	4	5
<b>Work Motivation:What is your opinion on the following statements</b>		<b>Rating Scale</b>				
3	I believe the salary I get equals the mutual expectations of myself and the company	1	2	3	4	5
3	the yearly bonus I get is fair in comparison with my performance	1	2	3	4	5
3	Career development is provided fairly	1	2	3	4	5
3	I feel the job environment is safe and enjoyable	1	2	3	4	5
3	My boss usually recognize my work	1	2	3	4	5
3	My company provides fair promotion opportunities	1	2	3	4	5
3	Promotion should be based on performance	1	2	3	4	5
4	My job is beneficial to my career	1	2	3	4	5
4	My boss allows me to have my ability fully utilize	1	2	3	4	5
4	It's enjoyable to go to work in EAL	1	2	3	4	5
4	My job is routine and I usually feel bored	1	2	3	4	5

4	I have the possibility to be promoted in my work	1	2	3	4	5
4	I like more challenging task at work	1	2	3	4	5
4	I am well aware of the company's comprehensive goals	1	2	3	4	5
4	I am pleased with the working condition	1	2	3	4	5
4	My boss is good in communicating information with employees	1	2	3	4	5
4	It is essential for managers empower employees	1	2	3	4	5
5	The company value my service	1	2	3	4	5

\*EAL – Ethiopian Airlines

***Thank you for Responding and Participation!***

**Appendix-III: Summary of Interview Questions of Three HRM staff from  
Ethiopian Air Lines**

<b>A. Industrial Section Officer</b>	<b>B. Manager HRM and Compensation Officer</b>
1. The EAL is a public enterprise and the	1. The organization has more than 12, 000
<b>2. Reward Systems in EAL</b>	<b>2. Reward Systems in EAL</b>
• Salary	• Salary
• Allowances	• Bonus
• Bonuses	<b>3. Financial Vs Non-financial</b>
• And often Non-monetary rewards	<i>a. Financial</i> – Salary, Bonuses
•	<i>b. Non-financial</i> – None
<b>3. Financial Vs Non-financial</b>	<b>4. Individual, Group or Organization wise</b>
<i>a. Financial</i> – Salary, Allowances,	• Individual
<i>b. Non-financial</i> – Ticket, medical, free	<b>5. Frequency of Rewards</b>
<b>4. Individual, Group or Organization</b>	• Once in a year
All – according to their profession and	<b>6. Employees' part. In rewards decision making</b>
<b>5. Frequency of Rewards</b>	• None
• Monthly &	• But complaints & suggestions of employees are
• Yearly	<b>7. Individual vs Group/ performance or total</b>
<b>6. Employees' part. in rewards decision</b>	• Individual Performance based rewards
• None	• No reason
<b>7. Individual vs Group/ performance or</b>	<b>8. Preference of rewards by Employees</b>
• Performance and productivity based	• Prefer group performance b/s it hides poor
<b>8. Preference of rewards by Employees</b>	<b>9. Motivating capacity of rewards</b>
• Performance based rewards	• Yes
• No reason	• b/s high performers keep on being creative and
<b>9. Motivating capacity of rewards</b>	<b>C. Supervisor in Comp. Section</b>
• Yes	1. The organization is vertical system and the
• b/s there is a system that aims to	<b>2. Reward Systems in EAL</b>
•	• Salary
• Allowances	•
• Per diem	•
• Annual Salary Increase	•
• Fringe benefits such as free and low	•
<b>3. Financial Vs Non-financial</b>	<b>4.</b>
• <i>Financial</i> – Salary, Allowances,	•
• <i>Non-financial</i> – free and low price	•
<i>c. Work-Environment- business card,</i>	<i>d.</i>
<b>5. Individual, Group or Organization</b>	<b>6.</b>
• Mostly Individual.	•
• But groups also get recognition	•
<b>7. Frequency of Rewards</b>	<b>8.</b>
• Salary – Monthly	•

• And Bonuses once in a year	•
<b>9. Individual vs Group/ performance or</b>	<b>10.</b>
• None	•
• b/s rewards are fixed	•
<b>11. Preference of rewards by Employees</b>	<b>12.</b>
• Individual Performance based	•
• And Seniority	•
<b>13. Preference of rewards by Employees</b>	<b>14.</b>
• Individual	•
• b/s individual strength, quality &	•
<b>15. Motivating capacity of rewards</b>	<b>16.</b>
• <b>Yes</b> , b/s employees perform to	•
• if rewards increased their	•