



**ADDIS ABABA UNIVERSITY SCHOOL OF GRADUATE  
STUDIES DEPARTMENT OF MPMP**

**Result Based Performance Evaluation (RBPE) in the case of  
MOENCO**

**By  
Dereje Mekonnen**

**A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR DEGREE OF MASTERS IN  
DEVELOPMENT MANAGEMENT**

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**Advisor: Teferi Regassa (Ato)**

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Statement of declaration

I, the undersigned, declare that this thesis is my original work and has not been presented for a degree in any other university, and that all source of materials used for the thesis have been duly acknowledged.

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College of Business & Economics  
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**By Dereje Mekonnen**

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## ACRONYM

CBI	Competency Based Interviews
CRS	Compensation and Reward Systems
HRM	Human Resource Management
MBO	Management by Objectives
MIS	Management Information Systems
MMD	Masters of Management Development
MOENCO	Motor and Engineering company
MPMP	Masters of public management and policy
NPM	New Public management
PA	Performance Appraisal
PM	Performance Management
PMS	Performance Management System
PRP	Performance Related pay
RBPE	Result based Performance Evaluation
UK	United Kingdome

## **Abstract**

The purpose of this research was to explore impacts of Result based performance evaluation with related pay in day to day activities. It focused on the relationship of employees understanding of the performance appraisal, the impacts of implementing performance appraisal on all stakeholders and the determinants of the relationship between RBPE pay system and employees' understanding, motivation, feeling and fairness. a case study has been chosen as a proper research method for this study and used purposive sampling technique. The data collection was made through questionnaire and interview of employees' in the organization of MOENCO using qualitative and quantitative method of research. Major findings of the research are interpreted and analysed in comparison with findings of existing literatures. The key findings of the research indicate positive fairness feelings and the related positive perceived work related behaviours of employees' of MOENCO in addition to sound knowledge and understanding of RBPE pay system procedures and the perceived feelings of motivation by level of pay attached to PRP. In addition to positive relationship of fairness perception with work related behaviours, analysis of the research also revealed the possibility of negative influence of subjective performance measurement parameters on employees' feelings of fairness. Finally, the study concludes that RBPE need further study and revision of the RBPE pay system to fill up the gaps mentioned above and minimizing negative impact to maximizing the strength of the relationship between the organization and employees.



## Chapter One: Introduction

### 1.1 Background of the Study

In this world of competition, for an organization to remain competitive and sustainable, the human resource professionals and strategic planners should collaborate strongly in designing strategies which is the most important part and crucial of all resources for the survival of an organization or business firms. According to Ivancevich, et al (1989), “It is important to remember that people do the work and create ideas that show the organizational service”. Therefore it is agreed that resources remain unutilized unless the human element is involved. The degree of human resource contribution should be evaluated in the development of the organization or business firm, and is called Performance Appraisal (PA). PA is the identification, measurement, and management of human performance in an organization (Gomez, et al,2001).

The history of performance appraisal is quite brief. Its roots can be traced in the early 20th century to Taylor’s pioneering time and motion studies. The performance appraisal system started in practice mainly in the 1940s and with the help of this system, merit rating was used for the first time near the Second World War as a method of justifying an employee’s wages (Lillian & Sitati, 2011).

In this regard MOENCO has established RBPE, to increase or provide a long-term business growth and a leading market share. MOENCO established specialized skills development and played an important role in the implementation of RBPE process.

The roll of RBPE in a growing economy is vital. It promotes economic development through reducing the wastage time and materials firms need to operate. Business development needs to be a dynamic process. Most companies seek to enhance the welfare of their owners and employee by following a development process that is designed to achieve specific goals that accelerate the growth of market share of their company.

Performance Related Pay system (PRP) is a compensation system that rewards performance on an individual or group basis (Farrell and Morris 2009, cited in Lee, Iijima and Reade 2011:2086).

Literatures indicate that western companies implemented and exercised PRP for several years. PRP systems have been steadily implemented in Western companies over the past several decades (Brown and Armstrong 2000; Storey and Sisson 2005 cited in Lee, Iijiman and Reade 2011: 2086). According to Torrington (1993: 149), PRP has grown during the late 1980s in Britain largely as a result of government policy to improve the efficiency of public sector organizations.

The basic purpose of PRP is motivating workers by linking performance with monetary incentives. According to some scholars (e.g. Schay and Fisher 2013) literatures in organizational motivation seem to be informed by theories and concepts of motivation that stress different factors in motivation.

Although Herzberg (1966) believes that pay is merely a "hygiene factor" or potential dissatisfier, Lawler's (1981) research has shown that performance contingent pay can be a powerful performance incentive because money can satisfy many different needs (Schay and Fisher 2013: 360).

Literatures on PRP show the importance of transparency and perceived fairness. Lawler (2000) states that, to be motivating, PRP systems require that individuals trust the organization to deliver on its reward system commitments. When these systems fail, it is usually because of lack of trust due to perceived unfairness or lack of system transparency. If merit pay is implemented successfully and administered fairly, the majority of employees will overcome the initial skepticism, trust their supervisors, and ultimately accept the new system. (Schay and Fisher 2013: 361).

In addition, theories and literatures also indicate levels of merit pay in PRP have relationship with employees' feelings of fairness. According to the theory of organizational justice, employees are concerned with the fairness of two aspects of organizational decisions: outcomes and procedures Greenberg, (1987) cited in (Schay and Fisher 2013: 361). In the context of PBP, employees are concerned with the amount of merit pay they receive (distributive justice) and the

fairness of the procedures used to determine that amount procedural justice: Heneman, (2002) cited in (Schay and Fisher 2013: 361).

Therefore, study tries to investigate three features of the RBPE process as identified 1) What is the employees understanding of the performance appraisal? 2) What are the impacts of implementing performance appraisal on all stakeholders? 3) What are the determinants of the relationship between RBPE pay system and employees' understanding, motivation, perception of fairness? In doing so, the current work aims at extending the work by Bowen & Ostroff (2004), by looking further inside the organization through the lens of employees' for the effectiveness of human resource management and thus organizational work force at MOENCO.

## **1.2 Statement of the problem**

Result-based performance evaluation is one of the most important activities of human resource management. It is a significant factor to the organization's success. If result based performance is properly appraised it helps the organization to realize its strategic objectives by increasing effective working process through continuous improvement of individuals' performance. (Ali 2008). Such appraisal system also helps to focus on the performance work and improvements points of individual workers.

Performance appraisal as part of organizational life consists of several processes such as measuring of work performance and establishing purposes and reward management. Implementing a performance appraisal system in a company generates numerous benefits both to the employees and company. Such as this is in line with most of the findings of research conducted on PRP implementation (Lazear 2000, Booth and Frank 1999, Gielen, Kerkhofs and Ours 2010 and others).

The available literatures on PRP implementations discuss both benefits and problems of the PRP system. Some literatures can be categorized into two. i.e, these indicate that PRP, despite its problems in its implementation of the system, positively contributes to the success of organization.



Other literatures such as Maheshwari and Singh (2010) put that a common problem with the RBPE ay system comes from its implementations. The problem may be that when a PRP system is implemented Proper parameters and accurate measurement of performance may not have been identified. As a result performance evaluation may suffer from subjectivity and. irrelevance of the criteria used to appraise performance of employees. Moreover, shortage of skilled and knowledgeable raters, lack of continuous documentation and inability to provide feedback on time are some other problem observed in the implementation of a RBPE pay system.

These and other above problems, in the implementation of a RBPE pay system, would adversely affect employees' perceptions of the performance appraisal system, and they would express dissatisfaction with the implementation of system. The overall dissatisfaction of employees, results in a decrease in motivation and commitment to working hard and an increase in the turnover of staff. This in turn, bring an adverse effect not only on the immediate productivity and benefits of the company but also, at its future success and survival.

On the other hand, scholars such as Lazear (2000), Booth and Frank (1999), Gielen, Kerkhofs and Ours (2010) and others support a PRP implementation .which identifies employees satisfaction with the implementation of RBPE. In such condition employees would exert every possible effort to carry out their responsibility efficiently and effectively. Thus this certainly makes the organization more productive and successful. Employees must be made to experience positive reaction in the practice of performance appraisal; otherwise, appraisal system will be deemed to failure.

The researcher had noticed that employees' understanding of RBPE pay system could be a highly influencing factor in fully introducing the system for the first time. Shields, et al @ (2012: 70) also commented that "a further possible factor influencing attitudinal outcomes is pay understanding".

Therefore, based on the findings from different research studies in the field of PRP, it can be argued that the effectiveness of PRP implementation depends on different factors, and that one of the factors affecting PRP's effectiveness is employees' perception to the system.

The issue here is that, in the light of views of scholars discussed above how effective in MOENCO- the subject of this study- in introducing the RBPE pay system to its work traditions, how do the different factors identified by scholars affect the effectiveness of the company?

In doing so MOENCO implemented result based performance evaluation (RBPE) pay system since 2009. However, until now no detailed micro level assessment has been made regarding the attitudes of employees toward the practice of RBPE pay system. and regarding the implementation impact of the system on both the employees and the company..

There is this knowledge gap to fully characterize MOENCO in terms of its RBPE pay system, despite the prevalence of employees, informal discussions negative attitudes to the system, often revealed in. Thus this study therefore, seeks to scientifically investigate the employees' perceptions of effectiveness of the existing RBPE pay system and employees at MOENCO.

### **1.3 Research Questions**

Based on the above stated problem the research tries to address the following questions.

1. How much MOENCO's employees understand the RBPE pay system, currently being practiced in the company?
2. How successful and effective is the implementation of the RBPE pay system in MOENCO?
3. What are the determinants of the relationship between RBPE pay system and employees' understanding, motivation, feeling and fairness?

### **1.4 Research Objectives**

#### **1.4.1 General objective**

The main objective of this research is to investigate the practices and problems of RBPE in MOENCO.

### **1.4.2 Specific Objective**

The specific objectives of the study are:

- ❖ To evaluate MOENCO employees' understanding of the RBPE pay system being practiced in the company.
- ❖ To analyze Moenco employees' perceptions of the RBPE pay system
- ❖ To identify determinants of the relationship between RBPE pay system and employees understanding, motivation, feeling and fairness

### **1.5 Significance of the Study**

This study is a micro level investigation of an organization; Hence the findings of the study are believe to be primarily significant to the organization .However, it can also gives insight in to the practice and problem of RBPE with other companies.The over all of this research out put contributes to the general knowledge us to now properly implement such performance related pay system to improve private and public organization performance in particular and to the economy in general.

### **1.6 Scope of the Study**

The scope of this study was limited to assessing MOENCO'S result based performance evaluation, focusing on performance related pay system, motivation of workers and employees' perception of fairness of the result based performanceevaluation of workers in the organization.

### **1.7 Limitation of the Study**

The limitation of this research was at the company selected for the study- i.e MOENCO –did not provide the the research with all the information they were regrted matters of confidentiality . However,the researcher exerted his utmost effort to to procure data that was necessary and sufficient to serve the purpose of the study.

### **1.8 Organization of the Paper**

This paper is organized in the following way. The second chapter deals with review of literature both theoretical and empirical ones. In the Third chapter, a discussion is presented on the adoption of methodology for this research.the fourth chapter deals with data description and analysis. Finally, chapter five contains conclusions and recommendations.

## **Chapter Two**

### **Review of Related Literature**

#### **2. Introduction**

The purpose of this chapter is to examine literatures in the field of RBPE, focusing on perceptions related issues that can help address the research questions and develop a theoretical framework for analysis of the relationship of employees' understanding of PRP and employees' perceptions of fairness of PRP system has with the effectiveness of the system in terms of company's performance. Therefore, the chapter tries to identify issues related with employees' understanding of PRP, employees' perception of fairness of RBPE related pay and some of the work related behaviours of workers that may influence their day to day performance.

#### **2.1 Theoretical Literature Review**

##### **2.1.1 Definition of Performance Appraisal**

The term "performance appraisal" has been defined as a process by which an individual's work performance is assessed. Performance appraisal refers to a process of identifying, evaluating and developing the work performance of employees in an organization so that the organizational goals and objectives are more effectively achieved, while at the same time benefiting employees in terms of recognition, receiving feedback, catering for work needs and offering career guidance (Lansbury, 1988). It is the formal process of observing and evaluating an employee's performance (Erdogan, 2002). According to Angelo S. DeNisi and Robert D. Pritchard (2006) "Performance appraisal" is a discrete, formal, organizationally sanctioned event, usually not occurring more frequently than once or twice a year, which has clearly stated in advance.

##### **2.1.2 The Purpose and Importance of Performance appraisal**

There has been a large amount of researches done in the past several decades on performance appraisal (Bretz, Milkovich & Read, 1992; Fisher, 1989). Performance appraisal sounds simple but researches tell us that it is commonly used in performance feedback and identify individual employee's strengths and weaknesses. Performance appraisal systems are used for different purposes which include human resource decisions, evaluation and feedback (Cleveland, et al. 1989). The different works dominated by psychologists concentrated on the psychometric

characteristics of appraisal for supervisors in their performance evaluation (Milkovich, et al. 1991). Psychologist focused on employee's reaction to appraisal and shared view in which performance appraisal takes place (Levy and Williams, 2004).

Performance appraisal establishes reward systems that will combine the efforts of leaders and workers of an organization to the common goals of their organizations (Cleveland, and et al,1989). For achieving high performance goals of an organization, performance appraisal is a very important component of human resource management. The information gathered and the performance appraisal provide basis for recruitment and selection, training and development of existing staff, and motivating and maintaining a quality human resource through correct and proper rewarding of their performance (Lillian, et al .2011).

### **2.1.3 Performance Appraisal Criteria**

According to Armstrong (2009), the criteria for reviewing performance should be balanced between: achievements in relation to objectives; the level of knowledge and skills possessed and applied (competences or technical competencies); behavior in the job as it affects performance (competencies); the degree to which behavior upholds the core values of the organization; and day to day effectiveness.

As Mathis and Jackson (1997: 341) stressed, performance criteria are standards commonly used for testing or measuring performances. Criteria for evaluating job performances can be classified as trait- based, behavior- based, or results based.

Performance appraisal (PA) roots in the early 20<sup>th</sup> century and its existence consists of different criteria or approaches in its history. The three criteria or approaches that deal with PA from Heneman et, al. (1996, pp.311-335) are presented below.

- 1) Trait -based rating scale approach: involves rating an individual's personal traits or characteristics. Commonly assessed traits are: decisiveness and dependability. Although the trait-based approach is widely used by managers, it is generally considered by experts to be the weakest; it contains different methods during application.
- 2) Behavior-based rating scale approach: is done on job- by- job basis. The steps in developing a behavior -based rating scale are both time consuming and rigorous. It contains different methods, during application.

3) Result –based rating scale approach: focuses in the product of one’s efforts. It is the most common format for the results-based approach. Also, it contains different methods during application. (Heneman et al. 1996, pp.335)

#### **2.1.4 Exercise of Performance Appraisal**

The use of PA is elaborated by Mullins (1996, pp. 367) as a formalized and systematic appraisal scheme that can also form the basis of a review of financial rewards and planned career progression. Performance appraisal is therefore, a crucial activity of the personnel function and the management of human resources (ibid).As discussed by Heneman (1996, pp.423) as PA is used to identify the dimension of performance.

Mullins (1996) states that Managers often believe that the most significant PA outcome involves the contributions employees make to the organizations goal attainment. Higher performing employees successfully meet their responsibilities and thereby make a contribution to the goals of the organization. Performance appraisal is a vital component of a broader set of human resource management practices; it is a mechanism for evaluating the extent to which each employees’ day- to- day performance is linked to the goals established by the organization Coutts and Schneider (2004).

According to Armstrong (2000), a PA function is a continuous and evolutionary process in which performance improves over time. It provides the basis for regular and frequent dialogues between managers and individuals about performance and development needs based on feedback and self assessment. It is mainly concerned with individual performance but it can also be applied to teams. According to Gomez Mejia et al. (2001), organizations usually conduct appraisals for administrative and/or developmental purposes. Performance appraisals are used administratively whenever they are the basis for a decision about the employee’s work conditions including promotions, terminations and rewards. Development as purpose of performance appraisal are geared toward improving employees’ performance; and strengthening their job skills, including counseling employees on effective work behaviors and sending them for training.

### **2.1.5 Performance Appraisal systems**

A performance appraisal system involves certain steps. According to Gomez Mejia et al. (2001), the first step in the performance appraisal process is identifying what is to be measured. This process seems fairly simple at first glance. In practice, however, it can be quite complicated. Identification of performance dimensions is the important first step in the appraisal process. If a significant dimension is missed, employees' moral is likely to suffer because employees who do well on that dimension will lose the points from it, and thus employee will not be recognized or rewarded. If an irrelevant or trivial dimension is included, employees may perceive the whole appraisal process as meaningless.

The second step in a performance appraisal process is measuring employees' performance. Measuring employee performance involves a number to reflect an employee's performance on the identified characteristics or dimensions. Technically numbers are not mandatory. Label such as "Excellent", "Good", "average" and "Poor" might be used, instead.

The third step in a performance appraisal is managing performance. The effective management of human performance in an organization requires more than formal reporting and annual rating. A complete appraisal process includes informal day to day interaction between managers and workers as well as formal face to face interviews. Although the ratings themselves are important, even more critical is what managers do with them.

### **2.1.6 Approaches to Performance Appraisal**

Numerous techniques for measuring performance have been developed over the years. According to Gomez-Mejia, et al. (2001), techniques of measuring performance of employees involve a wide array of appraisal formats from which to choose. These authors discuss the formats that are most common legally defensible. These formats can be classified in to variety types depending on: (1) the type of judgment that is required (relative or absolute), and (2) the focus of the measure (trait, behavior, or outcome). Performance appraisal formats should be discussed with reviewed on regular basis. In addition, to the use of appraisal formats, informal appraisals can be conducted whenever a manager feels they are desirable.

### **2.1.7 The Role of the Appraiser**

Attitudes toward the appraiser are important, particularly because the person providing the performance appraisal is often the employee's supervisor (Milkovich and Boudreau, 1997). The feelings created during the performance appraisal may endure and affect the employee-supervisor relationship in general (Wendy et al. 2000). These authors considered that evaluation may create negative feelings toward the appraiser (the immediate supervisor) and could arguably be detrimental to the relationship. This may be particularly true if the employee receives a low PA rating or perceives injustice. Although negative feelings may upset the relationship between the evaluator and the individual being evaluated (Drenth. 1984), evaluation may lead to positive outcomes, such as pay increases or promotions, and ultimately a positive reaction toward the person providing the feedback. Russell and Goode (1988), for example, found that satisfaction with the appraisal positively associated with satisfaction with the appraisal source: the supervisor.

Gosselin and colleagues (1997) A research suggests that many employees not only prefer developmental performance appraisal uses such as career planning but also prefer that their immediate supervisor provide the performance appraisal feedback.

### **2.1.8 Effectiveness of PA systems**

To meet the vision, mission, objective, goals and targets of an organization or an institution, everyone should set clear and precise methods of PA system objectivity. If so, effective output of PA system leads an organization to prosper, specially in the environment where formal learning and other similar activities are held. As a result every employee's awareness leads to set and control how to implement an effective PA system. Nelson et al. (1997 :391) discuss that an effective PA system has about five main characteristics, which are described as follows.

- 1) Validity: comes from capturing multiple dimensions of a person's job performance.
- 2) Reliability: comes from capturing evaluation from multiple sources and at different times over the courses of the evaluation period.
- 3) Responsiveness: allows the person being evaluated some input in to the final outcome.
- 4) Flexibility: it opens to modification based on new information such as federal requirements.
- 5) Equitableness: results in fair evaluations against established performance criteria, regardless of individual differences.



Again clear and very important statements about the effectiveness of PA system are expressed by Mathis and Jackson (1997, pp. 364-365) as follows. An understanding of what an appraisal is supposed to do is very critical whichever of the method is used. It usually works, but if PA is used as a punishment or when raters fail to understand its limitations it fails.

What and whichever the appraisal method is used, the main point is that managers and employees must understand the purpose of PA system. So, consistent with the strategic mission of the organization, useful as an administrative tool, legal as development tool, as a documentation of employees' performance are pints of chances to be obtained if and only if PA is practiced properly.

### **2.1.9 Performance Appraisal System and Performance Improvement**

Performance management focuses on ways to motivate employees to improve their performance. The goal of the performance management process is performance improvement, initially at the level of the individual employee, and ultimately at the level of the organization.

The performance appraisal is a technique that has been credited with improving performance (Bagozzi, 1980; DeCarlo and Leigh, 1996) and building both job satisfaction and organizational commitment (which has been related to lower levels of turnover).

Although the relationship between appraisals and performance may not be a direct and causal one, their impact on performance may be attributed to their ability to enhance: role clarity, communication effectiveness, merit pay and administration, expectancy and instrumentality estimates, and perceptions of equity. Duhinsky, et al (1993) discuss that role clarity can affect both the effort/performance expectancy and performance/reward instrumentality estimates. Thus, by reducing ambiguity, performance appraisals may positively influence the levels of motivation exhibited by employees. More frequent appraisals and feedback help employees to see how they are improving, and this should increase their motivation to improve further (Kluger and DeNisi, 1996).

Appraisals are generally considered to have a positive influence on performance, but they also may have a negative impact on motivation, role perceptions, and turnover when they are poorly designed or administered (Churchill et al., 1985).

#### **2.1.10 Time to Conduct Performance Appraisal**

In any administrative activity of an organization, PA has its own time to be conducted. Everyone in the organization has his/her own time to conduct PA depending on their own philosophy of time period (Mullins 1996: 501). Typically, they are conducted once or twice a year, usually near the employer's anniversary dates.

#### **2.1.11 Responsible Body to Conduct PA**

PA is the most significant activity of an organization. If the right persons are not assigned to process PA activities, then the strategic objectives of organization is seriously affected. Tosi et al. (1986) "Performance evaluation by one's superior, groups of management at higher levels, subordinates or peers has been departed and for certain purposes, self-ratings are used." Mathis and Jackson, (1997: 347) also argue that performance appraisal can be done by any one familiar with the performance of individual employees. Possibilities are including the following.

- supervisors who rate their subordinates,
- team members who rate each other,
- outsider sources,
- employee self-appraisals and
- Multi-score (360) appraisal.

#### **2.1.12 Performance Appraisal Attitudes**

Previous research has shown that the purpose of performance appraisal affects rating processes and outcomes (Murphy et al. (1982) and employees indicate a preference for certain performance appraisal uses (Jordan and Nasis, 1992). It is conceivable that employee attitudes may vary depending on perceptions of how the performance appraisal is used. If people perceive performance appraisal purposes differently, as has been suggested by (Balzer and Sulsky (1990) and Ostroff, (1993), then attitudes may vary depending on that perception.

It has also been proposed that evaluation is often of a negative nature Meyer et al. (1965), whereas development is more likely to be viewed positively

### **2.1.13 The Concept of PRP**

According to the definition given by Maheshwari and Singh (2010: 64-65), PRP is a merit-based pay system that helps in aligning the individual goals with the desired outcomes of the organization. It is a reward given to employees for the optional and special contribution towards the accomplishment of the assigned individual and organizational goals. It is also a mechanism for incorporating accountability, where employees are made accountable for attaining the assigned results.

Others also consider RBPE as an effective system to boost profitability through aligning organizational target and employee performance. They describe it as a compensation system related with merit, productivity, motivation and reward. Performance related pay (PRP) system is a compensation system that rewards performance on an individual or group basis (Farrell and Morris 2009 cited in Lee, Iijima and Reade 2011:2086). The aim of PRP is to motivate employees to work harder by presenting a transparent link between performance and financial reward, and hence to raise employees' productivity (Deckop and Mangel 1999, cited in Lee, Iijima and Reade 2011: 2086).

Though there are a number of studies in the field of PRP, research findings do not indicate there is similarity and agreement whether it is an effective system that boosts profit and productivity or it is ineffective in maximizing individual and organizational income. Some studies found it is a system that boosts profitability. Other research findings show limitations of the system and ambiguities in the effectiveness of the system. Few even comment PRP as productivity loss.

### **2.1.14 Importance and Application of PRP**

Lazear (2000), Booth and Frank (1999) and others concluded in their studies supporting the idea that PRP boosts productivity, company profit and employees' income.

Understanding and making use of fundamental differences in employee response to incentive systems appears merited (Fox, Scott and Donohue 1993:692). As Lee, Iijiman and Reade suggested, if employee performance data are obtainable, it can allow examination of impact of employee preference to PRP on actual performance.

MOENCO which is the subject of this study is one of the subsidiaries of western multinational companies currently operating in Ethiopia. Therefore, employees' perceptions of the RBPE pay system as investigated in the study so that we can see if there are cultural differences or similarity between the PRP system practice in MOENCO and that in other similar companies in the west. With the globalization of HR practices, such as the implementation of RBPE pay system, 'there is a need to consider culturally based variation in the ways employees conceptualize their relationships with their employers' (Thomas, et al. 2003, p 451 cited in Lee, Iijima and Reade 2011:2104).

Therefore, to answer the research questions, employees' perception of fairness of the system, understanding of the system and motivation of employees, a perception to the level of incentive pay and employees view as element of control shall be considered as perception factors to explore the outcome. In addition, other fundamental perception factors emanating in the early stages of data collection process will be considered.

RBPE pay system may be viewed by workers as an element of control rather than support (Frey and Jegen 2001 cited in Artz 2008: 316). Mitra, Gupta and Jenkins suggest that small level of pay increase is motivationally ineffective and organizations should introduce an effective merit system that can enhance employee's motivation to increase performance.

They also provide an estimate of the minimum percentage raise that induces cognitive and behavioural reactions. Pay differences have a consistent negative effect on employees' perception of fairness, hence, it behoves management to explain to employees how and why they are paid because of the positive relationships that pay understanding has with pay fairness (Shields, Scott, Bishop and Goelzer 2012:82).

Finally, these perception factors will be considered to explore the relationship of performance related pay system and its impact on workers day to day performance.

### **2.1.15 Controversies and Employees' Perception to PRP System**

There have been some scholarly debates as to the practices and effects of the PRP system that can affect productivity and income positively. Lazear (2000), Booth and Frank (1999) and others support the idea that PRP boosts productivity, company profit and employees' income. Some estimate that the introduction of a PRP system increases productivity of firms with about 9%. This may be partly due to an incentive effect and partly due to worker sorting. The increase in productivity does not come at a cost of employment, on the contrary; the inflow of workers increases more than the outflow does, thus generating a net employment growth of 5 percentage points (Gielen, et al. 2010: 300).

Whatever is told about PRP, Heneman (2002) cited in Schay and Fisher (2013: 363) summary (shown in the below Table 1) of myths and realities in merit pay generally shows PRP has positive outcomes though there are myths in merit pay showing negative impressions and some other research findings also show limitations in implementing the system.

Employees' understanding to the system can be one factor affecting employees' perception of PRP. Research findings show effective implementation of PRP needs employees' understanding of the system. Shield, et al. (2012) assert that pay system effectiveness resides not just in how the system is designed and administered but also in how clearly and consistently the system is explained to those affected and how well it is understood and accepted by them as fair and equitable. The result of their research show that it behoves management to explain to employees how and why they are paid because of the positive relationship that pay understanding has with pay fairness (Shield, et al .2012: 82).

Table 2.1: Myths and realities concerning merit pay

Myth 1	Organizations have abandoned merit pay
Reality	Merit pay is the most frequently used reward program; over 80% of employers use it
Myth 2	Merit pay programs are ineffective
Reality	Merit pay is almost always related to improved employee attitudes (which, in turn, are related to attendance and retention), and merit pay is sometimes related to improved job performance
Myth 3	Merit pay decreases satisfaction with work
Reality	Merit pay adds to satisfaction with work
Myth 4	Employees prefer team and organization based rewards over individual rewards such as merit pay
Reality	Employees prefer individual rewards over team and organizational rewards

Source: LeBlanc and Mulvey (1998) and Heneman (2002) cited in Schay and Fisher (2013: 363) Maheshawi and Singh (2010: 63) also commented the importance of checking preparedness of employees for effective implementation of PRP. According to this authores, implementation of PRP is a challenging task; therefore, organizations should make themselves ready before implementation, including the psychological preparedness of employees.

Therefore, it looks important to study how employees understand and perceive PRP and how the employees' understanding and perception of PRP affect work related behaviours.

Another factor that has the potential to affect implementation of PRP, according to research findings, is employees' feelings for the level of pay attached to PRP. Konstantinos (2010) comments that monetary incentives may have a positive effect on workers' utility and performance as long as they are large enough. All other things being equal, a higher intensity of rewards is observed to enhance the utility that workers derive from their jobs (Konstantinos (2010: 618). Therefore, it seems also studying employees' perception of fairness of the amount of pay attached to the prp system is important pay is important.

In addition, research findings also indicate the need to study employees' understanding and employees' feelings of level of pay in PRP. Lawler (2000) stated that PRP needs individuals trust

on organizations, to be motivating. Trust can be created through effective communication which enhances perceived fairness through transparency. Additionally, Heneman (2002) cited in Schay and Fisher (2013: 361) stated that employees are concerned with the amount of merit pay they receive in the context of PRP.

### **2.1.16 Definition of Motivation**

Motivation is incidental to or defined by goal-directed behaviour. This implies that motivation is concerned with the strength and direction of that behaviour. In other words, it implies that motivation takes place when people expect that a course of action is likely to lead to the attainment of a goal and a valued reward - one which satisfies their particular needs. Well-motivated people are, therefore, those with clearly defined goals who take action which they expect will achieve those goals (Erez and Zion, 1984).

Motivating employees can be a manager's biggest challenge. Employee motivation is a key to the overall effectiveness of an organisation. Jones and George (2007) define motivation as psychological forces that determine the direction of a person's behaviour in an organisation, a person's level of effort and a person's level of persistence. The authors consider direction of behaviour, efforts and persistence as key components towards motivation. The behaviour that a person chooses is direction of behaviour. Effort measures how hard an employee works. Persistence occurs when an employee continues in the face of difficulties, instead of giving up.

They make effective contributions at work because of strongly developed feelings of behavioural commitment. As scholars argue they acknowledge that their efforts are required to further both the needs of the organisation and their own interests (Tarkenton, 1986, and Robinson, 1992). Therefore, in the context of PM model, the process of motivation entails positive reinforcement progression

The foregoing discussion highlights the importance of PRP for motivation on the job. It is the kind of compensation that is relevant in a study of the link between motivation and performance. It is the role of pay in motivating employees on the job that is the focus of this study, and not the impact of money on decisions to take up or to leave employment.

### 2.1.17 The Process of Motivation

The process of motivation can be modeled as shown in Figure 2.1 below. This is a needs related model and it suggests that motivation is initiated by the conscious or unconscious recognition of unsatisfied needs. These needs create wants, which are desires to achieve goals or obtain something.

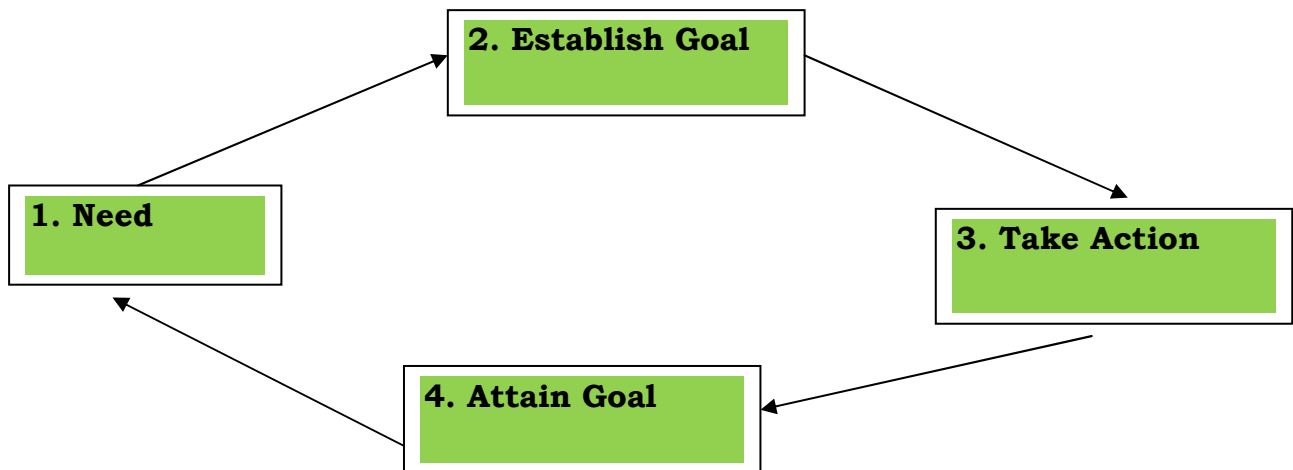


Figure 2.1: The process of motivation

Source: Armstrong, (1993)

Goals are then established to satisfy these needs and wants and a behaviour trail is selected which it is expected will facilitate the achievement of the goal. If the goal is achieved the need will be satisfied and the behaviour is likely to be repeated the next time when a similar need emerges. If the goal is not achieved the same action is less likely to be repeated.

This model describes how individual motivation process takes place. It is based on the motivational theories related to needs (achievements), goals, equity, behaviour modeling (reactance) and expectancy.

The model can be used to illustrate a process of motivation which involves setting of corporate goals that are likely to meet individual and organizational needs and wants, and encourage the behaviour required to achieve those goals.

### 2.1.18 Motivation and Reward

The underlying rationale for performance-related pay is based on theories of motivation and the degree to which financial reward can influence an individual's performance. The view that the



right behaviour can be encouraged through reward and discouraged through punishments derives from many years of psychological thinking. For behaviourists like Skinner (1974), learning only takes place through external positive and negative reinforcement – the ‘carrot or stick’ approach to reward. Taylorism applied this thinking to financial rewards, contending that money was the sole motivator for workers to perform. This is an essentially employer-centric view of reward, based on the premise that behaviour can be controlled and moulded to suit employer needs. It is a view that takes no account of employee reward preferences.

This perspective has been hotly contested by other motivational theorists. For example, expectancy and goal theorists put the emphasis on cognition thought processes – that is, the decisions people make about how far to participate and perform in the workplace. For goal theorists, future goals or anticipated outcomes can be used to influence behaviour and motivation, and the mere existence of goals can lead people to behave in ways that mean they will attain their goals. This does not even necessarily imply that financial reward is needed; rather, there is a strong indication in goal theory that objective setting is a powerful motivational tool in its own right.

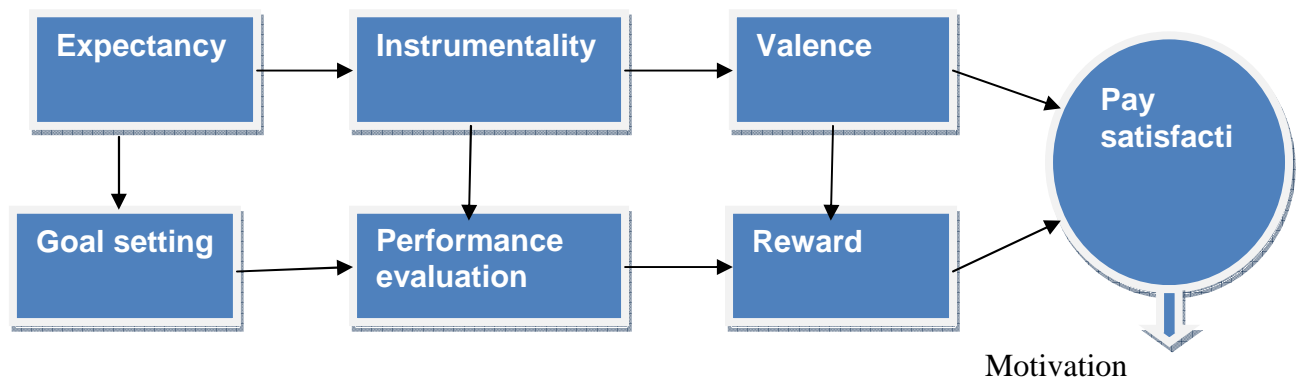


Figure 2.2: Expectancy theory and pay satisfaction

Source: Ducharme, Singh and Podolsky, (2005) York University, CBR

Goal theory was refined in a number of ways through expectancy theory. Porter and Lawler (1968), building on earlier work by Vroom, (1964) developed the central hypothesis that motivation is dependent on whether the outcomes hold psychological value or ‘valence’ for the individual.

Effort would be made where people expect to be rewarded for it, but there needs to be a clear line of sight between the effort and expected reward. The reward needs to match the effort expended – if the reward is too small or unimportant for the effort involved, an individual will

not try that hard, so ‘valence’ has both quantitative and qualitative dimensions – whether the reward is of the right kind and whether there is enough of it.

This theory has implications for the level of awards that are paid under PRP schemes. There is also the contention made by Adams (1965) that people are uncomfortable about being better rewarded than others, although this seems to depend on the social setting.

## **2.2 Empirical Literature Review**

Eric (2011) studied the effects of employee performance appraisal on the achievements of organizational objectives, achievements and contributions to the organization, Employees of Ghana Health Service in recent times have been accused of high level of inefficiencies in the discharge of their duties by the general public. Data were collected via questionnaire from senior and junior staff and the primary data were collated and analyzed using appropriate statistical techniques the study sought to ascertain the level of knowledge and awareness of employees of performance appraisal practices at the Manhyia District Hospital.

This was to help determine whether employees were educated enough on appraisal systems and its relevance to the individual employee’s performance. Finally, the researcher suggested that training and incentives should be offered to meet desired performance standards, minimize conflict and confrontation, and develop self-auditing.

Mohamed (2005) also studied the factors that shape and influence the institutionalization of the performance appraisal system in the Maldivian Public Service. The research approach followed in this study was a qualitative one. Maldivian Public Service had been establishing a formal performance appraisal system. However, after 3 years it was evident that the objectives of implementing the system had not been achieved. Mohamed gathered data through: (a) interviews, (b) observations and (c) examination of secondary documents. Mohamed found out that the desired motivation among the Maldivian Public Servants was currently absent. Due to the lower salaries in the government and in order to survive in the expensive living standards of Maldives, most public servants were motivated when the rewards were worth while to them in terms of promotion or any form of salary rise.

Based on the research findings the researcher then recommended that motivation and reward would be necessary prerequisites for any reform to succeed. However, the researcher further recommended that a new performance appraisal system that would be fit to the Maldivian context should be formulated.

An other study conducted by Deborah and Brain (1997) was based on the opinion that organizations need to have a systematic framework to ensure that performance appraisal is “fair” and “consistent”. These authors believes that designing an effective appraisal system requires a strong commitment from top management. They argue that the system should provide a link between employee performance and organizational goals through individualized objectives and performance criteria. They further argued that the system should help to create a motivated and committed workforce. The system should have a framework to provide appropriate training for supervisors, raters, and employees; a system for frequent review of performance, accurate record keeping, a clearly defined measurement system, and a multiple rater group to perform the appraisal.

According to Mathias (2011) comparative study was done to compare the performance management and rewarding systems followed by the case enterprises i.e. in two selected privatized and state owned enterprises in Ethiopia. The problem is that there is no sufficient empirical evidence on performance management in privatized and public enterprises. In Ethiopia, there have been lots of state owned and private enterprises playing great role in the Economy. Therefore, the data collection was made through questionnaire filled by employees, review of policy documents and interview with general managers of both enterprises. The findings showed that, in many instances, performance management practices were not significantly different between these enterprises. In some parameters of performance management, the privatized enterprise was found better than the state owend enterprise. However, this study has limitation in that a case study is not conclusive for all other similar organizations.

In general, keeping weak points from each enterprise, the overall comparison reflects that the public enterprise (ASSC) was weaker than the privatized enterprise PMS. An important lesson that can be derived from this research is that these enterprises do not give much emphasis for performance management as a system to boost performance.

### **2.3 Theoretical Framework**

This study considered employees' understanding of RBPE, employees' perceptions of level of performance related pay system and fairness of RBPE pay system.

Research findings have shown (Shields, Scott, Bishop and Goelzer 2012) some of the factors affecting employees' motivation and performance are employees' understanding of the system and employees' feeling of fairness of the level of PRP related pay. Folger and Konovsky (1989), and Lee, Law and Bobko (1999) cited in Shield, Scott, Bishop and Goelzer (2012: 70) contend that employees' feelings of fairness are related to a number of outcomes as pay satisfaction, product quality, performance and physical and psychological health. Based on this, Shield, Scott, Bishop and Goelzer (2012: 70) suggested pay fairness seem to be a significant predictor of employee attitude and behaviour influencing employees' work related behaviours. Therefore, this study tries to explore the relationship of these perception factors with RBPE and work related behaviours of MOENCO employees.

#### **2.3.1 Employees' Understanding of PRP**

A basic tenet of compensation theory is that the impact of pay programs and policies impact on work-related attitudes and behaviour depends upon how they are perceived (Shield, Scott, Bishop and Goelzer (2012: 69). One of such perceptions as identified by different researchers is pay understanding.

Shields, et al .(2012: 82) also commented that "Pay system effectiveness resides not just in how the system is designed and administered but also in how clearly and consistently the system is explained to those affected and how well it is understood and accepted by them as fair and equitable".

Another research by Gupta (1980) cited in Shields, Scott, Bishop and Goelzer (2012: 75), which shows the importance of pay understanding in PRP, identified four reasons why low pay, communication, and understanding may have negative outcomes. First, lack of understanding may cause uncertainty and give rise to feelings of unfairness. Second, poor communication may give rise to the belief that the system is weak, whereas perceptions of system strength will elicit positive reactions. Third, by reducing role clarity, low communication may preclude employees from altering behaviour to address performance and reward expectations. Fourth, inadequate system understanding may impair employees' belief in the possibility of maximizing reward returns.

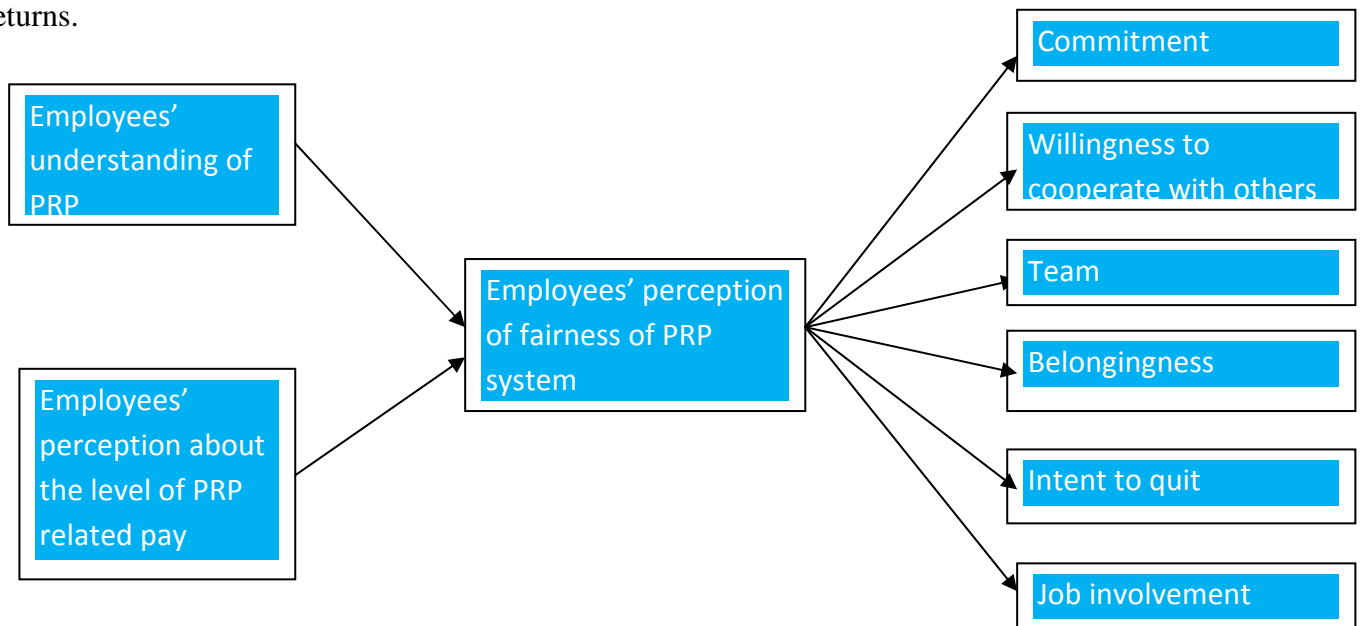


Figure 2:3 – Relationship of employees' perception of PRP with work related behaviours through employees' feelings of fairness,

Source: Shields, Scott, bishop and Goelzer (2012: 72), with modification.

Similarly, Barber and Simmering (2002) cited in Shields, et al (2012: 75) propose that an understanding of the pay system would facilitate feelings that the pay system is fair and encourage acceptance of pay outcomes. Furthermore, compensation professionals believe that clear and consistent communication aimed at helping employees understand their employer's pay policies and programs will engender perception of pay fairness and will further the goals of their pay programs (e.g, Scott et al. 2007, 2008) cited in Shields, Scott, Bishop and Goelzer 2012:75).

Others also found employees' understanding of how they are paid relative to what others is paid show a positive relationship with their feelings of fairness of pay. Brown and Huber (1998). Dulebohn and Martocchio (1998); Judge (1994) and Lee et al. (1999) all cited in Shields, et al. (2012: 75) have found that employees who have a better understanding of how they are paid relative to their own responsibilities and inputs, and relative to what others are paid, express higher levels of pay felt-fairness and pay satisfaction. Additionally, Scott, Sperling, McMullen, and Bowbin (2008); Shaw and Gupta (2007) both cited in Shields, et al. (2012: 70) suggested that there is positive association between employees' understanding of pay system and pay fairness.

On the other hand, stressing on the role of certainty of communication in reducing the feeling of injustice, Sopow, (2007) and Sayeed and Bhide (2003) both cited in Maheshwari and Singh (2010: 65) commented that communication may not enhance the feeling of justice among employees.

Research findings also show negative influence of understanding if employees feel others are paid more than them. Dornstein (1991) and Sweeney, McFarlin and Inderrienden (1990) both cited in Shields, Scott, Bishop and Goelzer (2012: 73) found that when employees believed others with whom they chose to compare themselves earned more than they did, they felt dissatisfied.

This is amplified by others (e.g., Adams 1963, 1965; Crosby 1976; Folger and Cropanzano 1998: 1–24; Heneman 1985; Sweeney et al. 1990, all cited in Shields, Scott, Bishop and Goelzer 2012: 73) stating that a person may feel inequitably treated if other persons with whom they choose to compare themselves receive more desirable outcomes (e.g., pay) than they do, especially if they perceive themselves as making equivalent or higher contributions than those comparable individuals.

Generally, from research findings, it can be understood there is a relationship between pay understandings with fairness feelings. And equity for workability of PRP Mohrman and Mohrman, (1995) Randama-LiiV (2005), cited in Maheshwari & Singh (2010: 65). They propose

that adequate and clear communication makes employees to understand what is expected and build trust and involvement in the system. They commented that organizational communication process is an important factor to influence justice.

Therefore, as Shields, Scott, Bishop and Goelzer (2012) concluded, explaining to employees about how and why they are paid is a necessary task of management to have positive feelings of fairness of employees because of the positive relationship between pay understandings with pay fairness.

Accordingly, it seems important to relate employees' understanding of PRP with employees' feelings of fairness to explore influence of employees' understandings of PRP on work related behaviors'.

### **2.3.2. Employees' Perceptions of Fairness of the Amount of Pay Related to RBPE**

Another perception factor that can affect work related attitudes is employees' feelings of pay fairness . Though Mitra, Gupta and Jenkins (1997) do not conclude pay raise levels are the sole determinants of employees' perception to pay raise, they concluded merit pay may also be ineffective because simply the raises are not large enough to evoke positive perceptual and attitudinal reactions among employees. Similarly, Rambo and Pinto (1989) cited in Mirta, Gupta and Jerkins (1997: 134) commented that most people agree intuitively that mini-scale pay raises are not seen as raises and may instead be disappointing. In summarizing their study Mirta, Gupta and Jerkins (1997: 135) reinforce "The intuitive notion that small pay raises may be meaningless and motivationally ineffective. When a pay raise is a mere drop in the bucket, it may not be viewed as a pay raise by employees."

The experimental findings of Konstantinos Pouliakas (2010) also showed that employees will be motivated as long as incentive payments are large enough. They commented that "All other things equal, a higher intensity of rewards is observed to enhance the utility that workers derive from their jobs." In addition, Kauhanen and Piekkola (2006: 149) conducted a study on the perceptions of Finish highly educated employees and found out that "For effectiveness of the PRP the employees have to feel they are able to affect the outcomes and the level of payments

should be high enough and rewards frequent enough. Levels below the median do not generate positive effects.”

In their suggestions for organizations implementing PRP, Mitra, Gupta and Jenkins (1997) said that small level of pay increase is motivationally ineffective and organizations should introduce an effective merit system that can enhance employees’ motivation to increase performance. They also provide an estimate of the minimum percentage raise that induces cognitive and behavioural reactions. Additionally, Worley, Bowen and Lawler (1992) recommend that future research should give attention to employees’ response for pay increase below the lower threshold of attractiveness, inferring an initial threshold of 5 percent of current salary.

Therefore, it seems important to study employees’ perceptions of fairness of the level of PRP pay to understand their response to PRP and know their feelings of fairness in relation to PRP.

### **2.3.3 Employees’ Feeling of Fairness of PRP**

From the discussions in the preceding two sub sections, one can understand that employees’ feelings of fairness of PRP can be affected by perception factors related to PRP. Therefore, it is worth to study employees’ feelings of fairness of PRP to understand perceptions, related to PRP, and its effect on work related behaviours of workers.

Tyler and Bies (1990) suggest that it is procedural justice – the process of how someone is treated – that is the key element in ‘felt fairness’. Distributive justice, or the outcome of the rewards, is less important. This is borne out by research done by Folger and Konovsky (1989) and McFarlin and Sweeney (1992). Both studies showed that reward system process was more important than reward system content. Perceptions of distributive justice only predict immediate satisfaction with reward outcomes, whereas perceptions of procedural justice are associated with a broader range of attitudes, like organisational commitment and the quality of employee relationships with bosses.

This holds true regardless of whether or not reward decisions are favourable to employees. Procedural justice, that is, the fairness of the reward allocation process was found to be more important. Indeed, where procedural justice is rated as high, there is evidence to suggest that



distributive justice has less impact on employees (McFarlin and Sweeney, 1992). This has important implications for employers, who might do well to focus their investment on time spent on getting reward processes right rather than on the size of reward at stake.

However, further research has emphasized that fair procedures alone are not enough. It points to the importance of interactional or interpersonal justice. Bies and Moag (1986) emphasize that procedures cannot exist without being enacted and that people may regard the way in which procedures are followed as equally or indeed, more important than the existence of the procedures themselves. Firstly, there is the sincerity with which procedures are followed, for example, the degree to which managers truly consider employees' views on pay when consulting them. Secondly, interpersonal sensitivity comprises the politeness and courtesy with which an individual is treated when a decision is being made or implemented, which affects the maintenance of their sense of dignity and self-worth, often referred to now as 'interpersonal justice'. This may include subtle and intangible aspects of communication such as tone of voice and body language in face-to-face interactions.

Additionally, Agarwal and Bose (2004) and Campbell, Campbell and Chia (1998) both cited in (Maheshwari and Singh 2010: 65) highlighted that the PRP system satisfies the employees by providing them justice, which motivates them to perform and believe in the fairness of the system.

Shield, Scott, Bishop and Goelzer (2012: 82) also indicated the negative and positive influence of perception of pay fairness on desired work attitudes. Additionally, Ramaswami and Singh (2003) and Scarpello and Jones (1996) both cited in Shield, Scott, Bishop and Goelzer (2012: 71) found relationships between employees' fairness perception and organizational commitment.

Therefore, we can say that employees' feelings of fairness to PRP can influence employees' work related behaviours. Lee (1995) and Moorman and Byrne (2005) both cited in Shield, Scott, Bishop and Goelzer (2012: 71) say that perceptions of justice are related to extra-role behaviour, which includes employee willingness to help and cooperate with other employees even though it is outside of their defined, required work duties.

Research findings also show a relationship of pay fairness feelings of employees with their work related behaviours. Theories of organizational justice, social exchange, and equity theory suggest that perceptions of reward fairness can affect a range of employee.

There are also suggestions from research that recommend the need to study employees' feelings of pay fairness. Shields, Scott, Bishop and Goelzer (2012) also suggest there is the need to examine employees' feelings of pay fairness because of its relationship with desired performance-related work attitudes. Consequently, from these research findings, we can say that employees' feelings of fairness to PRP may influence a number of work related behaviours that can be related with performance.

#### **2.3.4 Work Related Behaviors'**

Some of the work related behaviours, according to literatures, are belongingness, willingness to extra effort, organizational membership feeling, and others. Research also found that committed employees have positive attitudes towards the organization and are characterized as productive. According to Cook and Wall (1980) cited in Lee, Iijima and Reade (2011: 2093), individuals who are highly committed to the organization are most likely to hold attitudes and engage in behaviours favorable to the employer, such as having a strong belief in and accepting the organization's goals, a willingness to exert extra effort on behalf of the organization and a strong desire to maintain organizational membership.

In addition, Porter, Steers, Mowday and Boulian (1974) cited in Somers and Birnbaum (1998: 621) commented that committed employees are characterized as loyal, productive members of work organizations. According to London, (1983); Rabinowitz and Hall, (1977); Randall, (1990), cited in Somers and Birnbaum (1998: 621) a wide array of desirable behaviour outcomes are linked to work related commitment.

Research findings also show that desirable work behaviours are related with performance though they have argued the cause of employees work behaviours positive relationship with performance are (1) managers may provide higher evaluations to employees exhibiting

organizational citizenship behaviours as a form of reciprocity P. M. Podsakoff, MacKenzie, and Hui, 1993, cited in Podsakof, et al (2013), (2) Organizational citizenship behaviours are interpreted as behavioural manifestations of commitment and/or loyalty Allen and Rush, 2001, cited in Podsakof, et al (2013) and (3) managers tend to like these individuals more Lefkowitz, 2000 cited in Podsakof, et al (2013).

Other study indicating a positive relationship of work related attitudes with performance (Organ, Podsakoff, & MacKenzie, 2006; Podsakoff, Whiting and Blume, 2009 ,cited in Rapp, et al. (2013: 668) which stated that organizational citizenship behaviour is positively associated with a range of performance outcomes, including task performance.

In addition to the relationship of work related behaviours with performance, researchers have found that work related behaviours are influenced by employees' feelings of fairness. Some have found positive relationship while others negative relationships.

Some researchers, e.g., Lee (1995), and Moorman and Byrne (2005) , cited in (shields, et al. (2012: 71), have found out that positive fairness perceptions are related to positive outcome of employees' work related behaviours. Shield, et al. (2012) conceded that non communication and miscommunication are likely to lead to pay misunderstanding and, thus, to negative attitudinal and behavioural consequences. This leads to the generalization that if employees' are well communicated about pay, there may be a different behavioural consequence.

On the other hand, Deckop and Mangel (1999), cited in Lee, Iijima and Reade 2011: (2095) commented that PRP may reduce employees' effort devoted to organizational citizenship behaviour since employees may focus only on performance targeted by rewards. Lee, Iijima and Reade (2011) also indicate that prior research has reported that PRP dampen individual willingness to engage in organizational citizenship behaviours.

There is,however,a different perspective from other research findings. The contrasting perspective is that that there is no relationship between employees' perceptions of PRP and their work related behaviours. forexample, Lee, Iijima and Reade (2011) argue that there is no strong

relationship between employees perceptions of PRP and their related behaviours, be it positive or negative. Finally, it seems rational to study work related behaviours in relation to employees' fairness feelings, employees' understanding of PRP and employees' perception of level of PRP pay. Shields, Scott, Bishop and Goelzer (2012) summarized that both theory and research highlight the need to examine employees' understanding of pay system and their feelings about fairness to PRP relation to of how they influence desired performance-related work attitudes.

In addition, Fox et al. (1993) propose understanding, and making use of, fundamental differences in employee response to incentive systems appears merited. Therefore, this research will try to investigate MOENCO employees understanding of RBPE, their perceptions of level of PRP pay, their feelings of fairness to PRP and the implications of their PRP fairness feelings to their work related behaviours. Work related behaviours to be considered in this study are considered willingness to help colleagues, supervisors and customers; belongingness; commitment, team work; intent to quit ; and job involvement.

#### 2.4.5 Motivation - Performance linkage

Money, in the form of pay or some other sort of remuneration, is the most obvious extrinsic reward. Money provides the carrot which most people want. However, doubts have been cast in the literature on the effectiveness of money. It is argued that while the lack of money can cause dissatisfaction, its provision does not result in lasting satisfaction either Herzberg, et al. (1957). There is something in this, especially for people on fixed salaries or rates of pay who do not benefit directly from an incentive scheme. This group of people may feel good when they get an increase; apart from the extra money, it is a highly tangible form of recognition and an effective means of helping people to feel that they are valued. But this feeling of jubilation can rapidly die away.

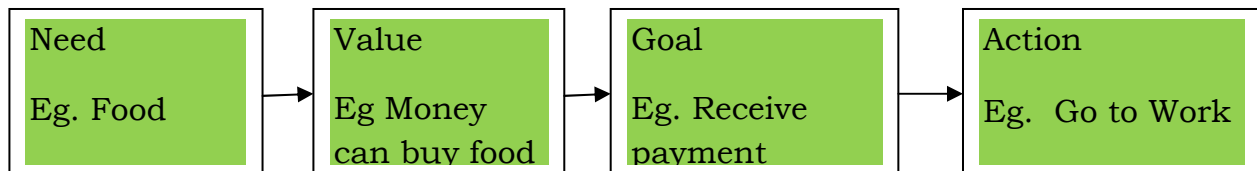


Figure 2.4: Performance, Pay and Motivation Model *Building blocks of motivation*

Source: Locke and Henne, (1986)

Locke and Henne (1986) argue that there is a strong link between an employee's performance, pay and motivation. This linkage can be perfected by the building blocks as illustrated in Figure 2.4 above.

As noted by Goldthorpe, et al. (1968), pay is the dominant factor in the choice of employer, and considerations of pay seem most powerful in binding people to their present jobs. Financial incentives do motivate people who are strongly motivated by money and whose expectations that they will receive a financial reward are high. But less confident employees may not respond to incentives, which they do not expect to achieve.

It can also be argued that extrinsic rewards may erode intrinsic interest - people who work just for money could find their tasks less pleasurable and may not, therefore, do them so well. What we do know is that a multiplicity of factors is involved in performance improvements and many of those factors are interdependent. Money can therefore provide positive motivation in the right circumstances not only because people need and want money but also because it serves as a highly tangible means of recognition. But badly designed and managed compensation and reward systems can demotivate.

Verhellen (1994) argues that motivation strategies aim to create a working environment and to develop policies and practices, which will provide for higher levels of performance from employees. According to Tarkenton (1986), motivational strategies will be concerned with measuring motivation to provide an indication of areas where motivational practices need to be improved; ensuring, so far as possible, that employees feel they are valued; developing behavioural commitment; developing an organisation climate which will foster motivation; improving leadership skills, job design, PM, compensation and reward management, and the use of behavioural modification approaches. One of these strategies, reward systems management is briefly discussed below.

### **2.3.6 Compensation and Reward Systems (CRS) Management Theory**

Employee reward systems management is concerned with designing, implementing and maintaining reward systems, which are geared to the improvement of organisational team and individual performance (Armstrong, 1993; Beaumont, 1993). This aspect of personnel

management used to be called salary administration, but is now regarded as a limited description of one aspect of the whole subject of remuneration (Butler, 1986).

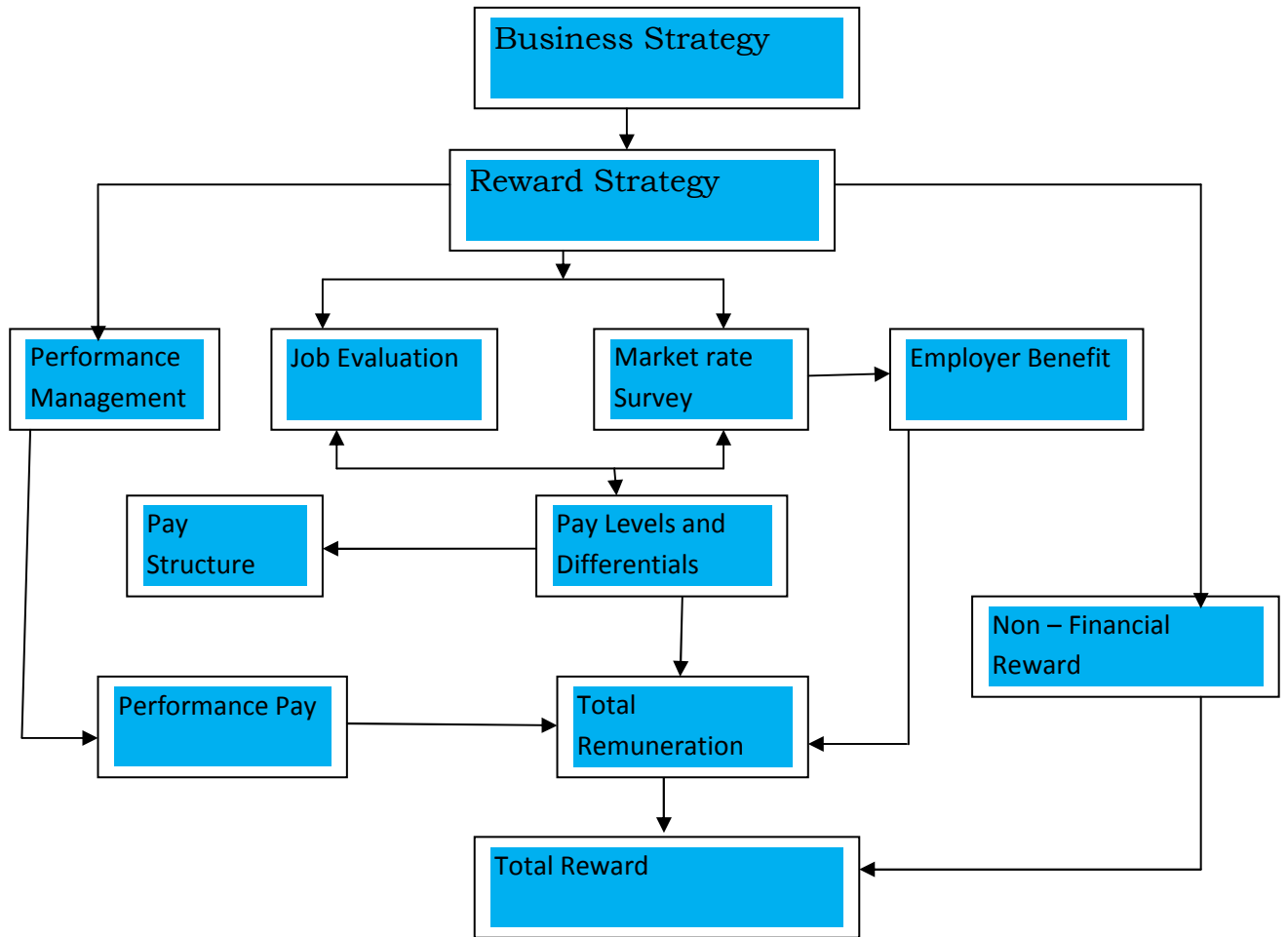


Figure 2.5: The Reward System Model  
 Source: Armstrong, M. (1993)

Figure 2.5 above is a model which demonstrates that an employee reward system consists of an organisation’s integrated policies, processes and practices for rewarding its employees in accordance with their contribution, skill and competence and their market worth. It is developed within the framework of the organisation’s reward philosophy, strategies and policies. The model contains arrangements in the form of processes, practices, structures, and procedures which will provide and maintain appropriate types and levels of pay, benefits and other forms of total reward.

## **Chapter Three: Research Methodology**

### **3. Introduction**

This chapter dealt with methodological issues including the selection and justification of the research method, approach and tools employed. More specifically, the chapter presents the proper data sources accessed to collect pertinent information, the sampling techniques employed to draw adequate sample of respondents and proper data collection. Instrument utilized together data that helped in answering the research question designed.

#### **3.1. Research method**

This study sought to investigate employees' perception and understanding about the Result Based Performance-evolution system and its impact on the pay system of MOENCO

Inorder to address the issue, a case study has been chosen as a proper research method for this study. This is due to the fact that there are number of organization implementing Result Based-Performance Evaluation. Hence, Moenco is selected as a case study organization, in order to make detail investigation. Beside, case study is selected as it is helpful in using multiple tools and designs Moreover, it is appropriate for social since research of this kind in which it is hardly possible to get solid responses.

Furthermore, in order to compliment the method chosen, mixed research approach was used. The mixed research approach was used as it enables to compliment the benefits of both quantitative and qualitative research approaches.

#### **3.2 Data Source and Collection Procedure**

##### **3.2.1 Primary Data Collection Techniques**

###### **Questionnaire**

Primarily data were collect through of questionnaires.In order to collect the necessary information (responses), both closed and open ended questions was developed and included in the questionnaire.

## **Interview**

From four departments 8 employees were selected for interviews. The interviews are were selected based on their academic qualification and work experience in the company.

As Anon (2009) suggests, open questions are more suitable to gather rich qualitative data, In order to this interview questions were used for this study.

## **Observation**

The researcher currently working in MOENCO, in the sales department. I am also one of the members of workers union leaders. It is during my stay in workers union that RBPE pay system started with in the company 2009. My personal observation as a full participant at the stage of carrying out of the system reveals the following changing attitudes of employees and union representatives, which is useful for successful implementation of the system. I, especially, observed that employees' understanding and perception of the system determines the effectiveness of the organization in accomplishing its function.

Similarly, as it is discussed elsewhere in the paper, my personal experience and observation indicated that proper implementation of RBPE pay system benefits both employees and the company. Otherwise it could amount to waste of time.

### **3.2.2 Secondary Data Sources**

The Secondary data were collected from annual report; Human Recourse Department recorded data, journals, different books and research papers on various relevant RBPE issues, the internet and brochures.

## **3.3 Sampling techniques**

### **3.3.1 Target population**

To select a sample for the study, sampling frame is required for selection of different department from the total 341 employees of MOENCO head office. The researcher employed purposive sampling technique considering respondents' ability to provide data that will help to answer the research questions (Anon 2009:102).



### 3.3.2 Sample size

For selecting the above mentioned population researcher used purposive sampling technique. Sixty respondents were selected as a representative sample of the target population from four different departments: Marketing and Sales Department, Human Resource Department, After Sales Department and Finance and Import Control department. Data gathering through questionnaire. The total number of respondents selected from each department corresponds to the total number of workers in the department.

Table 3.1 Sample size of respondents

Respondents	Sample Size	Total
Marketing and Sales Department	15	60
Human Resource Department	5	
After Sales Department	25	
Finance and Import control department	15	

### 3.4 Data Analysis

The data analysis was undertaken right after the data collection from the field, during data analysis and interpretation; primary and secondary data were combined in explaining, confirming and enriching data from one approach to another. Hence, primary data obtained from questionnaires and interviews were used to explain issues related to the positive and negative prospects of RBPE. The analysis of the data was employed qualitative methods as well as discussing and interpreting facts. The data was presented by using tools like tables, charts and percentages.

Moreover, secondary data obtained from various data sources were organized and analyzed to complement the survey results from primary data sources.

### 3.5 Ethical Consideration

The researcher selected employees were directly contacted by the researcher, first, through the telephone and face to face communication and the research purposes including number of employees to be questionnaire and interviewed respondents, the anticipated time it will take, anonymity and confidentiality of the company and individuals to be participated were explained.

In addition, the respondents are also informed that they have the right to participate or decline at any point and they were guaranteed about the confidentiality and anonymity of data, company and individuals. Accordingly 68 participants were willing and took part in the data collection.

A copy of questionnaire was sent to respondents the research was considered for further steps of the research after respondents' response.

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## **Chapter Four: Data Analysis and Discussion**

### **4. Introduction**

This chapter emphasises on the data description and analysis. It therefore generates the findings of the study in the types of payments related with RBPE and general thinking about the rationale of PRP, employees' understanding of PRP-system the Relationship of motivation, employees' perception of feelings about the fairness of job performance evaluation. Finally the relationship of work related behaviours to employee perceptions' of RBPE and its effect on their work outcomes would be presented.

### **4.1. Historical Background of MOENCO**

Moenco was established in the heart of Addis Ababa, around the area commonly known as Mexico, It was a small garage with a capital of 200,000 Ethiopian Birr was founded by Mr. Y. D. Lappine 50 Years ago in a small rented house. His far sighted vision become reality with the help of other resourceful people, such as Ato Menasseh Lemma, former the Governor of the National Bank of Ethiopia, and boss of Imperial Insurance company. Anniversary pamphlet (May,2009 )

Nine years later, MOENCO took over the TOYOTA franchise business for Ethiopia when Inchcape, a London based international organization, became a major shareholder and injected a considerable amount of capital. This was a milestone moment in the firm's journey to become the MOENCO of today. In addition to the TOYOTA business, at different times MOENCO used to represent General Motors for various types of American vehicles and trucks, Ingersoll-Rand; WABCO, Pettibow; Universal; Dupont; Teneral Tire; Frigidaire; Zanussi; and Thomas De La Rue & Co. of England.( moencoethiopia.com )

All the experiences MOENCO has gained have come from working with partners, allowed MOENCO to focus on people, service and innovation over the past five decades. The strength it has acquired in these years has also endowed MOENCO with the resilience to survive during the many difficult times (Ibid).

According to the above sources, MOENCO has implemented RBPE in 2009, to increase or provide long-term business growth and market share that do long term lending .Supervisors have conducted performance appraisals and employees have attended training sessions for years. Organization members have worked long and hard hours for decades. But all too often, these activities are done mostly for the sake of doing them, and to contribute directly to the desired results of the organizations.

The major contribution of performance management is its focus on achieving result by providing useful products and services for customers inside and outside the organization. Performance management redirects organizational efforts away from business towards effectiveness (Ibid).

MOENCO realizes the importance of having the right talent in the right position and monitoring individual effectiveness through performance management. As a result, there is a system in place whereby every employee has a goal at the beginning of the year followed up by periodical assessments to ensure that goals are being met consistently in an effective and efficient manner. The Company also use the performance management process to reward employees fairly and objectively.

Finally, all round effort in developing, engaging and rewarding human capital has helped to place MOENCO where it is today.

## 4.2 Description and analysis of data

### 4.2.1 Response Rate

In fact, the survey data was collected through questionnaire from 60 MOENCO's employee with in four different departments. As it is indicated in Table 3.1 below, 60 questionnaires were distributed and all of them were returned.

From the total returned copies of questionnaire , 12 of them were partially completed and did not full information.Thus, 55 responses are complete, which represents the response rate 100%.In addition 8 key informants from different departments used for interview to secure primary data

Table 4.1.Response Rate

No	Department	Response		
		Sample size	Returned	Response Rate
1	Marketing and Sales Department	18	18	100 %
2	Human Resource Department	4	4	100%
3	After Sales Department	25	25	100 %
4	Finance Department	13	13	100 %
		60	60	100%

Source: Own survey questionnaires data, 2015

#### 4.2.2 General understanding of RBPE Pay system

Table 4.1 General understanding of RBPE Pay system response rate by number of respondent

Statement	Options								Total No of Respondents
	Strongly Agree	Agree	%	No opinion	%	Disagree	%	Strongly Disagree	
I know the purpose of performance appraisal?		60	100						60
I am satisfied with the current performance appraisal system my organization?		45	75	5	8%	10	17		60
I am satisfied with the overall compensation package?		60	100						60
I believe the Performance appraisal is used formutual benefit?		55	92			5	8		60
Level of wage is fair and satisfactory		6	10	10	17	44	73		60

Source: Own survey questionnaire data, 2015

Table 4.1 shows 100 percent (n=60) of respondents' recognized and agrees that they are having a general understanding about the purpose of RBPE. In addition, all interview respondents agree and understand the purpose of the RBPE pay system.

According to the above table 4.3 shows 75 percent (n=45) of respondents agree and satisfied with the current implemented result based performance appraisal system in the organization. Accordingly, the remaining 17 percent (n=10) of respondent is neutral responses that they do not hold any feeling.

Inaddition, all interview respondents satisfied with the system designed to reward workers as per their effort.

With regard to employees' understanding the system implemented properly boosting productivity the employees and company profit

As information shows the above table 4.3 100 percent (n=60) of respondents agree with the overall compensation package. Accordingly, all interview respondents agree and satisfied with the overall compensation package, merely one of the interview respondents Said, "the company showed implement additional out of monetary motivational compensation like arranging special vacation outside Ethiopia and the like"

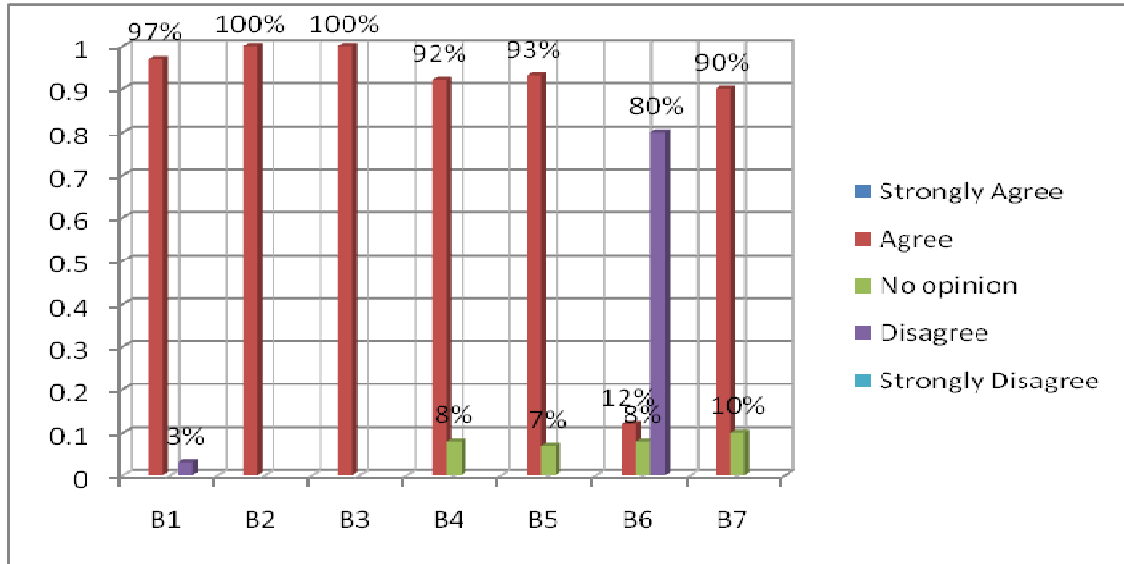
As information shows the above table 4.3 All questionnaires' and interview respondents' recognized and admitted the existence of annual salary growth and overall compensation packages of payments linked to their individual performance outcomes.

From the above table 4.1 92 percent (n=55) of respondents recognized and agree that they have a general understanding and believed Performance appraisal is used as mutual benefit. In addition to that, 8 percent (n=5) of respondents mentioned their own opinion in stressing the importance of RBPE more focus on to boosting company productivity and profit accordingly interview respondents agree with the above points.

Table 4.1 shows 10 percent (n=6) of respondents agreed and satisfied with the current organization salary scale, but 73 percent (n=44) of respondents said, "The salary scale of the organization should be further studies and identified one additional incentive pay as salary increment due to promotion". Accordingly, 4 interview respondents agree and satisfied with the current salary scale, but 4 interview respondents said "the troupe does not take the salary scale from similar automotive industries because the organization work load is different from the similar automotive industries. So the wage scale of the organization needed to be further studies".

### 4.2.3 Employees' discussion on the purpose of RBPE and Relationship with Motivation

Graph 4.1 Employees' discussion on the purpose of a RBPE and relationship with motivation  
Response rate



Source: Own survey questionnaire data, 2015

From the above graph 4.1 it possible to learn that majority (97 in percent) respondents replied that they were communicating about the details of the system by their executive programs in the first target setting session. Accordingly, The remaining 3 percent of respondents said, I joined the company recently no one informed how the process of RBPE pay system implemented. however, I found the information informally from my colleagues,. So there is a big communication breakdown

Accordingly, 3 interview respondents were workers participated in the union leadership; they also obtained the information first from the company to engage employees' in the operation.

Consequently, five interview respondents said MOENCO took the initiative to explain the process of a RBPE pay system. However, the ways of communicating workers differ from department to department in the Company.

The company participated; in training a supervisor on the process of RBPE pay system. Somehow the supervisor tried to brief subordinates about the process of RBPE pay system. In



addition to this, the supervisor explained to union leaders so that they can brief about the system to the workers of the company.

From the above graph 4.1 description all respondents understand that their performance is determinant of their pay, in expressing the relationship of their performance with their pay.

All interview respondents said, “The process of RBPE pay system determined by target setting, midyear feedback, and final year performance evaluation. They are determinant of their bonus and pay increment as per individual performance results”.

With regard to employees’ understanding individual performance result determinant of employees annual salary increment and bonus .In expressing the relationship of their performance with their pay.

Graph 4.1 illustrate 100 percent of respondents replying by comparing pay rate with colleagues

Furthermore, six interview respondents “Revealed that they exchange information with each other in same work units about their performance results and pays. This information exchange, they believe, gives them the opportunity to know every detail to compare themselves with other colleagues in their work unit”.

Accordingly, few interview respondents (2 in numbers) there is no exchange any information about the colleagues performance evaluation result.

This information exchange, they believe, gives them the opportunity to know every detail to compare themselves with other colleagues in their work unit. They reported that they know each other in the work place with regard to performance so that they compare and decide in the fairness of the RBPE.

The above graph 4.1 show 92 percent of respondents recognized high performance motivated employees at work please. The remaining, 8 percent of respondents were neutral with no thought about the matter.

All interview respondents mentioned the fairness of a RBPE pay system & high performance to reward employees according to their individual contribution. Thus the respondents said “high performance reflected the existence of impact on motivation, which enables employers to exploit the potentials of the employees’ effort.

In addition, all interview respondents expressed RBPE as a highly determinant to their vertical promotion. It has got a very high factor point to choose contestants for higher grades out of other elements like education, tenure, discipline and training.

From the above graph 4.1 it is possible to recognize those majorities’ respondents (93 in percent) that they agreed monetary rewarding mechanism motivated employees’ performance. The remaining, 7 percent of respondent are neutral and taken as with no opinion.

All interview respondents, pointed out the monetary motivation system can’t always motivate the employees’. Thus management should attempt to develop other motivational systems like facilitating training, extra holiday, promotion, special award and the like that can create competition among employees which boost company performance.

Nevertheless, 4 interview respondents said the motivation relatively lacks uniformity. It differs from department to department, one of them stressed as bonus is the discretion of the company and I am employed by the company to work with salary, the additional payment is motivating for me and it is also an attractive payment.

The above graph 4.1 shows 80 percent of respondents replied that they do not observe the weaknesses of RBPE pay system. The rest, 12 percent of respondents agreed and watched over the weakness of RBPE pay system. In addition, that 8 percent of respondents are neutral & taken as with no opinion.

All interview respondents mentioned the weakness of the system in this company is the average 4 out of 5 set by the management. They believe this average will not allow supervisors to order their subordinates exactly as per the target given and they can manipulate the result to align with the average already set.

All interview respondents express their views regarding the strengths and failings of the organization. Most of them expressed the ability of a RBPE pay system to move workers to work harder is one of the strong points of the organization. Rewarding is directly related to recognitions and being recognized for what the employee performed and boosts workers moral.

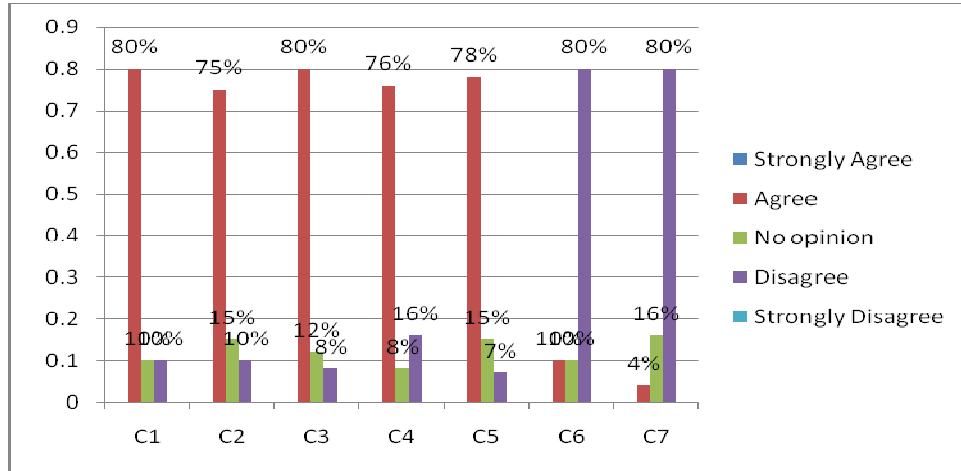
As show in graph 4.1 90 percent of respondent that they have general understanding about the relationship of PRP and motivation related with individual performance. However, 10 percent of respondents are neutral & take as with no opinion.

All interview respondents feel that when level of pay increases they will be motivated to work harder and when it decreases their motivation will be negatively affected. Two of the respondents from them said “I feel very happy when my income through PRP is increased and I feel sad if it is decreased.

Generally, respondents seem to have sound understanding relationship of PRP and motivation related with individual performance. In their respective company and recognize the impact of RBPE pay system on their income and company performance.

#### 4.2. Employees' understanding about the fairness to the level of RBPE & pay system

Graph 4.2 Employees' Perception of feelings about the fairness to the level of RBPE Pay- system  
Response rate based on percentage



Source: Own survey questionnaire data, 2015

From the graph 4.2 proved that 80 percent of the respondents agreed and feel that their performance evaluation can evaluate properly and fair compared to their contribution to the company. Those who are with no opinion constitute around 10 percent. The remaining 10 percent of respondents disagree on some points like the fairness of performance evaluation and the subjectivity of evaluation criteria about the Perception of feelings, about the fairness to the level of RBPE & pay- system.

Also 4 interview respondents said Sometimes supervisors focus on recent incidents rather than looking the whole year's picture which distorts the real performance result of workers. Another 4 respondent also stressed the same idea one weakness is the load it puts on supervisors in registering incidents which affects the time and effort of supervisors not to focus on core activities.

Respondents generally show different feelings for the performance evaluation. In mentioning their thought about their feelings of the fairness of RBPE in reflecting their opinion.

From the above graph 4.2 verify that 75percent of the respondents accepted and agreed that there always got the expected performance evaluation result. The remaining 10 percent of respondents

disagree; they did not get the expected result. It is less than they expected”. Those who are with no opinion constitute around 15 percent.

Though most of the interview respondents (6 in number) they agreed performance evaluate implemented properly. However, 2 interview respondents said, some of them feel the subjective nature of some of the measurement parameters unfairly determine their performance and this is the unfair part of RBPE even though it is a minor weakness which can be improved.

Generally, some jobs behaviour are not measured objectively, there are some subjective biases by supervisors which may not bring employees result as expected. Therefore, employees cannot be sure of his influence 100% .Hence, there are some targets which need the subjective judgments of supervisors.

According to graph 4.2 shows 80 percent of the respondents agreed that their feelings are good compared to the performance evaluation result and employees’ accomplishment and achievement. Those who are with no opinion constitute around 12 percent. The remaining 8 percent of respondents disagree; they did not get the expected result based on their accomplishments and achievements. It is less than their expected”.

Two of interview respondents said “The Company can pay more. I think I perform far above what the company paid me. I think my contribution to the company is important. My contribution is better than what the company pays for performance”.Another interview respondent differently put his answer as “I can say it is 3 out of 5”. He feels the bonus payment is a bit satisfying compared to his contribution. He also indicated that salary increment policy should be revised.

In addition to that, two interview respondents said “I can say the RBPE payment systems in my company are fair though there are areas which have to be improved.” He commented “other types of incentive payments should be introduced. For example additional group based payments that can motivate workers to clear backlogs to be done in campaigns and extra time”.

Nevertheless, one interview respondent said “He sense it is an average payment as compared to the capacity of their company to pay and the level of payment in other industries”.

In addition, two interview respondents said “I did not get what I expected. It is less than my expectation”.

From the above graph 4.2 descriptions 76 percent of respondents recognised the performance rating criteria is fair and objective. Still, 8 % percent of respondents are neutral and taken as with no sentiment. The remaining 16 percent of respondents disagreed the existence performance evaluation criteria is not fair and objective.

Two interview respondents from service department who think they can influence the level of pay said “I believe it will be difficult to influence income for support staff as performance is measured subjectively. But for technicians its 100% decided by the individual as the targets are objectively measurable”.

Therefore, two interview respondents from Finance who believes they cannot act upon it. They reported the reason as “my influence is entirely with regard to making every effort to satisfy the target given to me. Yet, as my targets are not objectively measured like the technicians, there are some subjective biases by supervisors which may not bring my result as I expected”. Likewise, the respondent who believes he cannot be sure of his influence 100% said “There are some marks which need the subjective judgments of supervisors.

I believe that I cannot fully influence the level of my pay in subjective areas. Sometimes it becomes lottery”.

Four interview respondents feel that RBPE payment reflects their effort to some extent. The subjective nature of the targets makes the employees feel that there is some unfairness. As the level of the performance pay is also determined by the amount of basic pay, one respondent feels the unfairness of the basic pay.

Graph 4.2 shows 78 percent of respondents’ recognized performance evaluation monitored effectively. In addition, 7 percent of respondents disagreed and do not implemented and

monitored performance evaluation. The remaining 15 percent of respondents are neutral responses that they do not hold any feeling.

In addition, four interview respondent who said “I feel there is unfair when I compare my performance payment with my colleagues. Supervisors sometimes favour a worker who is closer to them in non work related relationships”. Therefore, on that point is a favouritism exercised when operating RBPE pay system. This respondent replied, above, that RBPE pay system reflects his effort to some extent. For those responding, above, that PRP reflects their effort exerted the grounds for the similarity of tones is the system is same for all employees.

In addition, 4 interview respondents said “as a human being I am happy if I get even more, but the payments made so far are fair to reflect our effort”. Another one respondent from them said “I can say the salary increment is attractive comparing to the previous years’ though cost of living is increasing at an alarming rate”.

Two interview respondents show different feelings for the fairness of RBPE pay-system. In mentioning their thought about their impressions of the fairness of RBPE in reflecting their effort exerted.

Another two interview respondent from the service department feeling of RBPE and payment as fair compared to his contribution to the company he further said “Everybody’s contribution in technical service is clear which can be clearly related with pay so it is fair in service”. Another four interview respondent said “I am not share holder rather an employee. Therefore, I do not compare my payments with the profits of the company. I only consider the fairness of my payment”.

The weakness of the system pointed out by most of the respondents is the subjectivity of some of the evaluation parameters that may lead to the negative effect of biased personal judgment of supervisors.

Graph4. 2 shows the opinions of MOENCO employees’, 80 percent of respondents mentioned supervisors do not support and recognized specific incidents of good or bad performance. The

remaining 10 percent of respondents agreed and recognized supervisors support and accepted specific incidents whatever it is. The rest 10 percent of respondents are neutral responses that they do not have any opinion.

All interview respondents mention this is the weakness of the system supervisors. They do not consider and recognize incidents rather than looking the advantage or problem, which focus on punishment”

Based on the above response Sometimes supervisors considering the incidents.since, employees developed confidences by immediate supervisors. Otherwise, distorts the real performance result of workers and minimizing the two sides of communication and company productivity.

Based the above graph 4.2 80 percent of respondents replied that RBPE pay system has no contribution to work related hazard. The other 4 percent of respondents agreed and recognized RBPE pay system has led to work related hazard. The remaining 16percent of respondents are neutral reply that they do not hold any feeling.

Accordingly, three interview respondants said, I feel that risk is related with applying safety rules and practices. They think that if workers put on safety items properly, risk will be minimized and PRP has no influence on work related hazard.

In addition, three interview respondents put their reason as “when there is no standard in setting targets in some jobs, people may be given a target that is beyond their capacity. People try more than capacity to deliver it which has hazardous impact”. Thus, there is problem in objective setting, due to absence of standard to get objects to some occupations.

However, two interview respondents feel there is relationship of PRP with risk. For one of them the risk is for technical workers at older age. He believes the work of technical people needs energy and physical fitness and people working for better performance apply the maximum capacity they have at young age which may have negative effect at older time to perform as before.

Finally from the above opinion the general fairness of RBPE pay system, somehow respondents agreed that as the system pays everyone based on employee contribution to company performance, in some way the system is generally fair. However, they point out limitations of the



system. For most of interview respondents mentioned the limitations pointed out are minor. Subjective performance parameters and supervisors bias are limitations pointed out by all interview respondents. Another limitation pointed out by other interview respondents the average four given to supervisors as target. In addition, the researcher currently working in MOENCO, especially, observed the above mentioned limitations.

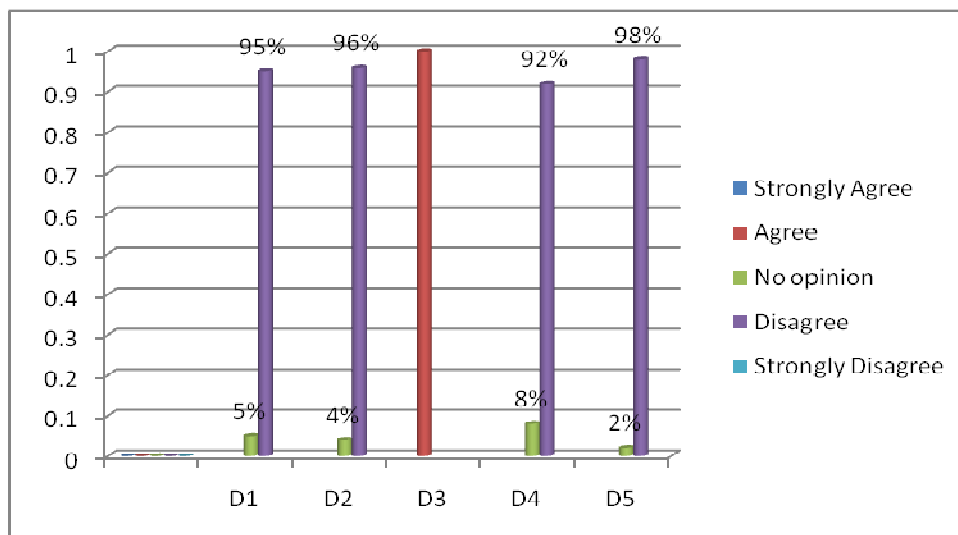
With regard to competitiveness, all interview respondents feel they are competent enough for RBPE pay system compared to their colleagues. The justifications given by most of them are:-

1. Continuously eliminating weaknesses.
2. The system minimizing subjectivity encourages employees to work hard.
3. The trainings given by the company.
4. Updating themselves for changes to cope up with the requirements of the job

All interview respondents' feel and agree the purpose of performance evaluation is to boost & fully exploit the potential of every employee, if not implemented properly it is waste of time.

#### 4.2 Work related behaviour

Graph 4.3 Work related behaviours response rate by percentage



Source: Own survey questionnaire data, 2015

The above graph 4.3 shows 95 percent of the respondents concurred that a RBPE pay system has no influence for their conduct, attitude and moral. The remaining 5 percent of respondents are neutral responses that they do not have any opinion.

All interview respondents said Result based performance evaluation pay system has no influence for their behavior and attitude. However, one interview respondent said, “Somehow it affects the inspiration, but not much impact on behaviour and attitude”

Based on the above response employer has a responsibility to ensure the satisfaction of all of its employees. Happiness in the workplace leads to much higher levels of productivity. It increases employee morale; therefore employees are more willing to work harder to improve the company and its goals. Management should have a positive effect on, and seek to support the happiness of, the firm’s employees.

Graph 4.3 shows almost Majority of respondents (96 in percent) that they are willing to give a helping hand for fellow workers as well as supervisors. The remaining 4 percent of respondents are neutral responses that they do not have any opinion.

All interview respondents said that they are willing to give a helping hand for colleagues as well as supervisors. One of them stressed this as “I am willing even by working extra time”. For all of them RBPE pay system has no influence for their willingness. The reason for them to give a helping hand without considering the influence of RBPE. Team work doesn’t directly affect their result.

Respondents from sales report that priority is given to their own job and are willing to help colleagues and supervisors after finishing normally assigned jobs to them. However, one respondent pointed out that in tender sales activities, the nature of the job itself forced workers to help each other and supervisors by working even extra time to meet deadlines. For respondents from sales, the reason for giving priority to own job is to meet target which seems influence of PRP.

All respondents from technical service show high willingness to give helping hands. They feel technicians' work is highly dependent on team output. For them there are jobs which cannot be completed individually. According to them, their job is a process that cannot be completed at one point. They believe the team output highly affects individual performance because if something is stuck at one point it will constrain the whole process. Therefore, they reported, they have to help colleagues as well as supervisors by doing things that are not their regular duties to achieve individual performance so that the inefficiency of the team should not have affected individual performance result.

Graph 4.3 shows all respondents agreed and consider team work is essential to RBPE pay system.

Accordingly, all interview respondents "expressed that they have high willingness to give helping hands. They feel all jobs are highly dependent on team output. For them there are jobs which cannot be completed individually. According to them, their job is a process that cannot be completed at one point. They believe the team output highly affects individual performance because if something is stuck at one point it will constrain the whole operation.

In addition, one of them recommended that "the allocation of incentive pays should be made for the group and individuals in the group should get as per their contribution to the team output".

Therefore, employees to help colleagues as well as supervisors by doing things that are not their regular duties to achieve individual performance so that the inefficiency of the team should not be considered as individual result.

From the above response recommended the allocation of incentive pays should be made for the group and individuals in the group should get as per their contribution to the team output. Supervisors implemented to convey a good understanding about team based contribution of employees'.

The above graph 4.3 shows 92 percent of the respondents do not have any clear plan to leave in near future but think they will leave their current employer at some point for different reasons

like better offer from another company. The remaining 8 percent of respondents are neutral responses that they do not have any opinion.

Accordingly, four interview respondents' said they have no intention to leave the company. One of these respondents intended to stay for the reason that he currently holds new role and he wants to face the new challenge. Two respondents are the neutral response is taken as it is no opinion. Additionally, three interview respondents' mentioned in differently way the system needs energetic and young people to work, especially, in service area. Therefore, I don't want to stay in this system when I get older.

In addition, one interview respondents are neutral responses that they do not have any opinion.

With regard majority respondents that they believe RBPE pay system has nothing to do with their plan to stay or quit. However, some respondents don't want to stay in this system at older age. Therefore, the management has considered long service provider employees previous Vs current productivity while conducting annual performance evaluation. Otherwise, withdrawal will lead either to the employee voluntarily leaving the organization or being terminated for unprofessional behavior from company side.

Graph 4.3 show Majority of respondents (98 in percent) cooperation or team work do not affect RBPE pay system team work spirit is good in the company. However, the remaining 2 percent do not have any opinion.

In addition to that all of interview respondents' said, "The team work spirit is good in our company though they are working under individual performance based incentive system. Hence, most of them are said, the organization majority jobs are interrelated to team work and some of the works are organized in groups. Therefore, team work necessary for individual performance achievement.

With regard the above response team work helps to success of individual performance result. Therefore, organization management implemented grouped based incentive. Otherwise, the system will make team work weaker in the future. Since, it does not evaluate and reward group performance.

All interview respondents answering question related to belongingness, most of the respondents tell friends and family members that their company successfully implemented PRP though some of them tell it needs minor improvements. One of them said “I tell them only about the success of the system in our company. My company is one of the few companies in Ethiopia that successfully introduced this system”.

All respondents reported that there is no barrier to share information and cooperate with each other. The reasons pointed by most of the respondents are the interrelation of jobs requiring teamwork and the information flow system of the company.

Based on the above response employees will think that they are Share information and cooperate with each other. Hence, increased the company productivity and to correct negative behavior, and to reward productive employees.

All respondents do not compromise to go out of their way to help customers though they are working under RBPE pay system. Some of the reasons are it is one way of attracting customers, customer is first according to company principle, to build positive image to the company and the income of the company comes from customers. Generally, it seems RBPE pay system does not influence individual performance result. Therefore, willingness to go out of way to help customers. However, one respondent differently answered that “I will give due respect for customers’ inquiry but when it is not my duty I refer them to the right person rather than helping by myself”.

With regard the researcher understand employees recognised customer first principle according to company principle. In addition, happy to cooperate to move out of their way to serve customers, though they are working under RBPE pay system”.

### 4.3 Discussions' on Findings

All respondents reported that their incentive payments related to PRP are bonus and salary increment due to promotion (for most of the respondents) to be paid based on individual performance results. Most of them think PRP is a system developed to boost productivity and company profit. This thinking is in line with most of the research findings (Lazear (2000), Booth and Frank (1999), Gielen, Kerkhofs and Ours (2010) and others in support of PRP implementation.

Respondents' answers for understanding of PRP questions seem to show that employees' of Moenco have sound understanding of PRP's purpose and the process of relating incentives with performance results. Most of them reported that initiatives were taken by their companies to explain the purpose and process of implementation of PRP to employees. In addition, most of them responded that the strength of the system is its ability to motivate workers to work harder and all of them understand that PRP is determinant to their incentive pay. This justifies Mohrman and Mohrman, (1995); Randama-LiiV, (2005) cited in (Maheshwari & Singh (2010: 65) conclusion that adequate and clear communication helps employees to understand what is expected of them and in building trust and involvement in the system process.

It is also understood, on the contrary, if employees are not well communicated and have low pay understanding, according to Gupta (1980) cited in Shields, et al (2012: 75), it impairs employees' belief in the possibility of maximizing reward returns and it may prohibit employees from altering behaviour to address performance and reward expectations.

The weakness of the system pointed out by most of the respondents is the subjectivity of some of the evaluation parameters that may lead to the negative effect of biased personal judgment of supervisors. This has support to Marsden and Richardson (1992) findings of PRP's failure to motivate because of the corrupted nature of the appraisal system.

Most of the respondents believe they can influence the level of their RBPE pay system and feel that when level of pay increases they will be motivated to work harder and when it decreases their motivation will be negatively affected. Kauhanen and Piekkola (2006) concludes on their

studies of finish highly educated employees that for effectiveness of PRP the employees have to feel they are able to affect the outcomes and the level of payments should be high enough.

The findings from respondents' reply show level of RBPE pay influences employees' perception to PRP and hence affect their motivation to work. The findings are in line with Konstantinos Pouliakas (2010:618) and others findings. Findings provide support to experimental evidence that monetary incentives may have a positive effect on workers' utility and performance as long as they are large enough. All other things equal, a higher intensity of rewards is observed to enhance the utility that workers derive from their jobs.

Though Mitra, et al (1997) do not conclude pay raise levels are the sole determinants of employees' perception to pay raise, they concluded merit pay may also be ineffective because simply the raises are not large enough to evoke positive perceptual and attitudinal reactions among employees. The findings of this research also demonstrate as employees' motivation to decrease if payment related to performance is low.

My personal observation as a full participant and findings from respondents' (attached as Appendix-III), the company totally avoiding the average result 4 out of 5 set by the management. This will not allow supervisors to rate their subordinates based on employees' actual accomplishment, this is due to confine the result the department to align with the average already set at the beginning of the year.

Accordingly, in future employees demotivate as they can't get above 4 point whatever reason as the company set as a maximum rate out of 5. due to this employees are not motivated to get better rank and just try to maintain this effort as it is.

Rambo and Pinto (1989) cited in Mirta, Gupta & Jerkins (1997) commented that most people agree intuitively that minuscule pay raises are not seen as raises and may instead be disappointing. In summarizing their study Mirta, Gupta and Jerkins (1997) reinforce the intuitive notion that small pay raises may be meaningless and motivationally ineffective. When a pay raise is a mere drop in the bucket, it may not be viewed as a pay raise by employees. This is

amplified by the findings of this research that is ineffectiveness of PRP if employees feel level of PRP payment is lower than expectation.

The research findings amplify Lee, Iijiman and Reade (2011) findings of Individual competitiveness as powerful predictor of PRP preference. They found employees who think they are competitive are more likely to be motivated by rewards and perceive PRP as fair. This indicates that employees with higher belief to influence RBPE pay and positive thinking to be competent for PRP are most likely to develop positive fairness feelings for PRP and motivated to work harder.

The research findings also show most of the respondents feel PRP has no effect on work related risk. This finding is contrary to others findings that PRP puts burden on employees to work more than their capacity and increases work related risks at older age.

In addition, most of the respondents revealed RBPE pay fairly reflects their effort. All respondents generally report that PRP is fair with minor limitations which have to be addressed. These positive feelings of fairness are reflected in respondents' positive work related behaviours that they think are not influenced by PRP. Scarpello and Jones (1996) cited in (Shield, et al (2012: 71)) found significant positive relationships between both outcome and procedural fairness and organizational commitment. This suggests that the more employees feel fairly paid, the more commitment they feel toward the organization. Other research (e.g., Lee 1995; Moorman and Byrne 2005) cited in (Shield, et al (2012: 71)) shows that perceptions of justice are related to extra-role behaviour, which includes employee willingness to help and cooperate with other employees even though it is outside of their defined, required work duties.

Though most of the respondents agree the fairness of PRP, some of them feel the subjective nature of some of the measurement parameters unfairly determine their pay and this is the unfair part of PRP even though it is a minor weakness which can be improved. This amplifies what Maheshwari & Singh (2010) put as a major challenge of successful implementation of PRP is identification of proper parameters to assess performance and accurate measurement of performance.



Respondents' willingness to give a helping hand and their thinking for the influence of PRP on their willingness show different findings. Sales people tend to give priority to their own assigned jobs while Human Resources, Finance and technical people show willingness to help colleagues and supervisors beyond what is normally expected. The reason for giving a helping hand is the subjective nature of Human Resources and Finance performance measurement parameters that can not affect performance result and the interrelation of jobs according to Human Resources and Finance respondents while the reason is the high dependence of technical jobs result in each others' individual result in technical jobs. For most of the respondents, PRP does not affect them to help customers out of their way.

The findings of this research, in this regard, are contrary to (Deckop and Mangel 1999) cited in Lee, Iijima and Reade (2011: 2095) which concludes employees in PRP system focus on performance targeted rewards and reduce their effort devoted to organizational citizenship behaviours. Relatively, Shield, et al (2012) suggestion "the more employees feel fairly paid the more commitment they feel toward the organization" is supported by these research findings. Other research (e.g., Lee 1995; Moorman and Byrne 2005) cited in Shield, et al (2012: 71) which shows the perceptions of justice are related to extra role behaviour, including employees' willingness to help and cooperate with others is also in line with the findings of this research. In addition to willingness to cooperate respondents show positive feelings about sharing of valuable information and cooperation with others, team work and job involvement.

As Moorman and Moorman, (1995); Randama-LiV, (2005) cited in Maheshwari & Singh (2010: 65) put, the high feelings of involvement on job by most of respondents may be the influence of adequate understanding of what is expected of them through PRP communication which builds trust and generate involvement though they think PRP has no influence on their involvement. The response of the exceptional respondent for this question also justifies this as he is confound with what his boss assign him and that is what is expected of him.

All respondents do not think PRP has influence on their stay or to leave the company. This thinking may be the result of their positive fairness feelings and most of respondents' feelings

that they are good performers. As Shaw and Gupta (2007) cited in (Shields, et al 2012) found in some cases within individual based PRP, high pay communication reduces turnover by high performers. They also suggest this is the result of employees' understanding to PRP moderated by fairness perception. If these respondents, on the other hand, felt fairness of PRP otherwise, their intent to stay or leave the company may incline to be different.

Generally, 20% employees of MOENCO, participated in this study who are working under individual based RBPE pay system, show sound understanding of a RBPE payment system, fair perception of the level of pay related to PRP system, fair perception of PRP system and positive work related behaviours, in most of the cases.

The major weakness of a RBPE pay system in implementing it to their respective company, as somehow explained by the respondents, is the subjective nature of some of the performance measurement parameters. The nature of some jobs of MOENCOS' seems to involve highly team based activities, though it is operating under individual based RBPE pay system. The next chapter will try to look at the weakness of performance parameters and the involvement of team work and make recommendations.

## Chapter Five: Conclusion and Recommendation

### 5.1. Conclusion

It has been long since RBPE pay system is implemented in western countries and became a burning issue in Ethiopia during the last four to five years. The RBPE pay system is a compensation system that rewards workers based on performance. It links performance with financial pay to motivate workers to work hard so that to boost productivity. However, RBPE pay -system is considered as a system that can increase employee benefit and maximizing productivity of employes to boost company profit. Therefore, this paper tried to fill this gap considering some perception factors. The research examined employees' understanding of PRP, employees' perceptions of the level of a RBPE pay system, employees' feelings of the fairness of PRP and relationship of motivation and how these perceptions affect employees' work related behaviours with the context of MOENCO. The study was directed by the following research questions.

It has to be said MOENCO's employees working under individual performance based incentive system understanding of RBPE pay system leads to relating their income with performance. Communicating through a questionnaire and interview employees about RBPE pay system, in this study, from the beginning of implementation stage appears to give employees understanding to RBPE pay system. If the purpose of organizations is to increase productivity through RBPE pay system, communicating their employees about the purpose and process of RBPE pay system at the beginning of implementing the system may create awareness and positive feelings, at least for good performers and somehow negative feelings for low performers. In addition, the perceived feelings of these employees that they are good performers lead to work harder on PRP environment.

Respondents' answers indicate that they do not believe, in most of the cases, PRP has influence on their work related behaviours, especially, in helping customers out of the way, cooperate each other, share valuable information freely, teamwork spirit and intent to stay or leave. In addition, employees seem to be comfortable working under a RBPE pay system as they feel they are fairly

paid at least considering the compensation of individual effort and respondents' perception of their competitiveness for RBPE.

It was noted from the participants' response that employees show sound understanding of a RBPE pay system, positive feelings of level of PRP pay, positive feelings of fairness of a RBPE as well as the positive work related behaviours, in most of the cases. Respondents predominantly expressed they feel PRP is fair. In response to questions about work related behaviours considered fairness of a RBPE pay system, they are also, in most of the cases, willing to give a helping hand out of the way, they have belongings feelings to their companies, share information freely, cooperate with each other, get along with teams, do not want to leave their company without other reasons and believe they are involved in their jobs.

The major weakness of a RBPE pay system in implementing it to their respective company, as somehow explained by the respondents, is the subjective nature of some of the performance measurement parameters. The research findings also show most of the respondents feel RBPE pay system has no effect on work related risk. However, contrary to few respondents RBPE pay system puts burden on employees to work more than their capacity. Therefore, increases work related risks at older age.

The nature of some jobs of MOENCOs' seems to involve highly team based activities, though it is operating under individual based RBPE pay system.

## 5.2 Recommendation

Based on the findings, the researcher has suggested the following points to improve RBPE pay system and rewarding tools for the better operation and to boosting company productivity and profit accordingly for mutual benefit:

As some performance measurement parameters that cannot objectively evaluate workers' performance may create negative perceptions. Moencos' should make those RBPE criteria clear and unbiased that have great contribution to the organization and employees.

Participation of employees while setting performance goals at organization level has to be improved the organization production and profit. In addition, this helps MOENCOS' to take into account views and ideas from employees.

MOENCO also should clearly state what is expected from employees. It will help employees understand and shoulder job duties.

MOENCO encourage employees to express their observations and feelings. This will raise a sense of belongings and motivation.

Moenco considering team based evaluation criteria because this research findings show some jobs as interrelated and highly team based. Consequently, there is a possibility of eroding the teamwork spirit in the future as employees are individually compensated while the jobs are done in teams.

Supervisors focus on the whole year's employees' outcome rather than looking recent incidents. Generally ,the evaluation Criteria need Further studies should also look at other perception factors affecting work related behaviours to check if there is similarity or difference of the impact of employees' perception on work related attitudes.

Finally RBPE should periodically reviewed and it should be avoiding subjectivity, it is a very good tool to boost the performance of every employees and maximizing the company production and profit.

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**Addis Ababa University Department of Public  
Administration and Development Management Master in  
Management Development**

Dear Respondents;

I am master's student in Addis Ababa University conducting a research on the "Result Based Performance Evaluation in the case of MOENCO". I kindly ask you to give your answers to all questions in this questionnaire honestly and truthfully. The information you provide is only for academic purpose, and will be kept confidential.

This survey has both open and close ended questions and will take about 10-30 minutes of your time and the answers you submit will provide valuable information. I am thankful for your time and patience in completing this survey and I hope my analysis and results will offer a contribution to MOENCO.

Dear participants, Kindly fill up this information and return. Any information obtained for this purpose will be kept strictly confidential and will only be used for academic purpose. Your cooperation will be highly appreciated in this regard.

Thank you!

Dereje Mekonnen

Please tick “√” inside the box that best represent your answer.

NO	Section I: Demographic Variables of the Respondents
1	Name of the Respondent _____
2	Sex Male <input type="checkbox"/> Female <input type="checkbox"/>
3	Which of the following age category describes you?  Under 25 <input type="checkbox"/> 5-34 <input type="checkbox"/> 35-44 <input type="checkbox"/> 45-54 <input type="checkbox"/>  55 & above <input type="checkbox"/>
4	Marital status  Single <input type="checkbox"/> Married <input type="checkbox"/> Divorced <input type="checkbox"/>
5	How many years you have worked for MOENCO?  0-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 1-15 <input type="checkbox"/> 16-20 <input type="checkbox"/> 21 & above <input type="checkbox"/>
6	You're educational Qualification?  <input type="checkbox"/> High school <input type="checkbox"/> Technical school graduate <input type="checkbox"/> College diploma <input type="checkbox"/> Master's Degree <input type="checkbox"/> Degree <input type="checkbox"/> PHD
7	Which department do you work in MOENCO?  Marketing & Sales Department <input type="checkbox"/> After sales Department <input type="checkbox"/>  Human resource Department <input type="checkbox"/> Finance Department <input type="checkbox"/>

NO	Please rate the following statements by ticking “√” only one box below with the response that you think best and explain your opinion represents you’re feeling about.
<b>A</b>	<b>General understanding of RBPE Pay system</b>
1	I know the purpose of performance appraisal Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
2	I am satisfied with the current performance appraisal system of my organization? Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
3	I am satisfied with the overall compensation package? Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
4	Do you believe Performance appraisal is used for mutual benefit? Strongly Agree <input type="checkbox"/> Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
5	Level of wage is fair and satisfactory? Strongly Agree <input type="checkbox"/> Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
<b>B</b>	<b>Employees’ discussion on the purpose of RBPE and Relationship with Motivation</b>
1	My supervisor, or a responsible body has communicated the purpose of RBPE pas system to create awareness & positive feeling Strongly Agree <input type="checkbox"/> Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
2	I understand my performance result determinant for my pay. Strongly Agree <input type="checkbox"/> Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
3	I compare my pay rates related to performance with those of other colleagues? If yes, how? Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
4	High performance motivates employees to involve at workplaces? Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
5	Monetary rewarding motivates employees ? Strongly Agree <input type="checkbox"/> Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
6	There are observed, weaknesses in the RBPE pay system Strongly Agree <input type="checkbox"/> Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>

7	There is strong relationship pay and performance motivation? Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
<b>C</b>	<b>Employees' Understanding about the fairness to the level of RBPE &amp; pay system</b>
1	In my opinion Current performance appraisal is fair and unbiased Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
2	I always get the expected result of the performance evaluation and payment. strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
3	I feel good when I compare my performance Evaluation which is based on my accomplishment Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
4	In my opinion, the performance evaluation system or criteria is fair and objective.  Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
5	In my thining supervisor effectively monitored employees' Performance ? Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
6	My supervisor generally supports my evaluation with specific incidents of good and poor performances. Strongly Agree <input type="checkbox"/> Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
7	I am considered performance related pay on work related risks? Strongly Agree <input type="checkbox"/> Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
<b>D</b>	<b>Work related behaviour</b>
1	The evaluation results impact on my behavior, attitudes and Morale. Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No o pinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
2	In my thinking cooperation or teamwork affects my performance result Strongly Agree <input type="checkbox"/> Strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
3	In my thinking team work in your company essential under PRP systeme strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>

4	I have the intention to stay long in this company. strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
5	In my opinion cooperation or teamwork affects performance based incentive system strongly Agree <input type="checkbox"/> Agree <input type="checkbox"/> No opinion <input type="checkbox"/> Disagree <input type="checkbox"/> Strongly Disagree <input type="checkbox"/>
6	It is nessary to tell friends & family members the success or failure of RBPE pay system in your company? .....
7	In your opinion it is important to go out the way to help customer? .....

If anything you would like to say -----  
-----  
-----  
-----  
-----

NB. Dear respondent thank you for your time to respond the above questions. Some points required your further explanation; therefore you can use the attached blank page and also allowed to express your mother tang.

**Thank you very much for your assistance in completing this questionnaire. It surely will be of great help to me. Wish you the very best in your future.**



**RESEARCH INTERVIEW SCHEDULE**

**Personal data**

1. Name \_\_\_\_\_ Gender \_\_\_\_\_
2. Age Group under 25 \_\_\_\_ 25-34 \_\_\_\_ 35-44 \_\_\_\_ 45-54 \_\_\_\_ 55 & above \_\_\_\_
3. Educational level \_\_\_\_\_
4. Department \_\_\_\_\_
5. WorkExperience \_\_\_\_\_

**A- General questions related with PRP**

1. Do you know the purpose of RBPE pay System? If yes/ No no please specify purpose of performance appraisal, if say No why?
2. What is your understanding about the rationale of performance related pay?
3. Are you satisfied with the current performance appraisal system of your organization? if yes/No Why?
4. Level of wage is fair and satisfactory? if say no why?
5. What is your understanding about the overall compensation package?

**B- Employees' understanding of RBPE with relationship of motivation**

1. Do you understand how performance related pays are determined by your company? If yes, how did you now, first, the details of the method?
2. Do you communicate your supervisor beginning of implementation of RBPE pay System?
3. What do you understand about the weaknesses and strengths of the system, if any?
4. Can you compare your pay rates related to performance with other colleagues? If yes, how?
5. What are your feelings, if any, about the level of payments attached to PRP and motivation ?
6. What is your understanding, if any, Monetary rewarding mechanism motivated employee's performance?
7. What is your understanding, if any, about the relationship of your pay with your performance?
8. Do you think that you have the ability to influence the performance related pay level of your income? If yes, how?

### **C- Employees' Perception of feelings about the fairness to the level of RBPE & pay system**

1. How do you feel that your performance related pay reflects the effort you exerted?
2. In your opinion performance appraisal can evaluate employee properly?
3. What do you feel about the general fairness of the pay system?
4. What are your feelings when you compare your performance evaluation based on your accomplishment and achievement?
5. Do you feel the performance criteria fair and satisfactory in your organization?
6. What are your feelings when you compare, if at all, the fairness of your performance related pay with your contribution to the company?
7. What do you think performance related pay on work related risks?

### **D - Work related behaviors**

1. How do you feel that your perception about fairness of PRP influences your willingness to give your colleagues a helping hand and help your immediate supervisor by doing things that are not your job?
2. Do the evaluation results impact on your behavior, attitudes and morale?
3. Considering your feelings of fairness of PRP, how often do you go out of your way to help customers?
4. How do you tell your friends and family members, if at all, the success or failure of PRP in your company?
5. How do you think the sharing of helpful information and cooperation of your peers with each other while you are working under PRP system?
6. What do you feel about the team work in your company under PRP system?
7. Do you have the intention to stay long in this company or quit in near future? Does the intention have anything to do with the PRP system? If so, what are the influences of PRP to your intention to stay?

Appendix-III

**2014 MOENCOS' Head Office Employees Individual Performance Result**

<u>Seq.No</u>	<b>Employee Id</b>	<b>Appraisal Point</b>	<b>PositionName</b>	
1	1010018	4.20	Sr. Service Advisor II	
2	1010026	4.40	Service Advisor II	
3	1010047	4.20	Sr. Service Advisor II	
4	1010049	4.00	Service Advisor II	
5	1010054	4.20	Service Advisor II	
6	1010074	4.00	Sr. Service Advisor II	
7	1010076	4.00	Sr. Service Advisor II	
8	1010078	4.00	Service Advisor I	16
9	1010080	3.70	Service Advisor I	
10	1010081	4.10	Jr. Service Advisor II	
11	1010082	4.00	Service Advisor I	
12	1010083	3.90	Service Advisor I	
13	1010084	4.00	Jr. Service Advisor I	
14	1010085	4.00	Jr. Service Advisor I	
15	1010086	3.90	Jr. Service Advisor I	
16	1010087	4.00	Jr. Service Advisor I	
<b>Dept. Code</b>	<b>101</b>			
1	1020012	4.23	Sr. Auto Technician II	
2	1020014	4.00	Lead Auto Technician II	
3	1020022	3.30	Auto Technician II	

4	1020023	4.16	Auto Technician II
5	1020024	4.20	Sr. Auto Technician II
6	1020032	4.10	Lead Auto Technician II
7	1020033	3.20	Auto Technician II
8	1020034	3.30	Jr. Auto Technician II
9	1020045	3.60	Sr. Auto Technician II
10	1020048	3.20	Sr. Auto Technician II
11	1020051	4.40	Lead Auto Technician II
12	1020056	3.30	Sr. Auto Technician II
13	1020066	3.90	Lead Auto Technician II
14	1020078	4.90	Lead Auto Technician II
15	1020080	4.30	Lead Auto Technician II
16	1020085	4.12	Lead Auto Technician II
17	1020100	4.00	Lead Auto Technician II
18	1020105	4.40	Lead Auto Technician II
19	1020111	3.72	Lead Auto Technician II
20	1020125	4.10	Lead Auto Technician II
21	1020126	4.00	Lead Auto Technician I
22	1020127	4.60	Lead Auto Technician II
23	1020131	4.09	Lead Auto Technician II
24	1020135	3.70	Lead Auto Technician I
25	1020136	4.02	Sr. Auto Technician II
26	1020141	4.50	Sr.Maha Technician I
27	1020143	4.00	Sr. Auto Technician II
28	1020144	4.11	Sr. Auto Technician II

94

29	1020145	4.05	Sr. Auto Technician II
30	1020146	4.00	Sr. Auto Technician II
31	1020147	3.50	Tyre Repair Man II
32	1020148	4.50	Lead Auto Technician II
33	1020150	4.13	Sr. Auto Technician II
34	1020151	3.90	Sr. Auto Electrician II
35	1020152	3.74	Lead Auto Eelectrician II
36	1020154	4.40	Sr. Auto Electrician II
37	1020155	4.00	Auto Electrician II
38	1020156	4.53	Sr. Auto Technician I
39	1020158	4.00	Auto Technician II
40	1020160	4.30	Auto Technician I
41	1020161	3.70	Auto Electrician I
42	1020162	4.40	Auto Technician I
43	1020164	4.07	Auto Technician I
44	1020165	4.50	Auto Electrician I
45	1020167	3.66	Sr. Auto Technician II
46	1020168	3.70	Auto Technician I
47	1020170	4.20	Auto Technician I
48	1020171	4.20	Auto Technician I
49	1020172	4.20	Auto Technician I
50	1020173	3.90	Auto Technician I
51	1020174	4.20	Auto Technician I
52	1020175	4.08	Auto Technician I
53	1020178	4.20	Auto Technician I

54	1020179	4.10	Auto Technician I
55	1020181	4.20	Auto Technician I
56	1020184	4.05	Jr. Service Advisor II
57	1020186	3.20	Auto Technician I
58	1020187	4.50	Jr. Auto Technician II
59	1020188	4.00	Jr. Auto Technician II
60	1020189	4.00	Jr. Auto Technician II
61	1020191	3.60	Jr. Auto Technician II
62	1020193	3.70	Jr. Auto Technician II
63	1020195	4.10	Auto Technician I
64	1020196	4.50	Sr. Auto Technician II
65	1020197	4.00	Jr. Auto Technician II
66	1020198	4.04	Sr. Auto Technician II
67	1020199	3.60	Jr. Auto Technician II
68	1020200	4.10	Jr. Auto Technician II
69	1020201	3.80	Maha Technician I
70	1020203	3.90	Brake Lathe Technician I
71	1020204	4.00	Sr. Auto Technician II
72	1020206	4.10	Auto Electrician I
73	1020207	3.83	Sr. Auto Technician II
74	1020208	4.00	Sr. Auto Technician II
75	1020209	3.30	Auto Technician I
76	1020210	4.30	Jr. Auto Electrician II
77	1020211	3.30	Auto Technician I
78	1020213	3.70	Jr. Auto Technician I

79	1020214	4.40	Jr. Auto Technician I
80	1020215	4.80	Jr. Auto Technician I
81	1020216	3.70	Jr. Auto Technician I
82	1020217	4.10	Jr. Auto Technician I
83	1020218	4.10	Jr. Auto Technician I
84	1020219	4.10	Jr. Auto Technician II
85	1020220	4.40	Jr. Auto Technician II
86	1020221	3.70	Jr. Auto Technician I
87	1020222	3.70	Jr. Auto Technician I
88	1020223	3.70	Jr. Auto Technician I
89	1020224	3.70	Jr. Auto Technician I
90	1020225	3.70	Jr. Auto Technician I
91	1020226	3.70	Jr. Auto Technician I
92	1020227	3.70	Jr. Auto Technician I
93	1020228	3.70	Jr. Auto Technician I
94	1020229	3.20	Tyre Repair Man I

**Dept.  
Code**

**102**

1	1030001	4.90	Sr. Panel Beater I
2	1030005	4.20	Lead Panel Beater II
3	1030006	4.90	Lead Panel Beater II
4	1030008	3.70	Sr. Panel Beater II
5	1030009	3.40	Lead Panel Beater II
6	1030010	4.50	Lead Panel Beater II

7	1030012	4.10	Sr. Panel Beater II
8	1030015	4.10	Panel Beater II
9	1030020	3.40	Lead Panel Beater I
10	1030021	4.00	Lead Panel Beater II
11	1030023	3.20	Lead Panel Beater II
12	1030024	3.40	Sr. Panel Beater I
13	1030028	4.10	Sr. Panel Beater II
14	1030029	3.80	Sr. Panel Beater II
15	1030032	4.10	Sr. Panel Beater II
16	1030033	3.30	Sr. Panel Beater II
17	1030035	4.20	Sr. Panel Beater II
18	1030036	3.70	Sr. Panel Beater II
19	1030039	4.10	Sr. Panel Beater II
20	1030043	4.10	Sr. Panel Beater I
21	1030044	4.10	Sr. Panel Beater I
22	1030045	4.60	Panel Beater II
23	1030046	3.40	Sr. Panel Beater I
24	1030049	3.60	Painter II
25	1030050	4.30	Jr. Painter II
26	1030054	4.20	Painter II
27	1030055	3.30	Jr. Painter II
28	1030056	4.60	Panel Beater I
29	1030057	3.70	Panel Beater I
30	1030058	4.10	Panel Beater I
31	1030060	3.80	Panel Beater I



32	1030061	4.10	Jr. Painter II	
33	1030062	3.50	Panel Beater I	
34	1030063	4.30	Painter I	
35	1030065	4.10	Jr. Panel Beater II	
36	1030066	4.60	Panel Beater I	
37	1030067	4.10	Jr. Panel Beater II	
38	1030068	4.10	Jr. Panel Beater II	
39	1030069	3.70	Jr. Painter II	
40	1030070	4.20	Painter I	
41	1030071	4.00	Jr. Painter II	
42	1030072	4.70	Jr. Painter II	
43	1030073	4.20	Jr. Painter II	
44	1030074	3.80	Jr. Painter II	
45	1030075	4.10	Jr. Painter II	
46	1030076	4.20	Sr. Painter II	
47	1030078	4.90	Jr. Panel Beater II	
48	1030079	3.20	Jr. Panel Beater I	
49	1030080	3.40	Jr. Panel Beater I	103
50	1030081	3.70	Jr. Painter II	
51	1030083	3.40	Jr. Panel Beater I	
52	1030084	3.70	Jr. Panel Beater I	
53	1030085	3.70	Jr. Painter I	
54	1030086	3.70	Jr. Panel Beater I	
55	1030087	3.70	Jr. Panel Beater I	
56	1030088	3.70	Apprentice	

Technician(Painter)

57	1030089	3.70	APPRENTICE TECHNICIAN (BODY)
58	1030090	3.70	APPRENTICE TECHNICIAN (BODY)

**Dept.  
Code**

**103**

1	1040016	4.40	Sr. Driver II
2	1040017	3.80	Tools Room Attendant I
3	1040019	3.80	Workshop Cleaner II
4	1040020	4.40	Lubricant Custodian II
5	1040021	4.10	Workshop Cleaner II
6	1040022	4.20	Cleaner/ Messenger II
7	1040024	4.80	Sr. Driver I
8	1040026	3.80	Workshop Cleaner II
9	1040031	4.30	Sr. Driver II
10	1040032	3.90	Replaced Parts Custodian I
11	1040033	3.50	Car Washer/Grease Boy II
12	1040034	4.20	Car Washer/Grease Boy II
13	1040037	3.90	Workshop Cleaner II
14	1040039	4.00	Car Washer/Grease Boy II
15	1040043	3.70	Driver II
16	1040044	4.00	Cleaner/ Messenger II
17	1040047	3.20	Driver I
18	1040048	4.30	Driver I
19	1040049	4.20	Driver I
20	1040052	3.80	Admin Assistant II

23

21	1040053	4.10	Admin Assistant I
22	1040054	3.40	Instructor I
23	1040055	3.70	Admin Assistant I

**Dept.  
Code                    104**

1	1070003	4.10	Car Registration Clerk II
2	1070010	4.35	Jr. Sales Person II
3	1070013	4.20	Sr. Sales Person II
4	1070018	4.10	Stock Controller II
5	1070019	4.10	Sr. Driver II
6	1070021	4.00	Cleaner/ Messenger II
7	1070025	4.10	Data Encoder II
8	1070026	4.35	Sales Officer II
9	1070028	3.80	Cleaner/ Messenger II
10	1070029	4.00	Jr. Store Controller II
11	1070030	3.70	Admin Assistant I

11

**Dept.  
Code                    107**

1	1080008	4.15	Lead Parts Sales Person I
2	1080012	3.90	Sr. Sales Person II
3	1080022	4.05	Sr. Driver II
4	1080026	4.13	Cleaner/ Messenger II
5	1080040	3.90	Sr. Parts Inventory Controller II
6	1080042	4.05	Cleaner/ Messenger II
7	1080043	4.05	Cleaner/ Messenger II

8	1080044	4.05	Cleaner/ Messenger II	
9	1080047	3.90	Sr. Driver II	
10	1080052	3.99	Sr. Parts Sales Person II	
11	1080070	4.28	Sr. Parts Sales Person I	
12	1080075	4.04	Parts Information Technician II	22
13	1080102	4.05	Sr. Driver II	
14	1080104	4.05	Sales Officer II	
15	1080106	4.17	Sr. Parts Inventory Controller II	
16	1080107	4.18	Jr. Parts Information Technician II	
17	1080111	3.80	Admin Assistant I	
18	1080112	4.20	Driver II	
19	1080113	4.02	Sales Person II	
20	1080114	4.10	Sr. Parts Sales Person I	
21	1080115	4.15	Parts Sales Person II	
22	1080116	3.90	Sales Person II	

**Dept.  
Code            108**

1	1090012	4.02	Sr. Picker II
2	1090015	4.02	Forklift Operator II
3	1090016	3.97	Picker II
4	1090017	4.00	Sr. Picker II
5	1090019	4.14	Store Assistant I
6	1090025	4.09	Sr. Picker II
7	1090028	4.20	Store Assistant II

8	1090030	4.02	Picker II	
9	1090032	4.00	Picker II	
10	1090033	4.03	Picker II	
11	1090034	4.09	Store Assistant II	
12	1090035	3.92	Jr. Picker II	
13	1090036	3.79	Jr. Picker II	
14	1090038	3.90	Jr. Picker II	
15	1090039	4.00	Jr. Picker II	
16	1090041	4.18	Store Assistant II	
17	1090042	4.13	Lead Store Assistant I	
18	1090044	4.13	Jr. Store Assistant II	
19	1090045	4.00	Jr. Store Assistant II	
20	1090047	3.90	Jr. Store Assistant II	
21	1090048	4.11	Sr. Store Assistant II	
22	1090049	3.90	Jr. Picker II	
23	1090050	3.75	Jr. Picker II	
24	1090051	3.85	Jr. Picker II	
25	1090052	4.03	Jr. Store Assistant II	
26	1090054	3.95	Jr. Store Assistant I	34
27	1090055	3.70	Jr. Store Assistant I	
28	1090056	3.70	Jr. Store Assistant I	
29	1090057	3.70	Jr. Store Assistant I	
30	1090058	3.70	Jr. Store Assistant I	
31	1090059	3.70	Jr. Store Assistant I	
32	1090060	3.70	Jr. Store Assistant I	

33 1090061 3.70 Jr. Store Assistant I

34 1090062 3.70 Jr. Store Assistant I

**Dept. Code 109**

1 1100005 4.01 Sales Liason Officer I 2

2 1100006 4.50 Cleaner/ Messenger II

**Dept. Code 110**

1 1110009 3.90 Cleaner/ Messenger II

2 1110010 4.50 Driver II 2

**Dept. Code 111**

1 1120007 4.00 Sr. Cashier II

2 1120008 4.00 Accountant II

3 1120017 4.00 Sr. Cashier II

4 1120021 3.90 Cleaner/ Messenger II

5 1120025 4.00 Sr. Cashier I

6 1120027 4.13 Sr. Clearing Officer II

7 1120029 3.80 Sr. Driver II

8 1120030 4.00 Accountant II

9 1120035 3.90 Cleaner/ Messenger II

10 1120037 4.29 Office Assistant I

11 1120051 4.10 Jr. Accountant II

12 1120053 4.14 Cleaner/ Messenger II

13 1120060 4.00 Archivist II

14 1120062 3.57 Cleaner/ Messenger II

15	1120063	4.00	Sr. Driver II	
16	1120065	4.05	Accountant I	
17	1120066	4.00	Sr. Cashier I	
18	1120067	4.20	Accountant I	
19	1120069	4.00	Accounting Clerk II	
20	1120070	4.10	System Administrator II	34
21	1120071	4.17	Import and Clearing Officer I	
22	1120072	3.95	Data Base Administrator I	
23	1120073	4.05	Network Administrator I	
24	1120074	3.90	Sr. Main Cashier	
25	1120075	3.90	Jr. Accountant I	
26	1120076	3.90	Jr. Accountant I	
27	1120077	3.90	Jr. Accountant I	
28	1120078	4.00	Sr. Clearing Officer I	
29	1120079	0.00	Jr. Accountant I	
30	1120080	0.00	Jr. Accountant I	
31	1120081	3.70	Cashier II	
32	1120082	0.00	Driver I	
33	1120083	0.00	Driver I	
34	1120084	0.00	Cashier II	

**Dept.**  
**Code**            **112**

