



Addis Ababa University
School of Commerce

**The Effect of Reward Practices on Employees' Motivation:
The Case of Awash Insurance Company S.C.**

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

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DECLARATION

I, the undersigned, declare that this thesis paper entitled – “The Effect of Reward Practices on Employees’ Motivation at Awash Insurance Company S.C.” is my original work, prepared under the guidance of my advisor Dr. Worku Mekonnen. To the best of my knowledge, all sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Declared by: Rahel Melaku

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CERTIFICATION

Addis Ababa University School of Commerce

Postgraduate Program

This is to certify that the thesis prepared by Rahel Melaku, entitled, “The Effect of Reward Practices on Employees' Motivation” is submitted in partial fulfillment of the requirement for the degree of Masters of Human Resource Management complies with regulation of the University and meets the accepted standard with respect to originality and quality.

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Chair of Department or Graduate Program Coordinator

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Glory to Almighty God!

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ABSTRACT

The general objective of the study was to determine the effect of reward practices on employees' motivation at Awash Insurance Company S.C. (AIC). This study was guided by three research objectives namely: assessing employees' perceptions towards reward practices at their organization, determining the relationship between rewards and employees' motivation and establishing the extent to which rewards can affect employees' motivation at AIC. The study used both descriptive and inferential research design. A sample of one hundred twenty seven participants was selected out of the population of four hundred sixty eight employees using stratified sampling technique. This represented a 27% sample of the whole population. A structured Likert scale questionnaire was used to collect data from the respondents. The data was analyzed using the Statistical Package for Social Sciences (SPSS) Version 20. The result of correlation analysis evidenced that both financial and non-financial rewards treated in this study have a strong relationship with employees' motivation. Furthermore, the model summary of regression revealed that Recognition, the Work itself, Merit Payment and Performance Based Bonus have significantly influenced employees' motivation. The study recommends that the management of AIC needs to carefully survey employees' needs, before designing any reward policy, in order to address the most valued employees' needs and implement accordingly. With respect to promotion, it requires re-examining the existing promotion practices and makes the process free from bias. As the findings of the study indicated that the greater significance of performance based payments on improving employees' motivation, implementing more individual rewards which are linked to employees' performance might help the Company to encourage employees to perform better. Furthermore, in order to link the payment system with employees' performance, the management needs to have specific, unbiased and measurable targets that can be expressed in quantifiable terms, so as to evaluate the employees' performance in a tangible way.

Key words: Employees' Motivation, Financial Rewards, Nonfinancial Rewards.

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LIST OF ACRONYMS

AIC	Awash Insurance Company
ANOVA	Analysis of Variance
HR	Human Resource
HRM	Human Resource Management
PBP	Performance Based Pay
SPSS	Statistical Package for Social Science

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Global competition, rapid technological advancement, and dramatically shifting demographics are challenges encouraging public and private organizations to consider people as their most valuable resource (Miracle, 2004). According to Armstrong (2006), every organization can have pretty much the same kind of resources such as land, buildings, materials, equipment, and finance to work with, but the only element that differentiates between business organizations is the HR factor. As Armstrong further specified, one of the keys to competitive advantage is the ability to differentiate what the business supplies to its customers from what is supplied by its competitors. Such differentiation can be achieved by having HR strategies that ensure the firm has more qualified people than its competitors.

An important point that needs to be noted with this regard is that it is the motivated workforce that determines the success of an organization. This statement conforms to Lawler's (2003) view on people's need for both motivation and ability to be effective at work. On the other hand, as stated by Jennifer and George (2006), even with appropriate strategies and administrative structures in place an organization can only be productive if its employees are sufficiently motivated to perform at higher levels. In properly structured organizations with plausible strategies but not embracing appropriate employees' motivation schemes, even those employees with expertise, knowledge and skills will not do well. This implies that even in the right organizational structure and with the required qualifications and experience, poorly motivated employees might lead the business organizations to lower productivity and reduced profits. Conversely, when employees are motivated and do their work with passion, enthusiasm and high commitment, the business will grow significantly and continuously. Due to this fact, these days, all organizations are concerned with what should be done to achieve sustained high levels of performance through people.

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According to Armstrong (2007), people are motivated when they expect that a course of action is likely to lead them to the attainment of a goal, i.e., a valued reward that satisfies their particular needs. As Armstrong further elaborates, one of the most fundamental concerns of Reward Management is how high levels of performance can be achieved by motivating people. Because, reward plays a vital role in determining the significant performance in job, and, it is positively associated with the process of motivation.

As stated by Lawler (2003), there are two factors which determine how much a reward is attractive; the first one is the amount of reward and the second is the weightage an individual gives to that specific reward. This implies that managers need to pay a great attention to examine how and which rewards are perceived as 'motivating' by their employees. According to Tesone (2005), the awareness of employee motivational priorities could enhance a manager's ability to positively influence members of the workforce.

Employees' motivation is depending on the perceived feeling of being fairly rewarded for one's skills, knowledge and contribution. Any reward practice that is not valued by employees and fails to provide a motivating effect to a greater performance might be considered as an ineffective reward system (Relliy, 2009). Thus, it should be noted that if there is negative perception towards the reward system, ultimately, it might result undesirable level of employees' performance, losing valuable employees and make the organization incompetent in attracting potential top talents. This implies that, the way people are treated increasingly determines whether an organization will prosper or even survive.

In light of the realities raised by different authors as mentioned above, the purpose of this study is to investigate the effect of reward practices on employees' motivation, in the case of Awash Insurance Company S.C.

1.2. Statement of the Problem

According to the Annual Report of National Bank of Ethiopia (2017-18), insurance companies, banks and microfinance institutions are the major financial institutions operating in Ethiopia. As stated on the report, nowadays, the Ethiopian financial sector has remained safe, sound, well capitalized and profitable. Thus, in this profitable industry, it is obvious that companies seek to acquire highly qualified employees, so as to stay profitable in the industry. However, as discussed above in the background of the study, acquiring of highly qualified employees may not by itself guarantee organizational success, as motivation level of employees play its own crucial role in achieving organizational goals.

As an employee working in the financial sector, the researcher observed that most of the banks and insurance companies located in the city of Addis Ababa are employing various reward practices with an aim of motivating their employees to the greater performance and retaining them as well. As it is noted from the Benefits Manual of Awash Insurance S.C., there are various benefits which are currently provided to employees, such as life insurance, medical assistance (including family), tuition assistance, corporate discount (50% discount on insurance premium for their private vehicles), long term staff loan (interest free), housing allowance, fuel allowance, funeral service fee and the like.

Additionally, out of the financial rewards adopted by Awash Insurance Company S.C., Performance Based Bonus and Merit Pay are included. Nowadays, linking payment to performance is considered as one way to motivate employees. The rationale behind this practice is that performance based reward can lead to improved employees' motivation which in turn increase level of performance and allow an organization to achieve higher levels of output. However, in order to link the payment system with employees' performance, companies need to have a measurable and controllable performance targets to their objectives.

Furthermore, the researcher reviewed the 'five years HR Progress Report' of Awash Insurance S.C., with an effort of getting a practical insight regarding the current status of

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human resource in the Company. According to the annual HR progress reports, 66 employees resigned in the fiscal year of 2011/12, 49 employees resigned in 2012/13, 87 employees resigned in 2013/14, 63 employees resigned in 2014/15, 58 employees resigned in 2015/16, 76 employees resigned in 2016/17 and 31 employees resigned in 2017/18. This implies that there is high employees' turnover in the Company.

The reason for the rise of employee turnover, as per some of the exit interview reports, which the researcher had the privilege to go through, were a number of factors, including the company's failure to address issues related with the reward practices. It was also recognized that most of the employees, who resigned from this Company at their own will, are those who had worked below two years. Consequently, the researcher had conducted informal discussions with some employees of the company, in an effort to find out the reason behind the high staff turnover. As a result, employees that the researcher conversed with, have vented out, most of the benefits provided by the Company will be practical for those employees who had served the Company above three years; and it is assumed that this might be one of the reasons why those fresh employees may not hesitate to leave the Company, as soon as they get a better offer from other similar companies in the sector.

Further, the researcher is also informed that there is relatively weaker motivation, from some employees' side towards exhibiting better performance, as they have some doubts on the fairness of the existing reward practices. Particularly, some employees have doubts on the proper practicality of performance based bonus, merit payment and promotion opportunities, as they feel it is subject to management bias, which potentially lead the employees towards losing trust on the company.

As the contemporary workforce is exposed to different sources of data concerning the existing reward practices currently in place in the industry, it will be essential to assess how the reward practices are practically applied in the corresponding labor market, so as to ensure that employees are treated equitably. Besides, as discussed above in the background of the study, it is also important to evaluate the employees' perception towards the prevailing

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reward practices currently adopted in the Company, in order to verify that whether the reward scheme is, indeed, valued by the respective employees.

Therefore, the stated problems initiated the researcher to further investigate employees' perception towards the prevailing reward practices of Awash Insurance Company S.C.; and to examine its effect on employees' motivation, in light of recognizing whether there is a relationship between the reward practices and motivation level of employees at their job. Therefore, the present study is targeted to answer the following basic questions:

1.3. Basic Research Questions

- 1.3.1. How do employees perceive the existing reward practices of Awash Insurance Company S.C.?
- 1.3.2. Is there any relationship between rewards and employees' motivation?
- 1.3.3. To what extent rewards influence the level of employees' motivation?

1.4. Research Objectives

1.4.1. General Objective of the Study

The general objective of this research is to investigate the effect of reward practices on motivation of employees working in Awash Insurance Company S.C.

1.4.2. Specific Objectives of the Study

- 1.4.2.1. To evaluate employees' perception towards the existing reward practices of Awash Insurance Company S.C.,
- 1.4.2.2. To examine the relationship between rewards and employees' motivation, and
- 1.4.2.3. To evaluate the effect of rewards on employees' motivation.

1.5. Research Hypothesis

The hypotheses of the study were the following:

- 1.5.1. Base Pay has significant effect on employees' motivation.
- 1.5.2. Performance Based Bonus has significant effect on employees' motivation.
- 1.5.3. Merit Pay has significant effect on employees' motivation.
- 1.5.4. Promotion has significant effect on employees' motivation.
- 1.5.5. Recognition has significant effect on employees' motivation.
- 1.5.6. Working Environment has significant effect on employees' motivation.
- 1.5.7. The Work itself has significant effect on employees' motivation.

1.6. Significance of the Study

Contribution of this study is believed to appear in following ways: Primarily, it would help policy makers of the company to have a practical awareness about employees' perception, so as to distinguish the most motivating factors; and make the necessary improvements accordingly. In addition, it might be a valuable reference material for the students and other interested parties who may want to undertake similar study.

1.7. Scope and Limitation of the Study

Due to time and other constraints, the scope of the study was delimited in three ways, i.e., geographically, conceptually, and methodologically.

Geographical Scope: - This study focused on employees working in the head quarter of AIC and four branches located in the city of Addis Ababa.

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Conceptual Scope: - Though the reward management is a very wide concept, this study tried to address only some factors of financial and non-financial rewards affecting employees' motivation in the work place. Thus, among many types of financial rewards, this study focused only on four elements, i.e., Basic Salary, Performance Based Bonus, Merit Pay and Promotion. Besides, among various types of nonfinancial rewards, the focus of this study was on the effect of Recognition, Working environment and the Work itself on employees' motivation. These variables were selected with the assumption that they would have greater effect on employees' motivation.

Methodological Scope: - the study followed quantitative research approach. The primary data were collected through structured questionnaire.

1.8. Definition of Basic Terms

Reward - The term Reward refers to all forms financial returns and tangible services and benefits employees receive as part of an employment relationship. As stated by Armstrong (2010), reward doesn't just concern pay/benefits only, but also a wide range of other non-financial benefits such as recognition, learning and development amongst others.

Work Motivation – According to Cartwright (2005), 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. It 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.

1.9. Organization of the Thesis

This study is organized in five chapters. Chapter one introduced the background of the study, problem statement, research questions, research objectives, significance of the study, scope and limitation of the study, and also definitions of basic terms. The second chapter presented the theoretical review of related topics, empirical review of literatures related to the topic and the conceptual framework which tried to indicate how the particular variables in the study connect with each other. This was done in order to form substantial basis for the analysis of the findings and possible conclusions. Chapter three is comprised of research methodology and design that describes the type and design of the research; the target population and sampling techniques of the study; data collection instruments and procedures used to collect data and the methods of data analysis. The fourth chapter deals with data analysis, presentation and interpretation. Finally, in the fifth chapter summary of the findings, conclusion and recommendation will be presented.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

In this chapter, literature in the area of reward practices and employees' motivation has been reviewed. The chapter begins with a review of important concepts regarding motivation. Then, essential concepts of financial and non-financial rewards that determine employees' motivation at the workplace were reviewed. Further, empirical and theoretical studies conducted in the area were reviewed. Finally, this chapter ended up with the presentation of a conceptual framework that attempts to determine the effect of reward practices (both financial and non-financial rewards) on employees' motivation.

2.2. Theoretical Reviews

2.2.1. The Concept of Motivation

Jennifer and George (2006) defined motivation, as a mental force that governs the direction of individuals' behavior in an organization, their level of effort and determination when faced with obstacles. According to Armstrong (2006), motivation is concerned with the factors that influence people to behave in certain ways. Hence, motivating people is about getting them to move in the direction we want them to go in order to achieve a result. In other words individuals must be sufficiently stimulated and have a clear focus on what is to be achieved, and must be willing to commit their energy for a long period of time to realize their aim in order to achieve goals. Motivation is the force that stimulates behavior, provides direction to behavior, and underlies the tendency to succeed. It is an internal drive to satisfy an unsatisfied need and to achieve a certain goal. Hence, strongest motivator can be something that people value, but lack (Wiley, 1997).

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Rewards provide recognition to people for their achievements and contribution. If rewards are worth having and attainable and people know how they can attain them, they can act as motivators (Armstrong, 2007). Therefore, as stated by Lawler (2003), a truly motivational reward system must be designed with a few parameters in mind, i.e., it must motivate employees to perform through valued and truly sufficient rewards; provide employees with a clear line of sight; give them the power to influence their performance, and deliver on its promise.

2.2.2. Types of Motivation

According to Armstrong (2010), motivation can be categorized in to two types: extrinsic motivation and intrinsic motivation.

Extrinsic motivation occurs when things are done to or for people to motivate them. These include rewards, such as incentives, increased pay, praise or promotion, and also punishments, such as disciplinary action, withholding pay, or criticism.

Intrinsic motivation is provided by the work itself. For example one can feel that his work is important and feel responsibility; then he feels that he can develop skills and abilities that can have opportunities for advancement. This intrinsic motivation tend to have better effect in the long run as the motivation come from inside and is not created or forced from outside. Among the factors that may create intrinsic motivation; belongingness, learning opportunities and meaningful job are included.

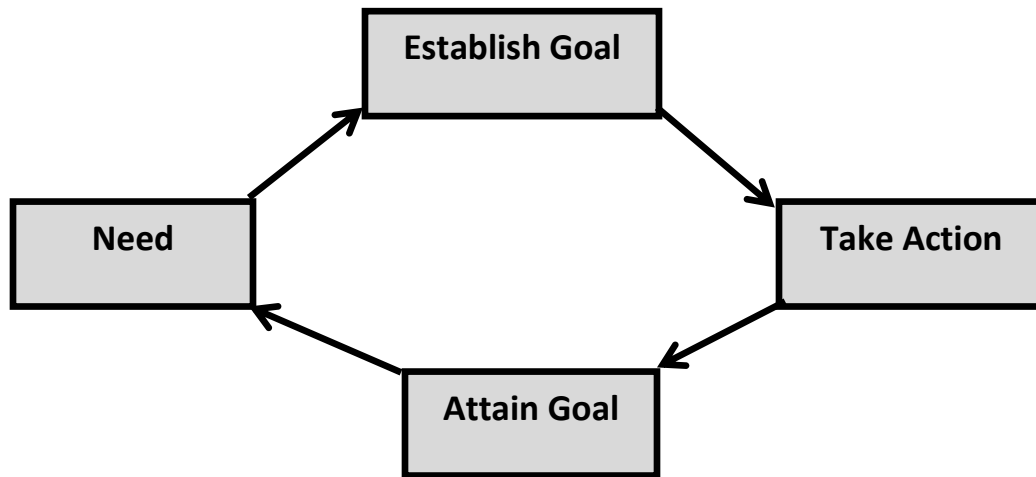
According to Armstrong, extrinsic motivators can have an immediate and powerful effect, but it will not necessarily last long. But it should not be assumed that intrinsic motivation is good and extrinsic motivation is bad. They both have their own part to play.

2.2.3. Motivation Theories

According to Armstrong (2010), motivation theories explain how motivation works and the factors that determine its strength. It deals with how financial and non-financial rewards affect the motivation to work and levels of performance, what creates job satisfaction, and

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the link between job satisfaction and performance. Therefore, it influences decisions on how people should be valued, the choice and design of financial rewards and the use of non-financial rewards as well. Motivation theory tries to explain why people at work behave the way they do in terms of their efforts and strive for achievement. The process of motivation can be shown as follows:



*Figure 2.1.: The Motivation Model which shows how Motivation works
(Armstrong, 2007)*

According to Armstrong (2007), this model suggests that the process of motivation is initiated by the conscious or unconscious recognition of unsatisfied needs. These needs create wants, which are desires to achieve or attain something. Goals are then established to satisfy these needs and a behavior pathway is selected to achieve the goal. If the goal is achieved, and the need is satisfied, the behavior is likely to be repeated in the next time, if similar need emerges. Conversely, if the goal is not achieved, the same action is less likely to be repeated. However, as some needs are satisfied new needs emerge and the process continues.

2.2.3.1. Need-Based Theories of Motivation

Need-based theories of motivation explain how employees are motivated according to Maslow's hierarchy of needs, explain how the ERG (existence, relatedness, growth) theory addresses the limitations of Maslow's hierarchy, define need for achievement, power, and affiliation, and identify how these acquired needs affect work behavior, and describe the differences among factors contributing to employee motivation and how these differ from factors contributing to dissatisfaction.

According to Armstrong (2007), the basis of this theory is the belief that an unsatisfied need creates tension and disequilibrium. To restore the balance a goal is identified that will satisfy the need, and a behavior pathway is selected that will lead to the achievement of the goal. All behavior is therefore motivated by unsatisfied needs.

Maslow's hierarchy of needs

Maslow's hierarchy of needs (1954) is a relevant theory which states that we as humans not only have a need for food, safety and human communion, but also want to feel needed and have responsibility of what we do and achieve. When the needs of one level are met, the focus moves on to a higher level. According to Maslow, an unfulfilled need is what motivates individual, and, after one need is fulfilled, that factor no longer motivates the individual.

As it is explained by Maslow's hierarchy of needs, human beings have various needs which can be categorized in five groups as follows:

Physiological needs: These are the basic needs, such as food, water, air, and all other things that are necessary for the survival. In order to enhance workplace motivation by achieving the target of fulfilling the needs of employee, give proper breaks for lunch, and offer such salary to employees that enable them to buy basic needs of life.

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Security needs: these include security needs regarding the physical environment, living in a safe area, medical insurance, job security. These needs can simply be fulfilled by giving all these securities to employees.

Belongingness needs: these include friendship's trust and satisfaction, feeling right in a group, giving and receiving care and love. Such needs can be achieved by generating a feeling of acceptance.

Esteem needs: these include recognition, attention, social status, accomplishment, self-respect. Such needs can be achieved by recognizing the achievements of the employees, by assigning them some projects, make them feel important and valued asset for organization.

Self-actualization needs: these include one's own potential, creative capabilities etc. It can be achieved by offering challenging and meaningful work assignments which enable innovation, creativity, and progress according to long-term goals.

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. Among the limitations of the theory; it lacks 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).

Not all needs are equally important to a person at any one time. Some may constitute a more powerful drive towards a goal than others, depending on the individual's background and situation. Complexity is increased because there is no simple relationship between needs and goals. The same need could be satisfied by a number of different goals. At the same time, one goal may satisfy a number of needs (Armstrong, 2007)

Alderfer's ERG theory of needs

A modified version of Maslow's need theory is Alderfer's ERG theory of needs which is proposed by proposed by Clayton Alderfer. ERG needs theory reduces the five hierarchal needs into three needs that Existence, Relatedness and Growth (ERG).

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Existence needs are comparable to the physiological and safety needs in Maslow's theory. It relates to tangible goals such as being able to buy food and pay for shelter (Schultz, 1982).

Relatedness needs are concerned with the interaction and social encounters with other individuals which represent the need for acknowledgement. These needs are interpersonal and social affiliation needs equivalent to the social needs of the hierarchies. Employers can meet this need in the workplace through support, respect and recognition (Schultz, 1982).

Growth needs are focused on the requirement of personal growth and development. Similar to the esteem and self-actualization aspect of Maslow this need can only be fulfilled if people are given opportunities to realize their potential. In terms of this motivation theory, a job can provide satisfaction if it involves challenge, autonomy, and creativity (Schultz, 1982).

What sets the ERG theory and Maslow's theory apart is the issue that while Maslow demonstrates a more rigid approach in that in order to motivate an individual one must follow the hierarchy in terms of the stages, while, the ERG theory is more flexible in nature. According to Alderfer, an individual can work on growth needs even if that individuals need for relatedness or existence remains unsatisfied.

In the workplace it is important for managers to note that their employees are going to have needs that must be met in order for them to work to the best of their potential. According to the ERG theory if the manager solely focuses on one need at a time then this will not effectively motivate that individual. A particular aspect of the ERG theory that managers should be familiar with is the issue of frustration. If an individual is not given the growth opportunities in the organization then this may result in the reverse of relatedness needs such as socializing needs.

As a conclusion, 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 (Shields, 2007). However, unlike Maslow's strict ordered needs, Alderfer argues that once the lower needs are satisfied can reactivate in cases where higher needs are not achievable a phenomenon he called it regression-frustration. This phenomenon is created as a result of contextual and environmental factors that result negative motivation and restrict development and growth of individuals.

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McClelland's Theory of Needs

David McClelland (1988) developed a theory on three types of motivating needs. These are need for power, need for affiliation and need for achievement. Basically people for high need for power are inclined towards influence and control. They like to be at the center and are good orators. They are demanding in nature, forceful in manners and ambitious in life. They can be motivated to perform if they are given key positions or power positions (Cole 2003).

In the second category are the people who are social in nature. They try to affiliate themselves with individuals and groups. They are driven by love and faith. They like to build a friendly environment around themselves. Social recognition and affiliation with others provide them motivation.

People in the third category are driven by the challenge of success and the fear of failure. Their need for achievement is moderate and they set for themselves moderately difficult tasks. They are analytical in nature and take calculated risks. Such people are motivated to perform when they see at least some chances of success.

McClelland observed that with the advancement in hierarchy the need for power and achievement increased rather than Affiliation. He also observed that people who were at the top, later ceased to be motivated by these drives (Cole, 2003).

Herzberg's two-factor theory

Frederick Herzberg (1959) had tried to modify Maslow's need Hierarchy theory. His theory is also known as Two-factor theory or Hygiene theory. In this theory, there are two groups of factors. The first consists of the satisfiers or motivators, which are intrinsic to the job. These include achievement, recognition, the work itself, responsibility and growth. The second group comprises what Herzberg calls the 'dissatisfaction avoidance' or 'hygiene' factors, which are extrinsic to the job and include pay, company policy and administration, personal relations, status and security. These cannot create satisfaction but, unless preventive action is taken, they can cause dissatisfaction. He also noted that any feeling of satisfaction resulting from pay increases was likely to be short-lived compared with the long-lasting satisfaction

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from the work itself. In other words, intrinsic factors are related to job satisfaction, while extrinsic factors are associated with dissatisfaction.

The opposite of satisfaction is not dissatisfaction. Thus, removing dissatisfying characteristics from a job does not necessarily make the job satisfying. The presence of certain factors in the organization is natural and the presence of the same does not lead to motivation. However, their non-presence leads to de-motivation. In similar manner there are certain factors, the absence of which causes no dissatisfaction, but their presence has motivational impact (Cole, 2003).

2.2.3.2. Process or Cognitive Theories

As stated by Armstrong (2007), these theories are known as process theories because they describe the psychological processes or forces that affect motivation, as well as basic needs. The term 'cognitive theory' is used because it refers to people's perception of their working environment and the ways in which they interpret and understand it. Process theory can be more useful to managers than needs theory because it provides more realistic guidance on motivation techniques. The processes covered by the most relevant theories are: Expectations (Expectancy Theory), Goal achievement (Goal Theory) and Feelings about equity (Equity Theory).

Expectancy Theory

Expectancy theory was developed by Canadian professor of psychology, Victor Vroom, in 1964. This theory is about work motivation that focuses on how workers make choices among alternative behaviors and level of efforts. It tries to explain how and why people choose a particular behavior over an alternative. The theory argues that the strength of a tendency to act in a specific way depends on the strength of an expectation that the act will be followed by a given outcome; and on the attractiveness of that outcome to the individual to make this simple. Expectancy theory says that an employee can be motivated to perform better when there is a belief that the better performance will lead to good performance appraisal and that this shall result into realization of personal goal in the form of some reward.

Goal Theory

Goal theory as originated by Latham and Locke (1991) stated that people perform better when they have specific and challenging but reachable goals. This theory is based on the notion that individuals sometimes have a drive to reach a clearly defined end state. Often, this end state is a reward in itself. A goal's efficiency is affected by three features: proximity, difficulty and specificity.

Acceptance of goals is achieved when people perceive the goals as fair and reasonable and trust their managers; when there are arrangements for individuals to participate in goal setting; when support is provided by the supervisor; when people are provided with the resources required to achieve their goals and when success is achieved in reaching goals that reinforces acceptance of future goals.

According to Locke and Latham (1991), specific and challenging goals lead to higher performance than no goals or generalized goals, such as 'try your best'. Also people who participate in setting their own goals are likely to set more difficult goals than others will set for them, and goal difficulty leads to increased commitment to achieving the goals. Instead of giving vague tasks to people, specific and pronounced objectives help in achieving them faster.

Equity Theory

Equity theory as described by Adams (1965) states that people will be better motivated if they are treated equitably and demotivated if they are treated inequitably. It is concerned with people's perceptions of how they are being treated in relation to others. If people feel that they are not equally rewarded they either reduce the quantity or quality of work or migrate to some other organization (Reiss, 2004).

2.2.4. The Concept of Rewards

According to Armstrong (2010), reward is one of the important elements of human resource management to motivate employees for contributing their best effort to generate innovative ideas that lead to better business functionality and further improve company performance. Reward is an essential tool to coordinate, communicate and reinforce the organizational goal; because it incentivizes staffs to achieve objectives and apply required capabilities and skills that supporting them. The term reward is not only referring to compensating people for their time at work but also aiming more on improving the performance of the individuals as well as that of the organization.

Reward practice is being adopted by all types of organizations (public or private, governmental or nongovernmental, profit-making or charitable) in order to compete for scarce talents and human capital. According to Wilson (2003), rewards and their purpose as including systems influence the actions of people. The purpose of reward systems is to provide a systematic way to deliver positive consequences and its fundamental purpose is to provide positive consequences for contributions to desired performance.

2.2.5. Reward System

A good reward system should be able to satisfy to the human needs of the employees so that they have some value for it. It should be perceived as being a fair compensation for the amount of contribution made. The rewards system should also be able to meet the minimum standards set by the government so that it has no legal loopholes in it. In addition to this, the system should be cost effective and should be evaluated that whether that investment made in the form of rewards is generating the required return in terms of performance. Besides, the rewards system should be able to support the corporate as well as business objectives of the company (Shields, 2007).

According to Armstrong (2007) the reward system has various elements which are interrelated to each other. These are reward strategies, reward policies, reward practices, reward processes and reward procedures.

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Reward strategies, which set out what the organization intends to do in the longer term to develop and implement reward policies, practices, processes and procedures that will further the achievement of its business goals. For example, an organization may have a strategy to maintain competitive rates of pay.

Reward policies, which set specific guidelines for decision making and action. They indicate what the organization and its management are expected to do about managing reward and how they will behave in given circumstances when dealing with reward issues. They can be distinguished from guiding principles, which usually express a more generalized philosophy. For example, an organization may have a policy that sets the levels of pay in the organization compared with median market rates.

Reward practices, which consist of the grade and pay structures, techniques such as job evaluation, and schemes such as contingent pay used to implement reward strategy and policy. For example, the policy on pay levels will lead to the practice of collecting and analyzing market rate data, and making pay adjustments that reflect market rates of increase.

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

Reward procedures, which are operated in order to maintain the system and to ensure that it operates efficiently and flexibly and provides value for money. For example, a procedure will be used for conducting the annual pay review.

2.2.6. Reward Management

One major area of the Human Resource Management function of particular relevance to the effective use of human resources is Reward Management. The concept of reward management has been discussed by various academicians and numerous authors have defined reward management. Among various definitions, Armstrong and Murlis (2004) defined Reward Management as the process of formulating and implementation of strategies and policies that aim to reward people fairly, equitably and constantly in accordance with their

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value to the organization. It also deals with the design, implementation and maintain of reward processes and practices that are geared towards the improvement of organizational, team and individual performance. As Armstrong (2010) stated again, Reward Management deals with the strategies, policies and processes required to ensure that the value of people and the contribution they make to achieving organization, departmental and team goals is recognized and rewarded. It is more concerned with people (employee) and the value they create in the organization. In this regard, reward management can be considered as one of the motivational tools which can help in encouraging employees on the efforts contributed to the organization.

According to Armstrong (2007), Reward management is based on a well-articulated philosophy – a set of beliefs and guiding principles that are consistent with the values of the organization and help to enact them. As Armstrong further elaborates, Reward philosophy recognizes that, if human resource management (HRM) is about investing in human capital from which a reasonable return is required, then it is proper to reward people differentially according to their contribution (i.e., the return on investment they generate). The philosophy of reward management also recognizes that it must be strategic in the sense that it addresses longer-term issues relating to how people should be valued for what they do and what they achieve.

According to Armstrong (2008), it is critical to link reward schemes to overall business strategy of a company. As Armstrong further stated, in order to be effective, an organization's HR policies must be consistent with the organization's strategy. This can be described as 'vertical fit' or vertical integration. In order to do this, managers should identify the direction on which to take the company forward and communicate the desired action on how to get there. As an example, if a company wants to increase its market share, then the reward scheme needs to focus on rewarding employees who will bring in new customers. This will motivate them to contribute their best for increasing the company's market share. As stated by Armstrong (2007), the strategic alignment of reward practices ensures that reward initiatives are planned by reference to the requirements of the business strategy and are designed to support the achievement of business goals. Besides, the formulation of

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reward strategy and the design of the reward system should be based on an understanding of the objectives of reward management and should be developed to achieve that purpose.

2.2.7. Integration of Reward Management and Performance Management

According to Armstrong (2008), Reward management adopts a 'total reward' approach, which emphasizes the importance of considering all aspects of reward as a coherent whole that is linked to other HR initiatives designed to achieve the motivation, commitment, engagement and development of employees. This requires the integration of reward strategies with other HRM strategies, including performance management, talent management, training and development. Besides, the importance of coordination or congruence among various human resource management practices through a pattern of planned actions needs to be considered in order to function successfully. In other words, individual HR strategies should cohere by being linked to each other to provide mutual support (horizontal integration).

Wilson (1994) stated that the performance management process is one of the primary elements of the total reward system. According to Armstrong (2010), Performance Management is a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a continuous process of identifying, measuring, and developing the performance of individuals and teams. As Armstrong further explained it is means of getting better results by understanding and managing performance within an agreed framework of planned goals, standard and competency requirements. Therefore, the management of the organization is supposed to make sure that the tasks are performed as planned accordingly; and this could be realized through performance appraisal tools. According to Armstrong (2006), performance appraisal can be defined as the formal assessment and rating of individuals by their managers at, usually, an annual review meeting. It is the process of evaluating how well employees perform their jobs when compared to a set of standards, and then communicating that information to those employees.

Therefore, to implement performance based reward system effectively and efficiently, the two processes, reward management and performance management should be handled together as an integrated system and should also function well.

2.2.8. Types of Rewards

Different authors agree on the classification of total reward in to two broad categories. However the naming differs from author to author with similar connotation. To mention some of the classifications: - financial and non-financial; monetary and non-monetary; extrinsic and intrinsic; tangible and intangible, transactional and relational etc. Regardless of the minor difference, all categories discuss about the same thing.

Likewise, Armstrong (2010) categorized rewards broadly as financial and non-financial rewards. Financial rewards comprise all rewards that have a monetary value and add up to total remuneration. Among the financial rewards base pay, merit pay, bonus, overtime payment, provident fund, loan, medical assistance, educational support, insurance plan and allowances are included. On the other side, non-financial rewards are those which do not involve any financial payments to employees. Armstrong (2009) described nonfinancial rewards as they often arise from the work itself. Among various non-financial rewards, recognition, achievement, training, career development opportunities, quality of work life, work autonomy, high quality leadership, and flexible working hours are included.

According to Armstrong and Murlis (2004), adopting financial rewards only in organizations as a means of motivating employees; may not be viable tactic as financial rewards can be easily replicated. In this regard, as compared to financial rewards, non-financial rewards are more difficult to imitate by other organizations as their motivation effect is intrinsic. A company's commitment to a total rewards system is a sign that indicates it has recognized employees as its most important resource.

2.2.9. Performance Based Rewards

According to Armstrong, (2009), paying for performance is the process of providing a financial reward to an individual, which is linked directly to individual, group and organizational performance.

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Multiple types of performance based reward schemes are used by various companies to motivate their employees so as to increase their level of performance. Among them, variable pay can play a crucial role in boosting the performance of the employees. Other reward practices may also take the forms of gain sharing, profit sharing, merit pay scheme, bonuses, team based incentives, and equity based incentive awards.

Gain-Sharing Scheme: Under this system, firms try to accumulate savings by altering the work practices and this is based on the method of rewards calculated by measuring performance (Singh, 2012). As Singh further elaborates most gain sharing schemes require an explicit formula and the measures selected to calculate the amount must be employee oriented. In other words employees have to know clearly how the gain sharing scheme is working.

Profit-Sharing Scheme: is organization profits that are given to all employees in that organization and is distributed based on their performance in the organization and this can be identified as reward outstanding performance (Oyira Emilia James, 2015). This system is based on the performance of a company and facilitates the workers to contribute to the prosperity and achievement of the business. A certain ratio of the company's revenue is apportioned and reimbursed to the employees across the organization as a bonus payment. Occasionally, profit-sharing assumes the form of shares instead of cash, where the workers can purchase shares of the business at the preferential prices. The plan usually grants the employees an opportunity to become the partial owners of the company, whereby they earn a constant income paid out on the shares in the form of dividends (Abdulsalam Aljumah, 2015).

Bonus Pay Scheme: Armstrong (2010) defined Bonus schemes provide cash payments to employees that are related to the performance of their organization, their team or themselves, or a combination of two or more of these. Bonuses are often referred to as 'variable pay' or 'pay-at-risk'.

Merit Pay Scheme: is a form of reward in which individuals receive permanent pay increases as a function of their individual performance ratings. It is a salary increase to an

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individual for better performance; it goes toward increasing one's base salary (Dessler, 2008). Similar to merit pay, bonus pay is usually awarded annually, based on yearly performance. Unlike merit pay, bonus pay is not added to the base salary. It is typically a cash lump sum payment paid in addition to the employees' base salary, contingent upon the achievement of specified levels of performance under performance criteria during a performance period.

Equity Based Intensive Awards: are stock options, restricted stock, restricted stock units, performance vesting stock, performance stock units, and any other award granted by the Company, which derives its value based upon the Common Stock, regardless whether such award is ultimately intended to be settled in stock or cash.

Commission: This is a plan that involves payment on sales which is given to sales advocates or sales agents stationed in the company's retail stores. The additional funds for workers eligible for a commission involve a direct payment that depends on sales performance (Singh, 2012). It includes payment of as a percentage of total sales made by the sales advocate, and the amount is generally paid to workers in addition to an agreed base pay. This ratio may differ depending on quantity, rewarding topmost achievers at a higher value when sales rise beyond a predetermined threshold.

2.3. Empirical Reviews

A number of studies have been conducted on evaluating the relationship between rewards and employee motivation and there exist a large number of studies in the literature describing effect of reward on employee motivation. Among those studies, we can site a research by Puwanenthiren Pratheepkanth (2011) under the title *'Reward System and its impact on Employee Motivation in Commercial Bank of Sri Lanka Plc, In Jaffna District'*. Based on the findings, the study revealed that there is a positive relationship between total rewards system and employees' motivation, and this relationship has its own effect on employees' consistency in achieving higher performance, increased cooperation among the staffs, employees' willingness to accept a challenging work and increased responsibility.

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2.3.1. The Effect of Base Pay on Employees' Motivation

As stated by Lisa Coffey (2013), money has the ability to always remain at the forefront of the reward mix. Whenever a person is being hired, the amount of money they are getting is always one of their primary questions, as basic pay is what everyone needs in order to have a way of living. Conversely, salary can also be a powerful de-motivator, if employees are not satisfied with the reward package, it will be hard for the company to recruit and retain good individuals.

According to Maslow's Hierarchy of Needs, an employee's beginning emphasis on the lower order needs of physiology and security makes sense. Employees whose lowest level needs have not been met will make job decisions based on compensation, safety, or stability concerns. This implies that the first priority of workers is their survival, and hence, it is hard for them to be motivated if their salary is unfair. In this regard, monetary incentives have high motivational power, especially in developing countries like ours, where people are facing different challenges due to low quality of lives and high cost of living. Accordingly, base pay is clearly a critical component of any individual's total compensation, and many employers consider maintaining high pay levels to be a useful tool to attract, retain, and motivate talent. It is also one of the few ways to set a mutually acceptable common value to the individual's work contribution.

Among the studies conducted on this regard, we can site a research by Patrick K. Mwangi (2014) under the title 'The Effect of Compensation on Employee Motivation: A Case Study of Chloride Exide.' According to this study, almost all of the participants agreed that their basic salary was reviewed periodically to adjust for the cost of living; and the study revealed that half of the participants were motivated by their current pay.

2.3.2. The Effect of Performance-Based Bonus on Employees' Motivation

Jobs with performance related pay attract workers of higher ability as well as encourage them to provide greater effort. Contemporary organizations have moved towards tying compensation to performance as a means to achieve organizational goals (Mullins, 2005).

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Well performing employees have been incentivized with monetary compensation, which historically has been the most used and accepted way to motivate and encourage employees to perform better (Pink, 2011). Among the Performance Based Compensation Bonus is the most practiced. It is an extra amount of money that companies pay to their employees on the completion of the budget year based on predetermined goals and company's profits.

A number of studies have been conducted regarding the effect of Performance Based Compensation practices on employees' motivation across the world. Some studies show that linking compensation system with employees' performance; by implementing performance based compensation practices will play a crucial role in boosting employees' motivation. Among these studies we can cite a study conducted by Abdulsalam Aljumah (2015) under the title: 'The effect of the Performance Related Pay system on the performance of the employees in Saudi national firms': three case studies. The findings of the study revealed that there was widespread dissatisfaction in related to the Performance Related Pay schemes in two of the companies as bonuses do not allow genuine assessment and reward for the best performing employees. The survey result indicated that there is a practice of differentiating between workers and providing different pay, in that it may go against the norms of working culture in Saudi Arabia. Further, in two of the case study organizations, it was felt that the proportion of pay related to performance assessment was insufficient to motivate. In fact, there are also voices in support of the schemes at each company, however, the issue of fairness and clarity in each of the organizations is claimed.

Additionally, another study that can be cited is an Exploratory Case Study conducted by Francis Boachie-Mensah (2011), under the title 'Performance-Based Pay as a Motivational Tool for achieving Organizational Performance'. The study revealed that the use of Performance Based Pay (PBP) was fair and motivating. The study also showed that PBP system was based on performance appraisal. However, biased and negative assessments of employees' performance drastically affected the success of the system at the company. The results were not consistent with the hypotheses that PBP is positively correlated with higher employee and organizational performance. This implies that employees' performance level

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was affected, because their motivation level for greater performance was reduced as they had doubt on the fairness of the performance appraisal system adopted in their company.

Vroom (1964) indicated that the individual effort, performance and motivation are always interconnected. This theory focuses on three relationships; i.e., (i) efforts and performance relationship, (ii) performance and reward relationship, and (iii) rewards and personal goal relationship (Cole, 2003). He believes that employees will be motivated to contribute their best for their organization, if they know that they will be rewarded if they accomplished what is expected of them. This implies that an organization can motivate its employees by providing additional rewards such as bonuses. However, in order to be motivated, the employee has to believe that if he performs well, rewards will be provided and effort will be appreciated for the results.

2.3.3. The Effect of Merit Pay on Employees' Motivation

Merit increments are type of financial rewards which take the form of either a fixed or variable increase which is added to and can become a permanent part of the basic pay. It is a form of reward in which individuals receive permanent pay increases as a function of their individual performance ratings (Heneman & Werner 2005).

Pay progression is therefore linked, wholly or in part, to individual performance rather than seniority. The merit pay plan is often based on an individual's performance and is assessed by a performance appraisal, usually by the employee's supervisor. What differentiates Merit Pay with other forms of Performance Based Compensation; it increases employees' base pay permanently. Merit pay rewards the behavior during the previous performance period (usually one year) by increasing future salary levels. According to Vroom (1964) as discussed above, if employees believe that they will be rewarded if they meet the performance goal, they will be motivated to enhance their motivation for a greater performance and being rewarded accordingly.

2.3.4. The Effect of Promotion on Employees' Motivation

Promotion is the vertical movement of an employee within the organization. In other words, promotion refers to the upward movement of an employee from one job to another higher one, with increase in salary, status and responsibilities. Among the studies conducted on this regard, we can cite a research by Lisa Coffey (2013), who study 'the relationship between Reward Management and Recognition in the work place. The study reveals that promotion has significant relevance when it comes to motivation that is presented in the workplace.

Furthermore, according to Maslow's hierarchy of needs (1954), human beings have various needs at different stages. So that as a human being, employees also have various needs that they want to fulfill at their workplace. Amongst those needs, for instance, they want to fulfill needs of building positive self-image, gaining respect and recognition through receiving higher positions and prestigious job assignments. These needs are categorized as Esteem needs according to Maslow. This implies that employees will be motivated if they get promotion opportunities as it can fulfill their esteem needs.

2.3.5. The Effect of Recognition on Employees' Motivation

According to Armstrong (2007), Recognition is one of the most powerful methods of rewarding people, as they need to know not only how well they have achieved their objectives or carried out their work but also to confirm that their achievements are appreciated. Recognition schemes are based on the belief that taking steps to ensure that people's achievements and contribution are recognized in an effective way of motivating them.

As Armstrong further clarified, there are three conditions that are necessary for the effective use of recognition tool. (1) Recognition should be used frequently so that employees can feel valued. (2) Recognition should be specific, and identifying what is recognized to make it meaningful and critical. (3) Rewards should be timely, that is, it should takes place shortly after the employee action that deserves recognition occurs.

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A research that we can cite on the effect of recognition on employees' motivation is a study by Roshan Levina Roberts (2005), under the title 'The Relationship between Rewards, Recognition and Motivation, in case of Insurance Company in the Western Cape. According to this study, if recognition offered to employees, then there would be a corresponding change in work motivation and satisfaction. In this regard, this study revealed that employees were less motivated by rewards and recognition than some of the other dimensions of the study. Furthermore, it was also suggested that the need for proper linkage between the reward systems and performance appraisal system as it has its own impact on employees' motivation and retention.

2.3.6. The Effect of Working Environment on Employees' Motivation

The workplace environment may have either positive or negative impact on the motivation level of employees. According to Miller, Ericson and Yust (2001), when working environment is conducive it will give higher level of motivation and enhances the morale of an employee; which in turn reduces employees' turnover. Studies show that the working outcomes are directly interlinked with the working environment; and the more it is conducive the better the outcome will be. This implies that if the employees are provided favorable environment, they can perform better and will be effective on their job.

2.3.7. The Effect of the Work Itself on Employees' Motivation

According to Herzberg Two Factor Theory, when people feel that the work they do is intrinsically interesting, challenging and important and involves the exercise of responsibility, autonomy or freedom to act, enable to develop skills and abilities which leads to opportunities for advancement and growth, they will be intrinsically motivated. Intrinsic motivation is when individuals perform an activity because they find it interesting and derive satisfaction from the activity itself (Gagne & Deci, 2005). In this regard, rewards are those that exist in the job itself; and employees are thought to be motivated to work hard to produce quality results when they have pride in their work, they believe their efforts are important to the success of their organization.

2.4. Conceptual Framework of the Study

Based on the literatures and theoretical models reviewed by the researcher, the below conceptual framework is developed. This framework attempts to determine the effect of reward practices on employees' motivation, in case of AIC. In this study employees' motivation is considered as a dependent variable (effect variable) and financial and non-financial rewards are taken as independent variables (cause variables). The financial rewards that are selected to examine in this study are Base Pay (Salary), Performance Based Bonus Payment, Merit Payment and Promotion. Besides, among the non-financial rewards the focus of this study will be on Recognition and Career Development Opportunities.

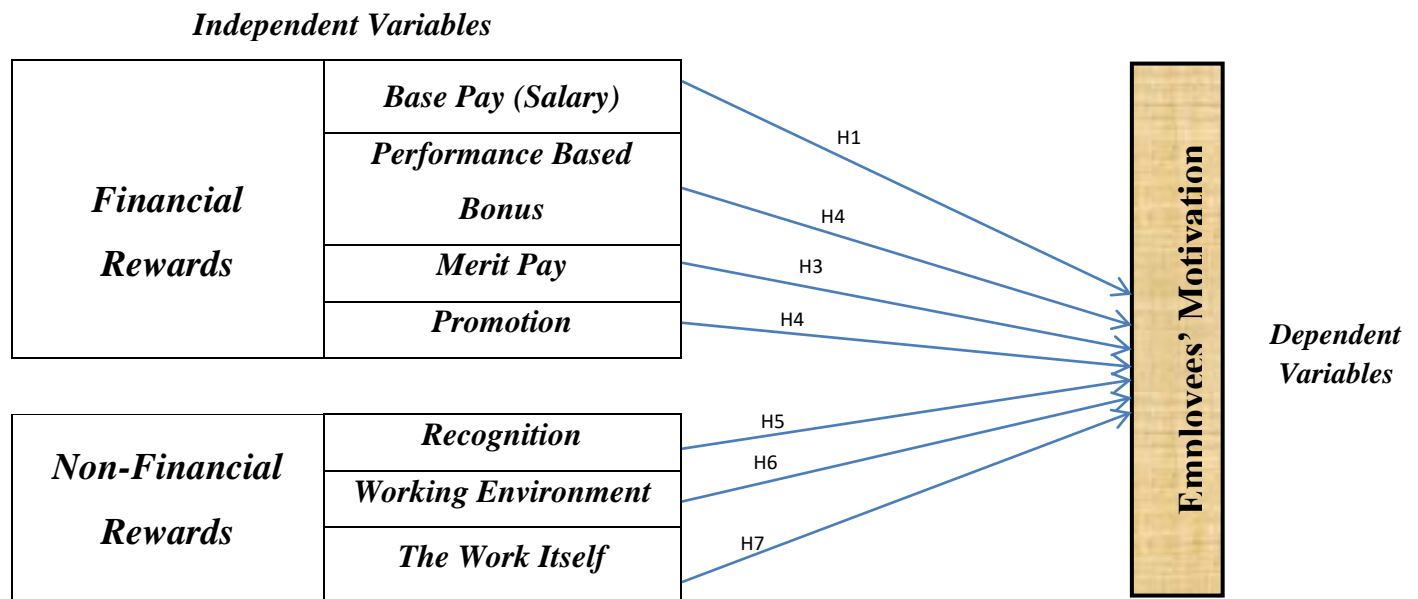


Figure 2.2.: Conceptual Framework of the Study

Adapted from: De Beer (1987)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter outlines the overall methodology that was used in the study. It begins by describing area of the study; followed by the research design, the research approach, target population and techniques of sample size determination, type and sources of data, data collection procedures, the research methods and ways of data analysis and presentation that was adopted in the course of the research.

3.2. Description of the Study Area

Awash Insurance Company S.C. (AIC) is one of the first few pioneer private insurance companies in Ethiopia, which was founded on October 1, 1994, with the mission of providing diversified general and long-term insurance services to its esteemed customers with great excellence, profitably and ethically through the application of a state-of-the-art technology. AIC has started its operation since January 2, 1995 and continues to be profitable throughout its 24 years of service, with a remarkable investment return. It has a vision of being the leading and the best insurance service provider. AIC is workable to measure the employees' work motivation with regard to reward practices, as it has numerous qualified employees and implementing various reward schemes to its employees.

3.3. Research Design

The research design adopted in this research was explanatory/causal research design, as it is more appropriate to examine cause-and-effect relationship. In this case, the reward practices of AIC are the independent or cause variables and the employees' motivation is the effect factor or dependent variable.

Since the study aimed to examine the relationship between the independent variables (Basic Pay, Performance Based Bonus, Merit Payment, Promotion, Recognition, Working Environment, the Work Itself) and dependent variable (Employees' Motivation), the researcher used correlation analysis in order to determine the possible relationship among them. Further, as it also aimed to evaluate the extent of the effect of rewards on employees' motivation; regression analysis was used on top.

3.4. Research Approach

This study followed a quantitative research approach. The intention of using the quantitative method was to analyze the collected data through questionnaires and come up with results. The quantitative data were collected from the target population on an effort of examining employees' perception towards the reward practices of AIC and its effect on employees' motivation.

3.5. Target Population and Sample Size Determination

3.5.1. Target Population

Population is a set of all elements that belong to a certain defined group to whom the researcher intend to generalize the results of the study. The target population of the study consisted of permanent employees of Awash Insurance Company S.C. (AIC) located in Addis Ababa. However, among the permanent staffs, non-clerical employees were not included in this study.

AIC has 28 branches in Addis Ababa, which embraces 221 employees. Added to 247 employees in its head quarter, the total number of employees working in AIC are 468 as of March 31, 2019 Company's record.

AIC has subdivided those 28 branches in to four groups, i.e., Main Branch, Branch III, Branch II and Branch I respectively. The classification is based on production level. Thus,

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the main branch is the 1st in production level, Branch III is the 2nd, Branch II is the 3rd and the last one in production level is Branch I.

Due to the cost involved and time constraint the researcher had taken samples from head quarter and only four selected branches in Addis Ababa.

3.5.2. Sample Size Determination

A stratified random sampling technique was used in order to obtain representatives from each group. Accordingly, the population was stratified by five groups (i.e. the head quarter and one stratum from each branch). Participants from each stratum were then selected randomly. A stratified random sample ensures that all parts of the population are represented in the sample in order to increase the efficiency of the study. Besides, it is helpful for administrative convenience and may produce gain in precision of estimates of the characteristics of the whole population (Kothari, 2004).

The researcher used Yemane's formula (1967), in order to determine the sample size of the population. This formula is reliable to 95% and has only 5% deviation factor.

$$n = \frac{N}{1+N(e)^2} \quad n = \frac{468}{1+468(0.05)^2} = 216$$

Where:

n = the sample size

N = size of population

e = the level of accuracy (*e* = 0.05)

Accordingly, the number of sample items from the total population of 468 employees was 216. Thus, in order to determine the number of sample items from each strata, the researcher used the following formula.

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$$\text{Sample size} = \frac{\text{Number of staffs in each stratum}}{\text{Total Population}} \times 216 \text{ (total sample size)}$$

Table 3.1.: Proportional Distribution of Sample to each stratum

Type	Total number of staff	Sample size
Head Quarters	241	111
Finfine Grand Main Branch	19	9
Nifas Silk Branch (Group III)	6	3
Dil Gebeya Branch (Group II)	5	2
Kaliti Branch (Group I)	4	2
Total	<u>275</u>	<u>127</u>

Source: AIC's record as of March 31, 2019

3.6. Data Types and Sources

The researcher used both primary and secondary data in order to get a picture of the present situations regarding the reward practices in AIC and its effect on employees' motivation. Accordingly, primary data was collected from clerical and professional employees of AIC by using structured questionnaire. Furthermore, the researcher used secondary data such as relevant journal articles, books, similar researches conducted previously, Company profile, HR progress reports and other HR related documents of the Company.

3.7. Data Collection Procedures

The data collection method used in this research was structured and well organized questionnaire. The research instrument that was used to collect primary data was a five-point Likert Scale questionnaire which aimed to collect the essential data from respondents.

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The questionnaire has two parts. The first part contained 7 demographic variables which indicate profile of participants of the survey; such as gender, age category, marital status, highest qualification, length of service in AIC, job category and salary ranges. The second part was comprised of 40 close-ended question statements, so as to measure the variables of the study using a five-point Likert Scale being '5=Strongly Agree', '4=Agree', '3=Neutral', '2=Disagree' and '1=Strongly Disagree'. Accordingly, the respondents were requested to select their own choice among the given five dimensions in order to specify their level of agreement or disagreement on each question item.

3.8. Administering the Questionnaire

Initially, permission was requested from the HR director of AIC on the basis of the forwarding letter from the University, in order to get the required data from respondents and Human Resource office. After getting the permission, questionnaires were distributed to respondents personally during working hours to facilitate good response rate. Besides, maximum care had been taken into account in designing the cover part and questions in the questionnaire, so as to create clear insight about the objective of the questionnaire and the questions as well.

3.9. Ethical Consideration

As stated above, permission to conduct the study was asked from Human Resource Directorate of the Company. Then after getting their consent, the researcher tried to get the relevant information from the target population, and the participation was voluntary. The objective of the study has been explained to participants in detail on the questionnaire and at their place of work where the data collection had taken place. On top, all information will be used only for academic purpose, and thus, confidentiality and anonymity were assured.

3.10. Data Analysis and Presentation

The data collected was analyzed through quantitative type of explanatory analysis method. Both descriptive and inferential statistics were applied in the study. Descriptive statistics

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helped the researcher to summarize and present the data in statistical arrangement. In view of that, statistical techniques such as mean, frequency and standard deviation were used to analyze and describe the data, and also to interpret the results accordingly. In addition, inferential statistics has been also used in order to allow the researcher to facilitate the identification of important patterns, to identify the possible associations among variables, to evaluate the extent of the effect of rewards on employees' motivation and also to make the data analysis more meaningful.

3.11. Model Specification

The following model was used to predict the possible variation of dependent variable (employees' motivation) due to the change on independent variables of the study.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \varepsilon$$

Where:

Y = the predicted value of the dependent variable (employees' motivation)

α = smoothing constant

β = coefficient of independent variables

X₁-X₇ = independent variables

ε = standard error

3.12. Validity and Reliability

3.12.1. Validity

Validity is the extent, to which data accurately reflects what they are meant to reflect, i.e., the instrument measures what is supposed to measure. In other words, the right questions being asked should help to obtain meaningful and usable responses on concepts under the study. Thus, the purpose of checking validity in the study has been to seek relevant evidence that confirms the answers found with the measurement device which is the nature of the problem.

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Accordingly, the questionnaire has been developed on the basis of previous studies and review of related literatures and standard questions in order to increase its validity. Besides, the researcher discussed with the advisor about the questionnaires before it was distributed in order to assure the validity of the study. And also, as recommended by the advisor, pilot test was conducted before all the questionnaires were distributed, in order to check whether the respondents understand the questions and respond applicably.

3.12.2. Reliability

According to Khotari (2004), reliability refers to consistency, where internal consistency involves correlating the responses to each question in the questionnaire with those other questions in the questionnaire.

One of the most commonly used indicators of internal consistency is Cronbach's alpha coefficient. According to Pallant (2005), the Cronbach's alpha coefficient of scales should be at least 0.70 (70%) and the higher the better. Therefore, as shown on table 3.2 below, the results for reliability test of Cronbach's Alpha Coefficients are above 0.7 (70%). Therefore, it can be concluded that each variable represents a reliable and valid construct.

Table 3.2.: Cronbach's Alpha Reliability Analysis

S/No	Variables	Cronbach's Alpha	No. of items
1	Basic Salary	0.845	5
2	Performance Based Bonus	0.934	5
3	Merit Payment	0.768	5
4	Promotion	0.915	5
5	Recognition	0.756	5
6	Working Environment	0.784	5
6	The Work it self	0.865	5
7	Motivation	0.918	5
	Overall Reliability	0.959	40

Source: Own Survey 2019 (SPSS)

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION & INTERPRETITION

4.1. Introduction

As discussed at the beginning of this paper, the ultimate objective of the study was to examine the effect of reward practices on employees' motivation, in the case of Awash Insurance Company S.C. In view of that, the data obtained through survey are analyzed, presented, interpreted and discussed under this section.

The chapter begins by providing the response rate of the questionnaire followed by demographic and personal information of the respondents. The descriptive and inferential statistics are presented thereafter. Statistical Package for Social Science (SPSS) version 20.0 was used to analyze the data.

4.2. Response Rate of Questionnaire

As it was stated on the Methodology section, the sample size was determined to be 127. Thus, the researcher distributed 130 questionnaires in order to increase the margin of return. However, out of 130 questionnaires distributed, only 103 usable questionnaires were collected and used for further analysis, as some employees were reluctant to take and fill the questionnaires. Therefore, the response rate is 79%.

4.3 Respondents' Profile

In this section, the respondents' profile is presented. It includes gender, marital status, age group, job category and salary ranges of employees.

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Table 4.1.: Participants' Profile

S/N	Variables	Type	Frequency	Percentage
1	Gender	Male	52	50.5%
		Female	51	49.6%
2	Marital Status	Married	43	41.7%
		Single	60	58.3%
3	Age Group	Below 25	14	13.6%
		26-35	56	54.4%
		36-45	33	32.0%
		Above 45	-	-
4	Highest Qualification	First Degree (BA/BSc)	84	81.6%
		Second Degree (MA/MSc)	19	18.4%
5	Length of Service in AIC	Below 2 years	8	7.8%
		2-5 years	33	32.0%
		6-10 years	39	37.9%
		11-15 years	13	12.6%
		Above 15 years	10	9.7%
6	Job Category	Management Staff	14	13.6%
		Operation Staff	54	52.4%
		Support Staff	35	34.0%
7	Salary Ranges	Below 5,000.00	4	3.9%
		5,000.00 to 10,000.00	15	14.6%
		10,000.00 to 15,000.00	51	49.5%
		Above 15,000.00	33	32.0%

Source: Own Survey, 2019

Referring the above table (Table 4.1), out of 103 respondents, 50.5% were male while 49.6 % were female; this indicates that the number of female and male employees in AIC is proportional.

Regarding marital status of respondents, 58.3% of them are married and the remaining 41.7% are single. Most of the time, it is assumed that married employees are more sensitive to job security issues than single employees as they have more responsibility than the single ones. As shown above, many employees in AIC are married, and they might not have turnover intention as they want to be stable for the sake of job security. Besides, they might give more

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value to their job because of same reason which may lead to being more motivated to exhibit better performance and rewarded accordingly.

With respect to employees' age, more than half of the respondents (54.4%) are under the age category of 26-35 and 13.59% of them are below 25. The remaining respondents (32%) included under the age category of 36-45. From this data, it is noted that about 68% of respondents are below 35; which indicates that most of the staffs are under the age category which commonly identified as young. And, hence, having a group of professionals that belong to the most active and energetic age group might help the Company to be more productive.

As displayed above on Table 4.1, the majority of the participants (81.6%) have first Degree (BA/BSc), and the remaining 18.4% of them have second degree (MA/MSc). This implies that AIC has qualified employees as most of them are educated and professional. Thus, it is assumed that they filled the questionnaire with full understanding which might increase the validity of the data and its respective output.

With respect to length of service, 69.9% of the respondents had served in AIC between 2-10 years; 22.3% of them had stayed for more than 10 years and the remaining 7.8% had worked for less than two years. This implies that AIC has experienced employees, which might be beneficial to the Company with regard to providing better service for its customers.

As it is displayed on Table 4.1, the majority of the respondents (52.4%) are operational staffs and (34% of them) are support staffs. The remaining (13.6%) are included in the management team. The management staffs include only branch managers and line managers, as the questionnaire distributed to the senior management were not returned back to the researcher. Among the managers who filled the questionnaire, eight of them were male and the rest six managers were female. As it is noted from the sample, AIC gave the chance of being a member of management team for both male and female staffs proportionally. This indicates that women are being empowered in the Company, and this might has its own effect on boosting motivation level of female staffs.

With regard to salary range in AIC, almost half of the respondents (49.5%) are earning a monthly salary of Birr 10,000.00 to 15,000.00; and 32% of the respondents' monthly salary is above 15,000.00. This implies that a considerable amount of the respondents (81.5% of them) are earning above Birr 10,000.00; which can be considered relatively as fair in the Ethiopian context.

4.4. Data Analysis using Descriptive Statistics

As discussed on chapter one, one of the objectives of the study is to evaluate employees' perception regarding the existing reward practices (both financial and non-financial) of Awash Insurance Company S.C. (AIC). Accordingly, the participants of this study were asked to state their level of agreement/disagreement for various question statements which were prepared in related to each variable of the study; and their responses are summarized as follows:

4.4.1. Participants' Perception towards the Base Payment Practice of AIC

The researcher organized five questions concerning employees' basic salary. The questions were arranged on an effort of assessing employees' perception with respect to the fairness of base payment system, the presence of internal consistency and external equity on the salary scale and the practicality of timely salary adjustment.

As it is evident from the survey, the numbers of respondents, who agree to their pay matching to the work they do were 78%, while 15.5% of them believed that they are not paid as per their contribution; and the remaining (6.8%) were neutral about it. With regard to the fairness, the majority of respondents (83.5% of them) believed that the payment system is fair enough as each employee is treated reasonably. Regarding the salary adjustment, almost all of the respondents (93% of them) agreed that their basic pay was reviewed periodically to adjust for the cost of living. Furthermore, the majority of the respondents (76.7% of them) perceived that the payment system of AIC is consistent internally. On the other hand, when

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they asked whether the salary scale is equitable when compared with other similar companies, 66% of them replied as they agreed, while 26% disagreed and the remaining 8% were neutral on this aspect.

Table 4.2: Participants' Opinion towards Base Payment Practice of AIC

S/N	Basic Pay (Basic Salary)	Frequency in percent					Mean	SD
		1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)		
1	My salary is reasonable with respect of my contribution.	2.9%	12.6%	6.8%	74.8%	2.9%	3.62	0.853
2	I believe that the payment system of AIC treats each employee reasonably.	1.9%	9.7%	4.9%	76.7%	6.8%	3.77	0.795
3	Salary adjustment is made within reasonable period of time.	-	2.9%	3.9%	83.5%	9.7%	4.00	0.505
4	My salary is similar with other employees working in the same position in Awash Insurance Share Company (AIC).	-	18.4%	4.9%	75.7%	1.0%	3.59	3.47
5	My salary is fair when compared with that of similar jobs in comparable companies.	1.9%	24.3%	7.8%	57.3%	8.7%	3.47	1.018

Source: Own Survey Questionnaire, 2019

4.4.2. Participants' Perception towards the Performance Based Bonus Payment Practice of AIC

The researcher organized five questions regarding performance based bonus payment practice of AIC. The inquiries were targeted to investigate how fair the performance based bonus scheme is from the employees' perspective, whether it is actually linked with employees' performance level, whether there is standardized and acceptable performance measurement tool and whether the Company is meeting its goal of motivating employees to work at a higher level of performance; as the aim of this practice is transmitting a message to employees that the better they perform, the more they will be rewarded.

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As displayed on Table 4.7 below, the majority respondents (74.8% of them) believed that the existing bonus payment practice is strongly associated with their performance rating. Besides, a substantial amount of respondents (82.5% of them) had accepted the established standards to measure the level of employees' performance. With respect to its fairness, 71.8% of the total respondents are confident that the bonus payment practice is free from bias. Also, when they asked whether the bonus payment has a positive input on their motivation level, 77.6% of them replied as they agreed. Furthermore, they were also asked to provide their view regarding the actual practicality of providing more rewards for those staffs that exhibit better productivity and enhanced performance level. For this question, a significant amount of respondents (74.7% of them) provide their positive agreement.

**Table 4.3: Participants' Opinion towards
the Performance Based Bonus Payment Practice of AIC**

S/N	Performance Based Bonus Payment	Frequency in percent					Mean	SD
		1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)		
1	I believe that the existing bonus payment practice is strongly associated with my performance rating.	1.0%	13.6%	10.7%	60.2%	14.6%	3.74	0.907
2	I believe that the established standards to measure the level of performance are reasonable.	2.9%	7.8%	6.8%	73.8%	8.7%	3.78	0.828
3	I am confident that the practicality of performance based bonus scheme is free from bias.	1.0%	15.5%	11.7%	62.1%	9.7%	3.64	0.895
4	Performance based bonus payment has a positive input on my motivation to work at a higher level of performance.	-	12.6%	9.7%	45.6%	32%	3.97	0.965
5	Employees who exhibit better productivity and enhanced performance level are more rewarded.	-	11.7%	13.6%	56.3%	18.4%	3.82	0.872

Source: Own Survey Questionnaire, 2019

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4.4.3. Participants' Perception towards the Merit Payment Practice of AIC

There were five questions relating to merit payment practice of AIC. The questions were prepared in an effort to find out employees' point of view regarding the fairness of merit payment scheme, whether it is actually linked with employees' performance level, whether employees' effort is recognized through merit payment and generally to examine employees' reaction towards a well-designed merit payment system. Accordingly, a considerable amount of participants of this survey (79.7% of them) believed that the existing merit payment practice is strongly associated with their performance rating. When employees asked whether they believed that their effort is recognized through merit payment scheme, again the majority (72.8% of them) provide their positive agreement. With respect to its fairness, 64% of the total respondents believed that the merit payment practice is free from bias; while 17.5% disagreed and the remaining 18.4% were neutral in this aspect. Furthermore, the majority respondents (84.5%) believed that salary increment made for high performers will encourage others to improve their performance level. In general, almost all respondents (93.2%) believed that a well-designed merit payment scheme has a high effect on boosting employees' motivation.

Table 4.4.: Participants' Opinion towards the Merit Payment Practice of AIC

S/N	Merit Payment	Frequency in percent					Mean	SD
		1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)		
1	The existing merit payment scheme (performance based salary increment) is strongly associated with my performance rating.	-	11.7%	8.7%	68.0%	11.7%	3.80	0.797
2	A well-designed Merit Payment scheme has a high effect on boosting employees' motivation.	-	2.9%	3.9%	48.5%	44.7%	4.35	0.696
3	I feel that my effort is recognized through Merit Payment scheme.	1.0%	14.6%	11.7%	60.2%	12.6%	3.69	0.908
4	Salary increment made for high performers would encourage others to perform better.	2.9%	4.9%	7.8%	46.6%	37.9%	4.12	0.953

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S/N	Merit Payment	Frequency in percent					Mean	SD
		1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)		
5	I am confident that the existing Merit Payment scheme is free from bias.	3.9%	13.6%	18.4%	61.2%	2.9%	3.46	0.905

Source: Own Survey Questionnaire, 2019

4.4.4. Participants' Perception towards the Promotion Practice of AIC

There were five questions on the topic of promotion. The questions were prepared on an effort to find out employees' opinion regarding the availability of promotion opportunities in AIC, whether the criteria for promotion are acceptable by employees, and whether the promotion process is fair and transparent enough. Accordingly, 78% of the total respondents agreed about the availability of ample opportunities for promotion. And the majority (76% of them) responded as they had accepted the criteria for promotion. For the question raised about its fairness, 72% of them confirmed that everyone has an equal chance for promotion as the criteria is fulfilled.

Table 4.5: Participants' Opinion towards the Promotion Practice of AIC

S/N	Promotion	Frequency in percent					Mean	SD
		1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)		
1	There are ample opportunities for promotion in AIC.		9.7%	12.6%	68.0%	9.7%	3.78	0.753
2	The Criteria for promotion are reasonable.	2.9%	6.8%	14.6%	66.0%	9.7%	3.73	0.842
3	Staffs are promoted in a fair and transparent manner.	5.8%	12.6%	9.7%	65.0%	6.8%	3.54	0.998
4	Everyone has an equal chance to be promoted as the criteria are fulfilled.	3.9%	11.7%	11.7%	71.8%	1.0%	3.54	0.861
5	Overall, AIC is a good place for people who are trying to get ahead in their career.	-	8.7%	12.6%	55.3%	23.3%	3.93	0.843

Source: Own Survey Questionnaire, 2019

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4.4.5. Participants' Perception towards the Recognition Practice of AIC

There were five questions on the topic of recognition. The questions were organized on an effort to find out the effect of being recognized in the work place on employees' motivation level. Accordingly, almost all respondents (97% of them) believed that proper recognition of high performers can encourage low performers to work hard. With respect to getting constant feedbacks from their supervisors, again the majority of them (90.3%) provide their positive agreement. And, 86.4% of them feel that as their efforts are well recognized. Furthermore, almost all respondents (94% of them) agreed when they asked about the presence of an official recognition scheme for the best performers in AIC.

Table 4.6: Participants' Opinion towards the Recognition Practice of AIC

S/N	Recognition	Frequency in percent					Mean	SD
		1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)		
1	AIC has an official recognition scheme for the best performers.	-	-	3.9%	78.6%	17.5%	4.14	0.444
2	I believe that proper recognition of high performers will encourage low performers to work hard.	-	1.0%	1.9%	62.1%	35.0%	4.31	0.561
3	My manager provides me with constant feedback about how I am doing.	-	3.9%	5.8%	86.4%	3.9%	3.90	0.495
4	I feel that my efforts and achievements are well recognized.	-	4.9%	8.7%	78.6%	7.8%	3.89	0.593
5	I feel that my job is valued in my organization.	-	1.0%	14.6%	67.0%	17.5%	4.01	0.602

Source: Own Survey Questionnaire, 2019

4.4.6. Participants' Perception towards the Working Environment of AIC

The researcher organized five questions on effort to find out the effect of working environment on employees' motivation level. The questions were targeted to assess employees' perception towards their office layout, the presence of good communication

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among employees, the arrangement of essential facilities to make the working place safe and convenient to employees. Accordingly, for the question raised regarding the office layout, 75% of the total respondents responded as it is convenient for them. With respect to the availability of the required tools to do the job well, the majority respondents (83.5%) confirmed that it is fulfilled. For the question raised regarding the working relationship among employees, again the majority (87.4% of them) replied as they have good communication with their colleagues. Furthermore a considerable amount of respondents (more than 70% of them) declared as they feel safe in their office; and also stated as they are happy with the existing facilities.

Table 4.7: Participants' Opinion towards the Working Environment of AIC

S/N	Working Environment	Frequency in percent					Mean	SD
		1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)		
1	The office layout is convenient for me.	1.0%	18.4%	5.8%	65.0%	9.7%	3.64	0.927
2	I have the required tools and resources to do my job well.	1.0%	8.7%	6.8%	64.1%	19.4%	3.92	0.837
3	I have good relationship with my colleagues in my work place.	-	1.9%	10.7%	70.9%	16.5%	4.02	0.594
4	AIC's building contains safe guards against fire and any other accidents; so I feel secured in my office.	1.0%	12.6%	14.6%	61.2%	10.7%	3.68	0.866
5	AIC's building has equipped cafeteria for its employees with reasonable price.	-	13.6%	12.6%	56.3%	17.5%	3.78	0.896
Overall perception of employees towards working environment of AIC							3.80	

Source: Own Survey Questionnaire, 2019

4.4.7. Employees' Attitude towards the Work itself

The researcher organized five questions in order to assess employees' attitude towards their work. The questions were targeted to evaluate employees' perception with respect to the amount of work they are given, whether they are working in accordance with their

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qualification and skill, whether their job is consisting of variety of tasks, whether they have a feeling of having meaningful and interesting job. Accordingly, when employees asked whether their work is in accordance with their qualification and skill, 47.6 % of them agreed, while 35% of them disagreed, and the remaining (17.5%) were neutral. When employees asked whether their job consists of a variety of tasks, almost half of them (49.5%) replied as they agreed, while 32% of them disagreed and the remaining (18.4%) remain neutral. Regarding to the amount of work, 47.5% of them replied as it is reasonable, while 27.2% of them replied as they don't agree with the amount of work they are given, and the remaining 25.2% remain neutral. With respect of having a complete control over their work, again half of them (51.5%) responded as they agreed, while 37% of them disagreed and the remaining (18.4%) were neutral. The last question was about the nature of their job, i.e., whether it is challenging but interesting. Then, about 42% of them agreed that they have challenging but interesting work, while 26% of them disagreed and the remaining (32%) were neutral.

Table 4.8: Participants' Attitude towards the Work itself

S/N	The Work itself	Frequency in percent					Mean	SD
		1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)		
1	My job is in accordance with my qualification and skill.	1.0%	34.0%	17.5%	44.7%	2.9%	3.15	0.964
2	My job consists of a variety of tasks.	1.0%	31.1%	18.4%	42.7%	6.8%	3.23	1.002
3	The amount of work I am given is reasonable.	-	27.2%	25.2%	45.6%	1.9%	3.22	0.874
4	I do have almost complete control on my work.	1.0%	27.2%	20.4%	39.8%	11.7%	3.34	1.034
5	My job is a bit challenging but I enjoy it.	1.0%	25.2%	32.0%	34.0%	7.8%	3.22	0.949

Source: Own Survey Questionnaire, 2019

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4.4.8. Assessment of Employees' Motivation Level

The researcher organized five questions on an effort to evaluate the level of employees' motivation towards their work. Accordingly, when employees asked whether they have a sense of self-esteem because of their, the majority (71.8 % of them) agreed, while only 8.7% of them disagreed, and the remaining (19.4%) were neutral. When employees asked whether they are initiated to be creative and come up with better ways of doing things, again the majority (71.9% of them) replied as they agreed. Likewise, when they asked about their inspiration to develop their skill and improve their performance 68.9% of them provide their positive agreement. With respect to a feeling of being proud about their job, almost half of them (53.4%) replied as they are proud with the work they are doing at present. The last question was raised on an effort to find out the overall employees' perception towards their organization. For this question, more than half of the respondents (62.2%) disclosed as they are happy for being a member of AIC.

Table 4.9: Participants' Motivation Level at AIC

S/N	Employee Motivation	Frequency in percent					Mean	SD
		1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)		
1	My accomplishments on my job provide me a sense of self-esteem.	-	8.7%	19.4%	55.3%	16.5%	3.80	0.821
2	I feel encouraged to come up with better ways of doing things.	-	6.8%	21.4%	57.3%	14.6%	3.80	0.772
3	I am inspired to develop my skills and improve my performance.	-	12.6%	18.4%	52.4%	16.5%	3.73	0.888
4	I am proud to tell people about my job.	-	9.7%	36.9%	41.7%	11.7%	3.55	0.825
5	Overall, I feel that AIC is one of the best companies and I am happy of being a member.	-	15.5%	22.3%	54.4%	7.8%	3.54	0.849

Source: Own Survey Questionnaire, 2019

4.5. Data Analysis using Inferential Statistics

4.5.1. Bivariate Correlation Analysis

The researcher used a simple bivariate correlation, which just means between two variables, in order to examine the relationship between rewards and employees' motivation. As stated by Pallant (2005), there are a number of different statistical techniques within SPSS which can be used to indicate the relationship between variables. Among those techniques, Pearson Product-Moment Correlation is included. As Pallant further explained, Pearson Product-Moment Correlation is appropriate for interval level (continuous variables), and its result ranges from negative one to positive one (-1 to 1). Accordingly, a correlation coefficient of 0 indicates as there is no relationship at all, a correlation of 1 indicates the presence of a perfect positive correlation and a value of -1 specifies a perfect negative correlation.

Table 4.14 below demonstrates the result of a statistical test for correlation of independent variables and dependent variable of this survey. And the strength of the correlation is evaluated according to Cohen (1988) which is presented on Table 4.15.

Table 4.10.: Summary of Pearson Correlation Coefficient' Results

Reward Components (Independent Variables)	Employee Motivation (Dependent Variable)	
	Pearson Correlation	Significance (2-tailed)
Basic Pay (Salary)	0.516**	.000
Performance Based Bonus	0.674**	.000
Merit Payment	0.704**	.000
Promotion	0.676**	.000
Recognition	0.613**	.000
Working Environment	0.535**	.000
The Work itself	0.670**	.000

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

Source: Own Survey Questionnaire, 2019

Table 4.11.: Cohen's Correlation Coefficient Interpretation

Correlation Coefficient(r)	Strength of the Correlation
0.50 to 1.0 or -.50 to -.10	Strong relationship
0.30 to .49 or -.30 to -.49	Moderate relationship
0.10 to .29 or -.10 to -.29	Weak relationship

Source: Cohen, 1988.

According to Cohen (1988), if the result of Pearson Correlation is between 0.05 and 1 at $p < 0.01$, it indicates that there is positive strong relationship between the dependent and independent variables. As it is shown on Table 4.14 above, the Pearson Correlation results for all of the independent variables (Base Pay, Performance Based Bonus, Merit Payment, Promotion, Recognition, Working Environment and the Work itself) is between 0.50 and 1, which specifies that all of them have a positive strong relationship with the dependent variable (Employee Motivation).

4.5.2. Multiple Regression Analysis

According to Pallant (2005), multiple regressions is not just one technique but a family of techniques that can be used to explore the relationship between one continuous dependent variable and a number of independent variables or predictors (usually continuous). And so, critical information can be obtained from Multiple Linear Regression; such as the overall significance of the model, the variance in the dependent variable that comes from the set of independent variables in the model, the statistical significance of each individual independent variable (controlling for the others), the direct effect (the direction of the effect) of each independent variable on the dependent variable and the relevant strength of the independent variable. However, before the actual regression analysis is made, it is necessary to make multi-coliniarity diagnosis and to test normal distribution of data.

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4.5.2.1. Multi-Coliniarity Diagnosis

Multicollinearity is a problem that occurs with regression analysis when there is a high correlation of at least one independent variable with a combination of other independent variables. Sometimes, it will be difficult to identify the unique contribution of each variable in predicting the dependent variable, when variables are highly correlated. Collinearity diagnostics' is part of the multiple regression procedure that can help the researcher to pick up on problems with multi-collinearity that may not be evident in the correlation matrix.

Under collinearity diagnostics, two values are given: Tolerance and VIF. According to Pallant (2005), Tolerance is an indicator of how much of the variability of the specified independent is not explained by the other independent variables in the model. If this value is very small (less than 0.10), it indicates that the multiple correlation with other variables is high, which suggests the likelihood of multi-collinearity. The other value given is the VIF (Variance Inflation Factor), and VIF values above 10 indicate the presence of multicollinearity.

Table 4.16 below indicates amounts of Tolerance and VIF (Variance Inflation Factor) of the given independent variables, which is obtained from 'collinearity diagnostics' performed by SPSS version 20. As it is shown on the below table, there is no multi-collinearity among independent variables. Because, tolerance amount for all variables is greater than 0.10 and VIF are also less than 10.

Table 4.12.: Collinearity Statistics

Independent Variables	Tolerance	VIF
Base Pay	0.508	1.968
Bonus	0.347	2.879
Merit Payment	0.353	2.830
Promotion	0.324	3.084
Recognition	0.614	1.628
Working Environment	0.609	1.642
The Work itself	0.535	1.871
Dependent Variable	Employees' Motivation	

Source: Own Survey Questionnaire, 2019

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4.5.2.2. Testing for normal distribution of data

An assessment of the normality of data is a prerequisite for many statistical tests, as normal data is an underlying assumption in parametric testing. Normal probability plot is a graphical technique to identify substantive departures from normality. In a normal probability plot of the regression, standardized results lie in a regularly straight diagonal line from bottom left to top right. This would suggest no major deviation from normality. Accordingly, the attached appendix probability plot indicates that the requirement is satisfied and there is no as such major deviation from normality.

On the other hand, a residual scatter plot is also examined. A residual scatter plot is a figure that shows one axis for predicted scores and one axis for errors of prediction. The difference between the obtained dependent variable and the predicted scores and the variance of the residuals should be the same for all predicted scores (homoscedasticity). If this is true, the assumption is met and the scatter plot takes the (approximate) shape of a rectangle. Accordingly, the figure attached as appendix shows a random displacement of scores that take on a rectangular shape with no clustering.

4.5.3. Influence of Rewards on Employees' Motivation

This part of regression analysis is conducted to measure the effect of the magnitude of independent variables on dependent variable.

Table 4.13.: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.834 ^a	.696	.673	2.06133
a. Predictors: (Constant), The Work itself, Base Pay, Working Environment, Recognition, Bonus, Merit Pay, Promotion				
b. Dependent Variable: Employee Motivation				

Source: Own Survey, 2019

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A linear model using regression analysis is used to determine how well the model fits the data. R-squared (R^2) summarizes the proportion of variance in the outcome that can be accounted for by the explanatory variables. It is the percentage of the dependent variable variation that a linear model explains. R^2 measures the ability to predict the variance in the dependent variable.

As shown above on model summary of regression, the adjusted R square (regression coefficient) is 0.673, which indicates that 67.3% of the variance in Work Motivation can be explained by the seven variables (Basic Pay, Performance Based Bonus, Merit Payment, Promotion, Recognition, Working Environment and the Work itself). However, the rest 32.7% variance in work motivation is due to other factors, which are external to the stated variables.

Table 4.14.: Analysis of Variance (ANOVA) for Reward and Work Motivation

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	923.385	7	131.912	31.045	.000 ^b
	Residual	403.663	95	4.249		
	Total	1327.049	102			
a. Dependent Variable: Employee Motivation						
b. Predictors: (Constant), The Work itself, Base Pay, Working Environment, Recognition, Bonus, Merit Pay, Promotion						

Source: Own Survey, 2019

Table 4.18 above demonstrates the Analysis of Variance (ANOVA), which is used in order to assess the statistical significance of the result. The highest F value and the less significance value ($p < 0.001$) indicate that the model reaches statistical significance and this tests the null hypothesis that multiple R in the population is equal to zero. $F = 31.045$, $p < .05$ (i.e., the regression model is a good fit of the data). Therefore, the seven reward components (independent variables) together, will significantly explain the variance in Work Motivation (dependent variable).

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Doing multiple regressions helped the researcher to further understand the relationship among variables. Regression analysis was used to measure the relative strength of each independent variable on dependent variables.

Table 4.15: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5.210	2.370		-2.198	.030
	Base Pay	.069	.090	.061	.769	.444
	Bonus	.176	.087	.194	2.022	.046
	Merit Pay	.244	.111	.209	2.190	.031
	Promotion	.035	.096	.037	.368	.713
	Recognition	.341	.135	.182	2.522	.013
	Working Environment	.128	.086	.108	1.489	.140
	The Work itself	.266	.072	.287	3.710	.000
Dependent Variable: Employee Motivation						

Source: Own Survey, 2019

The values of unstandardized coefficient beta (β) represent the amount of change in dependent variable due to change in one unit of independent variable. It is used in order to find the contributions of each independent variable to dependent variable included in the model. The greater value of beta and less value of significant level ($p < 0.05$) of each independent variable shows the strongest importance to the dependent variable (Pallant, 2005).

As shown above on table 4.19, the coefficient of independent variables also revealed that the work itself at $p=0.000$, Recognition at $p=0.013$, merit pay at $p=0.031$ and bonus at $p=0.046$ are significant. This indicates that four independent variables (bonus, merit pay, recognition and the work itself) contributed a lot to the prediction of the dependent variable (employees' motivation). However, the rest three independent variables (Base Pay, Promotion and Working Environment) are not as such significant to the prediction of dependent variable since their significant value is greater than 0.05.

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Accordingly, the β coefficient value indicates that keeping other variables constant, a one-degree change in bonus, merit pay, recognition and the work itself cause a variance of 17.6%, 24.4%, 35%, and 26.6% degree of importance with regard to employees' motivation respectively. Though, it is insignificant to the prediction of dependent variable, Promotion, Base Pay and Working Environment can affect Employees' Motivation in 3.5%, 6.9%, and 12.8% respectively.

Furthermore, the t value also can indicate the significance of independent variable to dependent variable. If the t value is less than 2, it will be considered as it has low significance. Accordingly, as shown in Table 4.19, the t value of bonus, merit pay, recognition and the work itself is 2.022, 2.190, 2.522 and 3.710 respectively, which indicates that they are significant to the prediction of dependent variable as their t value is greater than 2. On the other hand, the t value of base pay, promotion and working environment is 0.769, 0.368 and 1.489 respectively which indicates that their significance to dependent variable is generally low as their t value is less than 2.

In regression, an interaction effect exists when the effect of an independent variable on a dependent variable changes, depending on the value(s) of one or more other independent variables. Thus, in a regression equation, an interaction effect is represented as follows:

$$Y = \alpha + \beta_2 X_2 + \beta_3 X_3 + \beta_5 X_5 + \beta_7 X_7 + \varepsilon$$

$$Y = \alpha + 0.176 X_2 + 0.244 X_3 + 0.341 X_5 + 0.266 X_7 + \varepsilon$$

Where:

Y = the predicted value of the dependent variable (employees' motivation)

α = smoothing constant

β = coefficient of independent variables

(i.e., Performance Based Bonus, Merit Pay, Recognition and the Work itself)

X = independent variables

(i.e., X_2 =Performance Based Bonus, X_3 =Merit Pay, X_5 =Recognition and X_7 = Work itself)

ε = standard error

- ❖ Note: Base pay, promotion and working environment are not included in this equation since their contribution to the variability of employees' motivation is relatively low as compared with other variables of the study.

4.6. Testing Hypothesis

Hypothesis 1 (H_{1+}): Base pay has a significant effect on employees' motivation.

As it is shown on Table 4.19 above, the β coefficient value was computed as 0.069, which indicates that keeping other factors constant, a unit of change in base pay causes of only 6.9% improvement on employees' motivation. Besides, as it is shown on same table above, the statistic t value for base pay was 0.769 at p value 0.444. As discussed above, if the t value is less than 2, and $p > 0.05$, it will be considered as the independent variable has low significance to the dependent variable.

Therefore, from the findings, one can conclude that the effect of base pay on employees' motivation is statistically insignificant, in case of AIC, which leads to rejection of H_{1+} .

This finding is in conformity with the previous study conducted by Patrick K. Mwangi (2014) under the title 'The Effect of Compensation on Employee Motivation: A Case Study of Chloride Exide.' It was also in line with Dessler (2008) view who stated that 'basic pays as the name suggests, are just base pays and though their absence de-motivates employees, their presence may not necessary motivate them as they expect to get it anyway for the work done, time worked or for them being there'.

Hypothesis 2 (H_{2+}): Performance Based Bonus has a significant effect on employees' motivation.

As it is shown on Table 4.19 above, the β coefficient value was calculated as 0.176, which indicates that keeping other factors constant, a unit of change in performance based bonus payment causes of 17.6% improvement on employees' motivation. Besides, as displayed on same table, the t value was 2.022 at p value 0.046. As discussed above, if the t value greater than 2, and $p < 0.05$, it is significant to the prediction of the dependent variable.

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Therefore, from the findings, it can be concluded that the effect of performance based bonus payment on employees' motivation is statistically significant, in case of AIC, and this result leads to accept H_2 .

This finding is in conformity with the previous study conducted by Musula Elizabeth Ochieng (2012), who studies the relationship between Performance Based Incentive Pay and Employee Motivation in Barclays Bank of Kenya Branches in Nairobi City. The findings of this study states that performance based incentive schemes motivate employees to produce more for the benefit of the company. It is also in line with Cole (2003), who stated that employees will change their behavior by working harder, if they know that they will be rewarded with something of value to them, if they accomplished what is expected of them. This assumption is based on Vroom's Expectancy Theory.

Hypothesis 3 (H_{3+}): Merit pay has a significant effect on employees' motivation.

As displayed on Table 4.19, the β coefficient value of merit pay was 0.244 which indicates that keeping other factors constant, a unit of change in merit payment causes of 24.4% improvement on employees' motivation. Besides, the t-statistic value was found to be 2.190 at P-value of 0.031, which indicates that it has positive and statistically significant effect on the prediction of employees' motivation. This means, the findings support Hypothesis 3. As discussed above, if the t value is greater than 2, and $p < 0.05$, it will be considered as the independent variable significant to the prediction of dependent variable. This means, the findings support Hypothesis 3. As discussed above, studies show that performance based incentive schemes motivate employees to produce more for the benefit of the company, and so, the same is true for merit pay.

Hypothesis 4 (H_{4+}): Promotion has a significant effect on employees' motivation.

The β coefficient value of promotion was 0.035 which indicates that keeping other factors constant, a unit of change in promotion causes of only 3.5% improvement on employees' motivation. When we look the t-statistic value, it was found to be 0.368 at P-value of 0.713. As discussed above, if the t value is less than 2, and $p > 0.05$, it will be considered as the

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independent variable has low significance to the dependent variable. Based on the results of this study, the findings of the regression analysis confirmed that the effect of promotion on employee motivation is insignificant.

Therefore, from the findings, one can conclude that the effect of promotion on employees' motivation is statistically insignificant, in case of AIC, and this finding leads to reject H_4 . However, this finding is not in conformity with the previous study conducted by Lisa Coffey (2013), who study 'the relationship between Reward Management and Recognition in the work place. The study reveals that promotion has significant relevance when it comes to motivation that is presented in the workplace.

Hypothesis 5 (H_{5+}): Recognition has a significant effect on employees' motivation.

As displayed on Table 4.19, the β coefficient value of recognition was computed as 0.341 which indicates that keeping other factors constant, a unit of change in merit payment causes of 34.1% improvement on employees' motivation. Besides, the t-statistic value was found to be 2.522 at P-value of 0.013, which indicates that it has positive and statistically significant effect on the prediction of employees' motivation. Therefore, the findings are in accordance with Hypothesis 5, which leads to accept H_5 .

This finding is in conformity with the previous study conducted by Elizabeth Diankenda (2015) under the title 'The Relationship between Reward Management and Recognition on Employees Motivation in the Workplace'. The aim of this research study was to explore the impact of reward and recognition on employees' motivation in the workforce; accordingly the study revealed that there is a close relationship among them.

Hypothesis 6 (H_{6+}): Working Environment has a significant effect on employees' motivation.

The β coefficient value of working environment was computed as 0.128 which indicates that keeping other factors constant, a unit of change in working environment causes of 12.8%

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improvement on employees' motivation. Besides, the t-statistic value was found to be 1.489, which is less than 2 and its P-value was 0.140 which is greater than 0.05. If the t value is less than 2, and $p > 0.05$, it will be considered as the independent variable has low significance to the dependent variable. This indicates that the effect of working environment is statistically insignificant on the prediction of employees' motivation, in case of AIC, which leads to rejection of H_6 .

Hypothesis 7 (H_{7+}): The work itself has a significant effect on employees' motivation.

As displayed on Table 4.19, the β coefficient value of the work itself was computed as 0.266 which indicates that keeping other factors constant, a unit of change in merit payment causes of 26.6% improvement on employees' motivation. Besides, the t-statistic value was found to be 3.710 at P-value of .000, which indicates that the work itself has statistically significant effect on the prediction of employees' motivation, in case of AIC. Therefore, the findings lead to accept H_7 .

Table 4.16: Summary of Hypothesis (H_1 - H_7) Result

No	Hypothesis	Results	Reason
H_1	Base pay has a significant effect on employees' motivation.	Rejected	Regression Result $\beta=0.069$ sig=0.444
H_2	Performance Based Bonus has a significant effect on employees' motivation.	Accepted	Regression Result $\beta=0.176$ sig=0.046
H_3	Merit pay has a significant effect on employees' motivation.	Accepted	Regression Result $\beta=0.244$ sig=0.031
H_4	Promotion has a significant effect on employees' motivation.	Rejected	Regression Result $\beta=0.035$ sig=0.713
H_5	Recognition has a significant effect on employees' motivation.	Accepted	Regression Result $\beta=0.341$, sig=0.013
H_6	Working Environment has a significant effect on employees' motivation.	Rejected	Regression Result $\beta=0.128$, sig=0.140
H_7	The Work itself has a significant effect on employees' motivation.	Accepted	Regression Result $\beta=0.266$, sig=0.000

Source: Own survey, 2019

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From the above discussion and summary of hypothesis, the regression analysis result revealed that the most influential factors are recognition, the work itself, merit payment and performance based bonus respectively. Conversely, the contribution of promotion, base pay and working environment were found statistically insignificant to the dependent variable (employees' motivation).

CHAPTER FIVE

SUMMARY, CONCLUSION & RECOMMENDATION

5.1. Introduction

The purpose of this research was to examine the effect of rewards of Awash Insurance Company on employees' motivation, and to recommend how these practices can further be developed. This chapter draws on, the major findings, which were based on the study's research questions and objectives, the conclusions made from the findings and the recommendations suggested to further improve the reward practices of AIC.

5.2. Summary of Findings

This study conducted to examine the effect of reward practices on employees' motivation in Awash Insurance Company S.C. through questionnaire data collected from 103 employees. Accordingly, the summaries of findings have been presented as follows:

- The target group consisted male and female employees proportionally.
- Majority of the respondents' age were ranging from 26 to 35 years-old and most of them are married.
- With respect of educational level, majority of the respondents have first-degree.
- Regarding length of service, majority of the respondents served the Company between 2-10 years.
- Out of the total respondents, a slightly more than half of them were operational staffs.
- As evidenced from the result of correlation analysis, there is a strong positive relationship between the seven reward components (base pay, performance based bonus, merit pay, promotion, recognition, working environment, the work itself) and employees' motivation.

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- As indicated on the model summary of regression analysis, the adjusted R square was 0.673, which indicates that the independent variables of the study (base pay, performance based bonus, merit pay, promotion, recognition, working environment and the work itself) causes 67.3% of the variance on dependent variable of the study (employees' motivation); in case of AIC.
- The ANOVA result confirmed that the model summary was found to be significant to employees' motivation.
- The result of regression coefficients had revealed that the reward components, which were examined in the study, were found to bring variation in employees' motivation at AIC with different level.
- As it is evidenced from regression coefficients table, recognition was found to cause the greatest variation in bringing employees' motivation, followed by the work itself, merit payment and performance based bonus respectively. Conversely, promotion, base pay and working environment had insignificant contribution to employees' motivation, as compared to other variables of the study.

5.3. Conclusion

The study was attempted to examine the effect of rewards on employees' motivation. Accordingly;

- From the assessment of respondents' perception, it was noted that one third of the participants have doubts on the fairness of the existing reward practices.
- The result of correlation analysis also revealed that both financial and non-financial rewards have a strong positive association with employees' motivation. This implies that if proper attention is provided to improve both financial and non-financial rewards, employees' motivation will be enhanced accordingly.
- The result of regression model summary also indicates that those reward components which were examined in this study, are found to have high importance to improve employees' motivation level. Therefore, the researcher has concluded that both

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financial and non-financial rewards are the most important factors to make employees more motivated to increase their performance level. It was also noted that performance based payments which were arranged by the Company in the form of bonus and merit pay have high influence on enhancing employees' motivation to exhibit better performance at their job. Therefore, it has to be given due attention for its proper implementation.

- The β coefficient result also indicates that recognition has the greatest effect on enhancing employees' motivation level, followed by the work itself, merit pay and bonus respectively. However, the contribution of promotion practice was found to be insignificant despite many literatures are supported it. Therefore, it requires improving the promotion practices in order to recover employees' perception towards its actual implementation and to enhance their motivation level accordingly.

5.4. Recommendation

Based on the major findings that have been discussed so far, the following opinions are recommended for practical application in order to enhance employees' motivation level.

- From the findings, the result of employee motivation level was found to be moderate; therefore, the management of AIC has to do much effort to come up with high level of employees' motivation so as to improve their performance at their work.
- The result of correlation analysis revealed that there is a strong positive correlation between rewards and employees' motivation to work. This suggests that the management of AIC has to design additional reward packages so as to enhance employees' motivation to contribute their best to the success of AIC.
- Employees' motivation is depending on the perceived feeling of being fairly rewarded for one's skills, knowledge and contribution. Any reward practice that is not valued by employees and fails to provide a motivating effect to a greater performance might be considered as an ineffective reward system (Relliy, 2009). Thus, the

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- management of AIC need to carefully survey employees' needs, before designing any reward policy, in order to address the most valued employees' needs and implement accordingly.
- The findings of this study indicated that the Performance Based Bonus and the Merit Payment have greater importance on improving employees' motivation. Therefore, implementing more individual rewards which are linked to employees' performance might help the Company to encourage employees to perform better at various tasks.
 - From the β coefficient result, it is evidenced that employees are more influenced by recognition; therefore, AIC has to continue with the current recognitions programs designed for best performers in order to encourage low performers to work harder.
 - Again from the β coefficient result, it was evidenced that promotion is insignificant for the contribution of employees' motivation. Therefore, AIC has to improve the existing promotion practices and make the process free from bias as much as possible.
 - From the assessment of respondents' perception, it was noted that one third of them have doubts on the fairness of the existing reward practices. Therefore, the management of AIC need to confirm that the reward system is free from bias. Particularly, in order to link the payment system with employees' performance, the management needs to have specific, unbiased and measurable targets that can be expressed in quantifiable terms, so as to evaluate the employees' performance in a tangible way and reward them accordingly. Besides, employees also need to know clearly, what is expected of them in order to do their best and get their reward accordingly.
 - With respect to employees' attitude towards their work, the result revealed that it was also moderate. As it was noted from the response given by the participants, many employees' job is not consisting of variety of tasks which might lead to reduction of job satisfaction and creation boredom. Therefore, management has to do much effort to make the work itself as interesting as possible and also make it reasonably challenging to make employees intrinsically motivated.

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- The influence and significant level of working environment were relatively low as compared to other variables of the study. This indicates that employees are not satisfied enough with the existing working environment. Therefore, the management of AIC should provide more attention to make the working environment more conducive to employees.

5.5. Suggestion for Future Research

Though the reward management is a very wide concept, this study tried to address only some factors of financial and non-financial rewards affecting employees' motivation in the work place. Therefore, further studies can be made on the effect of reward components which are not covered by this study. For instance, further studies on benefits are recommended to find out how current benefits can be improved, so as to motivate employees more.

The target populations of this study were only professional employees of the Company; therefore other researchers can conduct similar research by including non-professional staffs in order to replicate and confirm this study.

Furthermore, in light of the great number of youthful population in the Company, the researcher would also recommend that it will be beneficial if further studies can be made with respect to assessment on what motivates the youth to give their best and expected duration of stay in the Company.

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APPENDIX - I

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Addis Ababa University, School of Commerce

Date: _____

Dear Participants,

My name is Rahel Melaku. I am a postgraduate candidate pursuing Master of Arts Program in Human Resource Management at Addis Ababa University, School of Commerce. I am conducting my final year project for partial fulfillment of Master's Degree with the title '*The effect of Reward Practices on Employees' Motivation, in case of Awash Insurance Company S.C*'.

This questionnaire is aimed to gather relevant information that will be useful in the above mentioned research. I am pleased to inform you that, you have been selected as one of the respondents in this study. I, therefore kindly request your utmost cooperation in filling the questionnaire honestly and accurately. Please note that the quality of information you provide determines the ultimate reliability of the study.

If you are interested to have further information about this study or have any problem in filling the questionnaire, please contact me through:

Email: rahelme7@gmail.com

Note:-

- ✓ *Please do not write your name.*
- ✓ *Please put the tick mark (✓) on the appropriate space in the box to the point which mostly reflects your idea.*
- ✓ *All information will be used only for academic purpose and treated confidentially.*
- ✓ *Your honest and unbiased response will greatly contribute for the research to achieve its objective.*

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Part 1: Demographic Information

Please put tick (✓) mark on the option that best describes you.

1. Gender

Male Female

2. Age Category

Below 25 26-35 36-45 Over 45

3. Marital Status

Single Married Divorced Widowed

4. Which job category do you belong?

Management Operation Support

5. What is your highest level of education?

Diploma First degree Master's Degree Above Master's Degree

6. Monthly income (in Eth. Birr):

Below 5,000 5,000-10,000
 10,000-15,000 Above 15,000

7. How many years have you worked for Awash Insurance Share Company S.C.?

Below 2 years
 2-5 years
 6-10 years
 11-15 years
 Above 15 years

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Part 2: Close-Ended Research Instrument for Data Collection

Directions: Please put tick (✓) in the appropriate place for each item to express your view and level of agreement with the statements.

Hint: Please use the following key for your information:

- 1 = Strongly Disagree (SD) → if your level of agreement is very low in the measured attribute.
- 2 = Disagree (D) → if your level of agreement is below average in the measured attribute.
- 3 = Neutral (N) → if you are not so sure about the measured attribute.
- 4 = Agree (A) → if your level of agreement is above average in the measured attribute.
- 5 = Strongly Agree (SA) → if your level of agreement is very high in the measured attribute.

S/N	Question Items	Rating Scales				
Questions related to Base Pay (Salary)		SD	D	N	A	SA
		(1)	(2)	(3)	(4)	(5)
1	My salary is reasonable with respect of my contribution.					
2	I believe that the payment system of AIC treats each employee reasonably.					
3	Salary adjustment is made within reasonable period of time.					
4	My salary is similar with other employees working in the same position in Awash Insurance Share Company (AIC).					
5	My salary is fair when compared with that of similar jobs in comparable companies.					
Questions related to Performance-Based Bonus		SD	D	N	A	SA
		(1)	(2)	(3)	(4)	(5)
6	I believe that the existing bonus payment practice is strongly associated with my performance rating.					
7	I believe that the established standards to measure the level of performance are reasonable.					

The Effect of Reward Practices on Employees' Motivation

S/N	Question Items	Rating Scales				
		SD (1)	D (2)	N (3)	A (4)	SA (5)
8	I am confident that the practicality of performance based bonus scheme is free from bias.					
9	Performance based bonus payment has a positive input on my motivation to work at a higher level of performance.					
10	Employees who exhibit better productivity and enhanced performance level are more rewarded.					
Questions related to Merit Payment		SD (1)	D (2)	N (3)	A (4)	SA (5)
11	The existing merit payment scheme (performance based salary increment) is strongly associated with my performance rating.					
12	A well-designed Merit Payment scheme has a high effect on boosting employees' motivation.					
13	I feel that my effort is recognized through Merit Payment scheme.					
14	Salary increment made for high performers would encourage others to perform better.					
15	I am confident that the existing Merit Payment scheme is free from bias.					
Questions related to Promotion		SD (1)	D (2)	N (3)	A (4)	SA (5)
16	There are ample opportunities for promotion in AIC.					
17	The Criteria for promotion are reasonable.					
18	Staffs are promoted in a fair and transparent manner.					
19	Everyone has an equal chance to be promoted as the criteria is fulfilled.					
20	Overall, AIC is a good place for people who are trying to get ahead in their career.					
Questions related to Recognition		SD (1)	D (2)	N (3)	A (4)	SA (5)
21	AIC has an official recognition scheme for the best performers.					
22	I believe that proper recognition of high performers will encourage low performers to work hard.					
23	My manager provides me with constant feedback about how I am doing.					
24	I feel that my efforts and achievements are well recognized.					

The Effect of Reward Practices on Employees' Motivation

S/N	Question Items	Rating Scales				
25	I feel that my job is valued in my organization.					
Questions related to Working Environment		SD (1)	D (2)	N (3)	A (4)	SA (5)
26	The office layout is convenient for me.					
27	I have the required tools and resources to do my job well.					
28	I have good relationship with my colleagues in my work place.					
29	AIC's building contains safe guards against fire and any other accidents; so I feel secured in my office.					
30	AIC's building has equipped cafeteria for its employees with reasonable price.					
Questions related to the Work itself		SD (1)	D (2)	N (3)	A (4)	SA (5)
31	My job is in accordance with my qualification and skill.					
32	My job consists of a variety of tasks.					
33	The amount of work I am given is reasonable.					
34	I do have almost complete control on my work.					
35	My job is a bit challenging but I enjoy it.					
Questions related to Motivation		SD (1)	D (2)	N (3)	A (4)	SA (5)
36	My accomplishments on my job provide me a sense of self-esteem.					
37	I feel encouraged to come up with better ways of doing things.					
38	I am inspired to develop my skills and improve my performance.					
39	I am proud to tell people about my job.					
40	Overall, I feel that AIC is one of the best companies and I am happy of being a member.					

Thank you for your patience and honesty to answer the research questions.

Thank you again for giving your precious time.

APPENDIX - II

Normal P-P Plot of Regression Standardized Residual
Dependent Variable: Employee Motivation

