THE EFFECT OF INTRINSIC AND EXTRINSIC REWARDS MANAGEMENT ON EMPLOYEE PERFORMANCE AT TSEHAY INSURANCE S.C.

By

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LETTER of CERTIFICATION

This is to certify that Lealem Tilahun Assefa has carried out his thesis on the topic "Effect of Intrinsic and Extrinsic Rewards Management on Employee Performance at Tsehay Insurance S.C." This work is original in nature and suitable for the award of Masters of Arts in Human Resource.

Seifu Mamo

Date

DECLARATION

I hereby declare that this thesis entitled "*Effect of Intrinsic and Extrinsic Rewards Management on Employee Performance at Tsehay Insurance S.C."* has been carried out by me under the guidance and supervision of Mr. Seifu Mamo.

The thesis is my own work and all the sources that have been indicated are acknowledged by means of complete references.

____________________________ ___________________________

Lealem Tilahun Assefa Date

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Abstract

This study was conducted to examine the effect of intrinsic and extrinsic rewards on employee performance at Tsehay Insurance Share Company (S.C). Data was gathered from Head Office and branches located in Addis Ababa. The survey research design method and, stratified sampling technique have been used. Primary data was collected through questionnaires. SPSS version 20 Statistical Software was used for data analysis. The independent variables were intrinsic rewards and extrinsic rewards whereas the dependent variable was employee performance. Mean, standard deviation, correlation and regression statistics were used to analyze the data. The correlation result indicated that there was a positive relationship between all of independent variables (intrinsic and extrinsic rewards) and dependent variable (employee performance). This implies that the data supports the argument, increase or decrease in both intrinsic and extrinsic rewards will bring corresponding change in employee performance. Moreover, extrinsic rewards have a positive relationship with employee performance. This is further supported by the regression analysis, which confirms that employee performance improves as extrinsic rewards increase. Whereas, intrinsic reward has a positive impact on employee performance with a modest impact compared with the extrinsic rewards. Hence, both should be used together to complement each other in enhancing long-term employee performance, strengthening appropriate reward system to have a holistic effect.

Keywords: *Intrinsic Rewards, Extrinsic Rewards, Employee Performance.*

CHAPTER ONE

1. Introduction

This chapter aims to describe the research problem, research questions and objectives for carrying out the study. The chapter begins with introductory background information about reward management and employee performance after which the statement of problem will follow. Research questions and objectives will continue respectively. Significance of the study, scope, limitation, definition of terms and structure of the report will close the chapter.

1.1 Background of the study

Today, organizations are operating in a very dynamic and highly competitive environment to remain relevant in the market and they are expected to respond quickly to ever changing customer demands (Najanja, M. and Naiagi, 2013). Reward management is one of the ways used by organizations for attracting and retaining suitable employees as well as facilitating them to improve their performance (Najanja, M. and Naiagi, 2013). Human Resource Managers seek to design reward structures that facilitate the organizations strategic goals and the goals of individual employees. Reward systems are very crucial for an organization and the purpose of reward systems is to provide a systematic way to deliver positive consequences (Maund, L., 2001) such as enhancing employee performance. The only way employees will fulfill the employer's dream is to share in their dream (Kotelnikov, V., 2010). Reward systems are the mechanisms that make this happen. They can include awards and other forms of financial, non-financial, recognition, promotions, reassignments, non-monetary bonuses like vacations or a simple thank–you. So far, recent studies on the relationship between reward management and employee performance which are discussed under literature review have concluded that managing reward within an organization can be a difficult task and can easily go wrong with extremely serious consequences for both organizational performance and productivity. These studies also indicate how closely performance is related to reward management and how it is implemented.

Tsehay Insurance S.C. was established in March 2012 in accordance with the NBE proclamation No.86/1994 by 105 shareholders. It started operation with a subscribed and paid up capital of Birr 45.1 and 11.2 million in its order. Currently, the authorized capital has grown to Birr 120 million while the paid up capital has risen to more than Birr 63 million and the number of shareholders has reached 134. The company is engaged in all types of general insurance businesses and participating in attractive investment ventures (Tsehay Insurance, 2016). The Company is structured in such a way that Shareholders' Meeting (General Assembly) assumed the leading decisive power and the Board of Directors, who is elected by the General Assembly, plays the administrative role on their behalf. The top management comprises the Chief Executive Officer (CEO) and Executive Officers of Operation, Marketing & Business Development and Finance and Administration. The company's man power has also increased to 144 from 46 in its first full year operation in 2012. The company is also scoring a remarkable growth in total asset, investment and profit given the aggressive competition in the market and the general global and national unpleasant economic conditions (Tsehay Insurance, 2016).

This research benefited from a key informant discussion with the Marketing and Business Development Officer. The discussion explored the different operational issues and development of the business since its establishment. Tsehay Insurance started operation with three branches and now it has expanded its branch network at a fast pace in Addis Ababa and in few other towns. Its Head Office is situated in Addis Ababa and as of February 1, 2017 it has 11 branches in Addis Ababa and 4 in different towns.

The organization realized that there was a room for performance improvement and recognized the gap on the reward management system. Therefore, the researcher tried to look at the reward from two broad perspectives named intrinsic and extrinsic rewards and its influence on performance. The intrinsic rewards cover work content, job satisfaction and recognition.

Whereas, the extrinsic rewards deal with payment, benefit, working condition, supervision and promotion. Therefore, this study tried to discover whether there is an effect of intrinsic and extrinsic reward on employee performance at Tsehay Insurance.

1.2 Statement of the problem

The two reward categories, which have a direct relationship with performance, are known as intrinsic and extrinsic rewards. Intrinsic reward is intangible in nature like recognition, achievement or satisfaction and it arises from the person doing the job. An extrinsic reward is a tangible recognition of one's effort or performance and the reward could be in the form of payment or promotion for accomplishment of assignment. One of the major factors in an organization to improve employee performance is providing the right combination of intrinsic and extrinsic reward to the staff. As stated in the literature review, there is a positive link between these rewards and employee performance. One can infer from this, employees perform better in an organization where there is a rewarding and recognizing circumstance for motivation. Otherwise, unjustified reward negatively affects employee performance, which in turn jeopardize organizational success. It may also go further resulting in turnovers and conflict within the organization.

Based on the discussion with the Human Resource Officer to assess the current reward practice of the company and its impact on employee performance, it was learned that there are performance issues at Tsehay Insurance, which obstruct the company's activities to achieve its goal. To mention a few, some customers provided feedback regarding lack of service quality provided to them. Management has also observed lack of proper utilization of working hours and organizational resources as well. Management was convinced that these have affected the overall performance of the organization in achieving its objective. Though the organization was making effort to address this issue at the corporate level with proper follow up and timely feedback, these approaches have not been fully cascaded to branches.

Furthermore, little has been done so far to reach to the root cause of some under performances and define how reward is contributing to this fact. In the discussion with the Human Resource Officer it was clarified that, at the end of every fiscal year, depending on Board of Directors' decision, bonuses and step increments in relation with profit increases are paid to every employee regardless of their level of performance. Promotions are based on competitive recruitment process and are not granted without vacancy. Despite some forms of non-financial rewards available in the company, there is no financial reward provided by the company related to specific individual or team high performance.

The discussion with the Human Resource Officer primarily revealed that even though Management established a reward system in the organization, there was a gap with regards to the current reward management in recognizing individual effort and performance. Therefore, this study uncovered the effect of intrinsic and extrinsic reward on employee performance at Tsehay insurance. This was where the study has shed light as to the effect of intrinsic and extrinsic reward instruments on employee performance.

1.3 Research questions

Based on the identified research problem, the research questions were formulated as follows where intrinsic and extrinsic rewards are independent variables and employee performance is dependent variable. In line with the research problem, the study looked at what factors explain the level of employee performance, taking both the intrinsic and extrinsic rewards as independent variables consisting of various components and employee performance as the dependent variable.

The study provided answers for the following major questions:

1. Do intrinsic rewards have effect on employee's performance
    a. Does work content affect employee's performance?
    b. Does recognition affect employees' performance?
    c. Does Job Satisfaction affect employees' performance?
2. Do extrinsic rewards have effect on employee's performance?
    a. Does payment affect employee's performance?
    b. Does promotion affect employees' performance?
    c. Does benefits affect employees' performance?
    d. Does supervision affect employees' performance?
    e. Does working condition affect employees' performance?

1.4 Objective of the study

The main objective of this study was to investigate the effect of reward management on employee performance with particular emphasis to Tsehay Insurance S.C.

The specific objectives of this study are to identify and measure:

1. The effect of intrinsic rewards on employee's performance with particular emphasis to Tsehay Insurance S.C.
2. The effect of extrinsic rewards on employee's performance with particular emphasis to Tsehay Insurance S.C.

1.5 Significance of the study

This study has investigated the effect of intrinsic and extrinsic reward management on employee performance at Tsehay Insurance S.C. In the researcher's opinion, the findings of the study are important for the improvement of the organization under study by identifying the bottlenecks and providing alternative solutions. The findings of this study are expected to give directions on which rewards systems the insurance company may need to focus.

It will also guide the management of the insurance company which reward system will provide a better result in terms of improving employee's performance. The output of the research work is also expected to provide a clue on the need to analyze the potential effects of different rewarding systems in enhancing employee performance at the reward system designing stage.

This study will contribute to the knowledge on reward management and employee performance level at Tsehay Insurance S.C. Furthermore, the study will add value to the literature in the area of employee performance and reward management system. It can also serve as reference and base for researchers who want to conduct further research on related topics.

1.6 Scope of the study

This research was a survey that had focused on employees of Tsehay Insurance S.C. based in Addis Ababa branches and head office. Data was collected between April 26, 2017 and May 10, 2017. The study focused only on the effect of intrinsic and extrinsic rewards management variables on the overall performance of employee. Therefore, this study has not covered other factors including organizational culture, leadership, resource and recruitment, which can also affect employee performance.

1.7 Limitations of the study

Under the above scope, assessment of other factors (for example, organizational culture, leadership, resource etc.), which can affect employee performance, was not made. While this research project was being conducted, non-disclosure of responses of employees was expected. But, the study tried to lower the magnitude with regard to getting genuine information from sample employees by participating large proportion of the population.

The other limitation of the study was that it focuses in one company, Tsehay Insurance, therefore generalization from the findings of this study is hardy possible. The nature and reward system for other organizations might be quite different from Tsehay, as such inferences made about Tsehay cannot be applicable to other organizations.

However, as the staff size in Addis Ababa is 92.36% of the total number of staff in Tsehay Insurance across Ethiopia, the sample size was strong enough to represent and reflect the general perception of the population. Ample number of sample has also been selected in order to minimize the effect of non-disclosure of genuine information.

1.8 Definition of terms

Reward: defined as "formal or informal program used to recognize individual employee's achievements, such as accomplishment of goal or project." (Malik, M. et. al., 2011)

Intrinsic reward: is the type of reward that is internal to the individual and normally derived from involvement in certain activities or tasks (Armstrong M., 2010).

Extrinsic rewards: are those rewards that are directly controlled and distributed by the organization and are more tangible than intrinsic rewards (Armstrong M., 2010).x

The eight dimensions of rewards are described as follows:

1. **Work content** refers to the measurable amount of work contained in a given product, service or process.
2. **Recognition** is a feedback, confirmation and appreciation provided to employees for the jobs they performed.
3. **Job Satisfaction** is employees' attitude towards their job.
4. **Payment** refers to salary and allowances provided to employees for their work.
5. **Promotion** deals with the opportunity that the organization offers for growth.
6. **Benefits** is compensation provided by employers to employees in addition to salary such as pension, medical schemes and leave.
7. **Supervision** is activities to oversee a work and performance of employees in an organization.
8. **Working conditions** refers to working environment and circumstances in the workplace.

Performance:

Performance is associated with quantity of output, quality of output, and timeliness of output, presence/attendance on the job, efficiency of the work completed and effectiveness of work completed". Employee Performance is the successful completion of tasks by a selected individual or individuals, as set and measured by a supervisor or organization, to pre-defined acceptable standards while efficiently and effectively utilizing available resource within a changing environment (Mathis, R. and Jackson, J., 2012)

1.9 Organization of the study

The research paper is divided in to five chapters. Chapter 1 deals with Introduction, which incorporate background of the study, statement of the problem, research questions, research objectives, significance of the study, scope of the study, limitation of the study, definition of terms and organization of the study. Chapter 2 deals with extensive literature review related to the Reward and Employee Performance. Chapter 3 encompasses the methodology of the study in which the participants of the study, the sources of the data, the data collection instruments, the procedures of data collection and the methods of data analysis are described. Chapter 4, deals with the results and discussions. Chapter 5 deals with the summary, conclusion and recommendation.

CHAPTER TWO

2. Review of related literature

The second chapter of the study will present literatures related to the study area and provide a theoretical framework of the study. The chapter begins with a review of concepts of employee reward then effective reward management systems. Types of rewards are discussed followed by employee performance, the relationship between reward and performance, and review of empirical studies on reward systems and employee performance which lead to the conceptual frame work of the study.

2.1. The concepts of employee reward

Different authors defined reward in several ways. (Wilson, G., 2010) defined reward as "an external agent administered when a desired act or task is performed, that has controlling and informational properties". He further explained that rewards are usually administered to increase the probability of a pre- determined response although rewards can increase or decrease the probability of an event occurring, depending on the saliency and direction of the controlling and informational aspects of the reward. The process of developing and implementing strategies, policies and systems which help the organization to achieve its objectives by obtaining and keeping the people it needs and by increasing their motivation and commitment. According to (Gold, J. and Bratton, J., 2010), reward refers to all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship.

2.2. Effective reward management systems

Every organization's reward system should focus on these major areas; compensation, benefits, recognition and appreciation (Najanja, M. and Naiagi, 2013). Compensation is a payment related to salary, different allowances and overtime for the work undertaken. Benefits such as car loans, medical covers, club membership, ample office space, parking slots and company cars are ways of rewarding and employees do note the types of benefits that their organization offers.

Recognition and appreciation are another integral component of a winning strategic reward system. Recognition is to acknowledge someone before their peers for desired behavior or even for accomplishments achieved, actions taken or having a positive attitude. Appreciation on the other hand centers on showing gratitude to an employee for his or her action. Such rewards help employees to gauge their performance and know whether they are doing good or bad (Najanja, M. and Naiagi, 2013).

The reward system is a key driver of the HR strategy, business strategy and the organizational culture. It must also be consistent with other HR systems of the organization. The task of developing a strategic rewards framework for organizations is usually challenging but necessary to survive in the competitive and changing market place. The process however cannot be copied from the organizations but needs to be designed, developed and grown within the unique environment of the organization (Wilson, T., 2003).

A well designed incentive program rewards measurable changes in behavior that contribute to clearly defined goals. The challenge in developing such a program lies in determining what rewards are effective agents of change, what behaviors can be changed and the cost and benefits of eliciting change (Hartman, R., 1994).

Employees should be aware of the relationship between how they perform and the rewards they get. Organizations should apply performance management programs, which assist in planning employee performance, monitor performance by effecting proper measuring tools. Rewards should be used as a way of strengthening good behavior among employees as well as productivity. Hence reward systems should focus on reinforcing positive behavior. Employees could be rewarded for working overtime, taking initiative, teamwork, reliability, exceptional attendance, outstanding customer feedback, meeting deadlines or timeliness, productivity etc. Employers and managers should then design or come up with a system to measure or quantify all these aspects so that rewards are then given accordingly. A good reward system that focuses on rewarding employees and their teams will serve as a driving force for employees to have higher performance hence end up accomplishing the organizational goals and objectives. (International Journal of Business and Management; Vol. 8, No. 21; 2013)

An effective reward program may have three components: immediate, short-term and long term. This means immediate recognition of a good performance, short- term rewards for performance could be offered monthly or quarterly and long-term rewards are given for showing loyalty over the years (Schoeffler, B., 2005). Immediate rewards are given to employees repetitively so that they can be aware of their outstanding performance. Immediate rewards include being praised by an immediate supervisor or it could be a tangible reward. Short-term rewards are made either monthly or quarterly basis depending on performance. Examples of such rewards include cash benefits or special gifts for exceptional performance.

Rewarding should not only be applied to individual employees within the organization but also to teams that perform excellently. Incentives given for good behavior usually improve the relationship between the employees and management because employees feel that they are being appreciated for their efforts and good work. This leads to increased employee morale; better customer care as well as increased productivity.

Long-term rewards are awarded to employees who have been performing well. Such an employee will become loyal to his or her organization and it reduces employee turnover. Long-term rewards include being made partner, or cash benefits that mature after many years of service or at retirement. These rewards are very strategic for retaining the best human resources (Yokoyama, M., 2007).

For rewards to be effective, they have to be seen as fair. This means there has to be openness with respect to information about how the reward system operates and how employees will be rewarded. Employees should also be involved in designing the reward system and its administration (Jenkins, D. and Lawler, E., 1992).

2.3. Types of rewards

Different authors define the types of reward in different ways as intrinsic and extrinsic rewards, monetary and non-monetary reward, individual reward, and team reward. According to,(Horwitz, F. et. al, 2006) the types of rewards categorized in to financial and non-financial and both can be utilized positively to enhance performance behaviors of employees. Financial rewards means pay-for-performance such as performance bonus, job promotion, commission, tips, gratuity and gifts etc. Non-financial rewards are non-monetary or non-cash and it is a social recognition such as acknowledgment, certificate, and genuine appreciation etc. The behaviorist perspective propounded by researchers like,(Cameron, J. and Pierce, D., 1994) take the view that tangible rewards like money tend to suppress intrinsic motivation in so far as it is evident in subsequent time spent on the task, but not when it is measured by verbal expressions of attitude.

They found that the effect tends to happen when the reward was expected and independent of performance and concluded that tangible rewards had a small positive effect on attitude to the task if the reward was quality dependent.

2.3.1. Intrinsic rewards

According to (Gold, J. and Bratton, J., 2010), there are two types of rewards that can help lead to increase the employee motivation. According to (Weinberg, R.S and Gould, D., 2003) the informational aspect of reward relays information about a person's competency. The researchers claimed that a reward must be based on performance to enhance intrinsic motivation. (Kreitner, R., 1999) say the most basic form of rewards is pay and benefits, but there are less obvious social and psychic rewards. Social rewards can include a simple praise and recognition from others both inside and outside the organization. Psychic rewards are more from the inside, and include personal feelings of self-esteem, self-satisfaction, and accomplishment. Despite the fact that reward systems vary widely, it is possible to identify and interrelate some common components.

Intrinsic rewards are internal to the individual and are in many ways less tangible. In fact, they are highly subjective, in that they represent how the individual perceives and feels about work and its value. Five types of intrinsic rewards that have been summarized by (Manion, J., 2011) include healthy relationships, meaningful work, competence, choice, and progress. (Hellriegel, D. et. al., 1999) describe intrinsic rewards as personally satisfying outcomes, and they include feelings of achievement and personal growth. According to (Kreitner, R., 1999) psychic rewards are intrinsic rewards because they are self-granted.

An intrinsically motivated individual, according to (Ajila, C. and Abiola, A., 2004) will be committed to his work to the extent to which the job inherently contains tasks that are rewarding to him or her. And an extrinsically motivated person will be committed to the extent that s/he can gain or receive external rewards for his or her job. He further suggested that for an individual to be motivated in a work situation there must be a need, which the individual would have to perceive a possibility of satisfying through some reward. If the reward is intrinsic to the job, such desire or motivation is intrinsic. But, if the reward is described as external to the job, the motivation is described as extrinsic.

2.3.2. Extrinsic rewards

Extrinsic rewards cover the basic needs of income to survive (to pay bills), a feeling of stability and consistency (the job is secure), and recognition (my workplace values my skills). (Hellriegel, D. et. al., 1999) say an extrinsic reward is outcomes supplied by the organization, and includes salary, status, job security and fringe benefits. One can compare these rewards to the job context items that Herzberg called hygiene factors.

2.3.3. Financial rewards

Financial rewards comprise all rewards that have a monetary value and add up to total remuneration – base pay, pay contingent on performance, contribution, competency or skill, pay related to service, financial recognition schemes, and benefits such as pensions, sick pay and health insurance. They are the core elements in total rewards. The management of a reward system requires decisions on levels of pay, how jobs should be valued, the design and operation of grade and pay structures, and the choice of benefits. Such decisions can be complex and difficult, but the problems pale by comparison with the issues surrounding the use of contingent financial rewards (Armstrong M., 2010). According to (Horwitz, F. et. al, 2006), pay is an unquestionable form of reward. However, it is not the only way in which organizations can reward their people.

2.3.4. Non-financial rewards

Non-financial rewards are those that focus on the needs people have to varying degrees for recognition, achievement, responsibility, autonomy, influence and personal growth. They incorporate the notion of relational rewards, which are the intangible rewards concerned with the work environment (quality of working life, the work itself, work–life balance), recognition, performance management, and learning and development. Non-financial rewards can be extrinsic such as praise or recognition, or intrinsic, associated with job challenge and interest, and feelings that the work is worthwhile (Armstrong M., 2010).

2.4. Employee performance

Measuring performance is of great importance to an incentive plan because it communicates the importance of established organizational goals. “What gets measured and rewarded gets attention” (Bohlander. G, and Snell, S., 2010). In discipline of Human Resource Management, different writers suggest the following indicators for measuring employee performance and they include: quality that can be measured by percentage of work output that must be redone or is rejected; Customer satisfaction that can be measured by the number of royal customers and customer feedback. Also, timeliness, measured in terms of how fast work is performed by the employee when given a certain task; absenteeism/tardiness observed when employees absent themselves from work; and achievement of objectives measured when an employee has surpassed his/her set targets, he/she is then considered to have performed well to achieve objectives (Hakala, D., 2008); (Armstrong M., 2010).

The management of individual performance within organizations has traditionally centered on assessing performance and allocating reward, with effective performance seen as the result of the interaction between individual ability and motivation. It is increasingly being recognized that planning and an enabling environment have a critical effect on individual performance, with performance goals and standards, appropriate resources, guidance and support from the managers all being central (Torrington, D. et.al, 2008).

Human resource policies and practices indeed do affect organizational as well as individual performance. Job satisfaction for example, has for a long time been seen as key to affecting business performance as well as commitment. In addition, researchers have also identified motivation as the mediating mechanism and some identify trust and morale. In spite of more recent attention to commitment, motivation is still considered to be an important influence to performance (Torrington, D. et.al, 2008)

The factors, which are shown to affect employees' performance, include:

The gap between the degree of received reward and the level of the reward the employee expects to receive; comparison based on what reward others receives in the same situation; satisfaction of employees based on both financial and nonfinancial rewards that impact the total job performance; the difference of employees' desires on the received rewards, and the value that they think is more available in a reward than the others; and a lot of extrinsic rewards which satisfy the employees since they are related to other rewards (Lawler, E.E., 1985).

2.5. The relationship between reward and performance

Appropriate, effective and timely reward increases employees and managers' motivation. Research and experience regarding the concept of performance reinforcement have proved that effective and timely feedback can be regarded as a motivation to increase employees' productivity and spirit (Karami et. al., 2013). Rewards can be used to improve performance by setting targets in relation to the work given e.g. surpassing some sales targets. When the employee surpasses their target, he or she can be given an additional amount to their salary; this will make them strive to achieve more (Maund, L., 2001).

Research has proven that when human beings are appreciated and praised, they tend to improve their performance. This is another way an organization can apply as a reward so as to improve performance. Praise could be shown in the organization newsletter or in meetings. When managers take time to meet and recognize employees who have performed well, it plays a big role in enhancing employees' performance(Torrington, D. et.al, 2008). Organizations should reward employees more often. This greatly improves performance compared to having the rewards maybe only once a year. This is because frequent rewards are easily linked to the performance (Thompson, C. and Rampton, L., 2003)

Another way through which organizations can use reward systems to increase output is by personalizing the reward (Najanja, M. and Naiagi, 2013). According to him, when rewards tend to be so general, employees do not value them. Therefore, organizations should use rewards to improve employee performance by incorporating appraisal or promotion for employees who have a good record of performance and managers should be on the lookout for employees who perform well.

Rewards that an individual receives have a huge contribution on employee motivation. Research has suggested that rewards lead to employee satisfaction, which directly influences the performance of the employee. (Lawler, E.E., 1985) concluded that there are factors, which influence the performance of an individual. Firstly, it depends on the amount received and the amount the individual feels he or she should receive. Secondly, comparison to what others collect influences people's performance, and thirdly, employee's satisfaction with both intrinsic and extrinsic rewards received affects overall job performance. Fourthly; people differ widely in the rewards they desire and in the value they attach to each. And the fifth, many extrinsic rewards satisfy, only because they lead to other rewards. All these observations suggest the need for a diverse reward system.

2.6. Review of empirical studies on reward system and employee performance

Garlick (as cited in the work of (Najanja, M. and Naiagi, 2013)), carried out an online study of 1913 full-time employees and asked people to rank order 14 potential performance incentives in order of preference. These performance incentives included common extrinsic rewards such as cash bonuses, gift cards, award points, and travel awards, as well as intrinsic rewards such as having more freedom and autonomy at work, being able to choose interesting projects, and being assigned to mentor other employees. Not surprisingly, cash bonuses were listed as the most preferred incentive by three-out-of-four people (74%) surveyed.

Nine-out-of-ten (89%) listed cash bonuses within their top three preferences. However, the primary issue the study investigated was whether offering cash bonuses really influenced employee attitudes, as well as other business outcomes.

The results showed that offering a cash bonus exclusively does not seem to make much of an impact on performance; despite the fact cash bonuses are nearly everyone's preferred reward. While cash bonuses are the most preferred reward for three-out-of-four, and among the top three rewards for nine-out-of-ten, those who only receive a cash bonus are just slightly more satisfied than those who get no reward at all. Furthermore, offering exclusively cash bonuses only seems to have very little impact on company performance, either in terms of increased customer service, or in increased profitability.

(Aktar, S. et. al., 2012) conducted a study to examine the relationship between rewards and employee performance as well as to identify the relationship between extrinsic and intrinsic rewards. The study explored factors determining extrinsic and intrinsic rewards and their impact on employee performance and actions to influence the commercial banks for a consideration of a more systematic and structured approach to acknowledge employee's efforts, which would in turn prosper high performance culture in commercial banks of Bangladesh.

Descriptive statistics based frequency tables and graphs were used in the study to provide information on demographic variables. The results are investigated in terms of descriptive statistics followed by inferential statistics on the variables. A total of 200 questionnaires were distributed to employees of the commercial bank and a total of 180 employees completed the questionnaire properly. The result indicates that there is a statistical significant relationship between all of the independent variables with dependent variables employee work performance and all the independent variables have a positive influence on employee work performance.

(Rashid, H. and Rab, 2013) conducted an investigation of relationship between rewards and employee performance in Technical Education Authority of Pakistan. Extrinsic rewards used in study are formal recognition, promotion and compensation and intrinsic rewards are appreciation, challenging work and freedom. Dependent variable is employee performance. Sample of 300 was selected by using random sampling approach. Data was collected through questionnaires and response rate of questionnaires was 80 percent. Data was analyzed using descriptive statistics, Pearson's coefficient of correlation and linear regression. Results proved that extrinsic rewards did not have much substantial influence on performance of employee, influence of intrinsic rewards on employee performance was moderate, substantial and it was also interesting to note that intrinsic and extrinsic rewards had different influences on performance of employee, intrinsic rewards had higher impact on employee performance than extrinsic rewards in Technical Education Authority of Pakistan.

The above studies have dealt with reward in organizations and its relationship with factors such as employee motivation, employee performance, employee satisfaction and effect on quality of work done. Overall the studies show rewards to have a positive effect. However, different rewards seem to have a different impact on employee attitude, satisfaction and performance. There are mixed findings when it comes to individual rewards and their effect on performance.

2.7. Theoretical framework

In this study, Herzberg's two-factor theory was used as a theoretical framework. Herzberg identified factors that related to jobs. These factors are achievement, recognition, advancement and growth. These are known as intrinsic rewards. While company policies, supervisor, interpersonal relations, salary, financial benefits known as extrinsic rewards. His study revealed that intrinsic reward motivates employees compared to extrinsic rewards. According to Herzberg, the physiological needs can be fulfilled by money, while the psychological needs require achievement and growth to be fulfilled.

2.8. Conceptual framework of the study

The main purpose of this study was to investigate the effect of intrinsic and extrinsic rewards management on employee performance at Tsehay Insurance S.C. The study also assesses the relationship between intrinsic and extrinsic rewards, and employee performance. The diagram below depicts the stated purpose of the study.

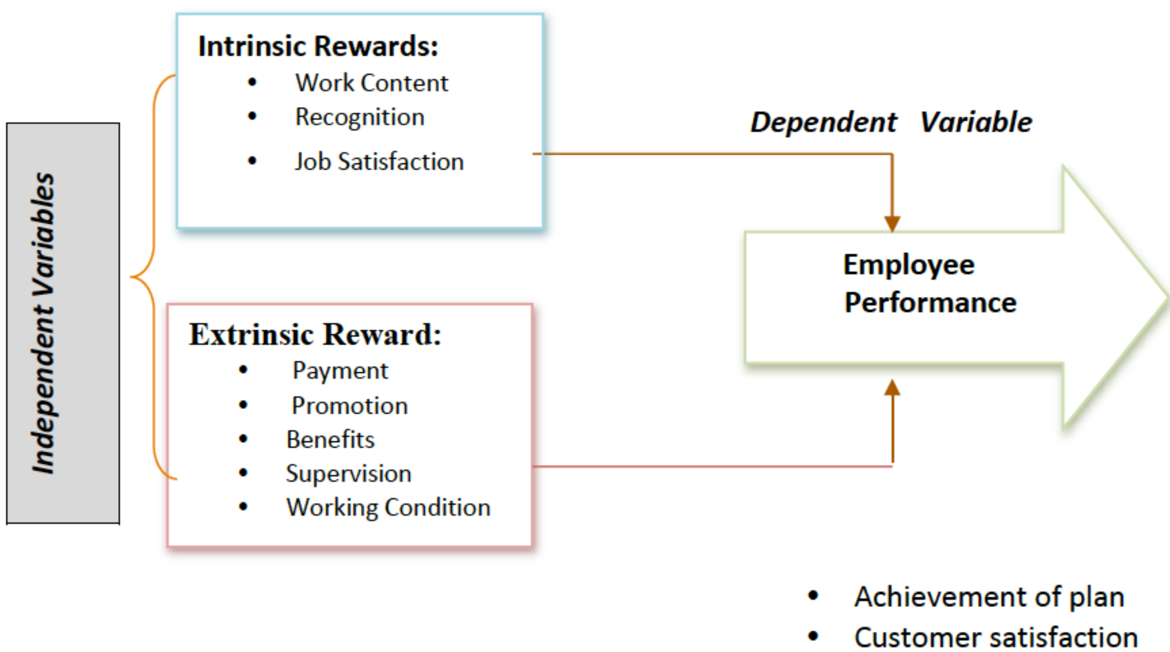

Figure 1: *Conceptual framework of the study*

Source: Adopted from (Gohari, P. et. al, 2013) P. 589

This framework saw rewards systems as being made up of intrinsic and extrinsic rewards. The intrinsic and extrinsic rewards served as independent variable while employee performance as the dependent variable. These types of models were used by different researchers for measuring the effect of reward management on employee performance. (For example: (Gohari, P. et. al, 2013); (Aktar, S. et. al., 2012); and (Rashid, H. and Rab, 2013)

CHAPTER THREE

3. Research methodology

This chapter discusses methods used in undertaking this study from the collection data from respondents to the methods applied to analyze the collected data. Research design, sample and sampling technique, instrument of data collection, data collection procedure and finally data analysis technique are discussed in this specific chapter.

3.1. Description of the study area

The research study was done at Tsehay Insurance S.C. The Head Office is located in Addis Ababa, Merkato near Cathedral School. In total, there are 133 staff in the Addis Ababa offices among which 3 are contract staff. Addis Ababa offices are chosen as the study area because it has enough dynamics in terms of contract type, grade level and gender composition to achieve the goals of this research. Moreover, since all insurance companies have offices in Addis Ababa, staff in Addis Ababa are more exposed for the reward and performance of similar organizations.

3.2. Research approach

While there are currently two broad research approaches in the social sciences, namely quantitative and qualitative research, this study opted for quantitative research. From a brief overview of quantitative research, it is clear that quantitative methods are advantageous because they allow the conducting of a broad survey, which involves many subjects and generalization of findings. In addition, the results are valid, reliable and generalizable to a larger population. Quantitative research is advantageous for studies that involve numbers such as measuring impacts and influences. Since the research was done to assess the effect of intrinsic and extrinsic rewards on employee performance, this method was found to be the best fit for this purpose due to the above factors. Moreover, quantitative researches are more economical to conduct in terms of time, finance and other resources.

3.3. Research design

The survey research design method was used in this study. According to (Ajila, C. and Abiola, A., 2004), survey design involves using a standardized questionnaire previously used by different researchers in collecting data from the respondents. This quantitative method in nature involves the use of numerical measurements and statistical analyses of measurements. This method is chosen because it is useful in describing the characteristics of a large population like this research did on Tsehay Insurance employees. It has a capability, to gather more accurate samples, draw conclusions and make important decisions. Data collection is much convenient with surveys, which can be compiled and analyzed as needed. It is also relatively economical in terms of time and resources.

3.4. Data source and instrument of data collection

In order to answer raised research questions, primary data sources were used in this study. The primary data collection method was performed with the use of structured questionnaire. The questionnaire was self-administered. Self-administered questionnaires are a useful way of collecting data. Primary data were collected using questionnaire adapted from De Beers 1987. The adaptation was done in such a way that questionnaires related to reward measurements were taken with minor modification whereas the first part regarding demography and employee performance measurement tools was constructed by the researcher. The questionnaire was adopted and developed in such a way to collect data regarding each dependent and independent variable to assess the impact and identify the problem as per the research objective.

The questionnaire had two parts. The first part had five questions and was prepared to gather basic demographic information of respondents, their position in the organization.
In the second part, respondents were asked to state their level of agreement towards the forty-four statements constructed to show items of rewards and employee performance on a 5-point Likert Scale.

The forty-four items were distributed among the nine dimensions of reward and employee performance as follows; eighteen items were put under intrinsic rewards, twenty-one items were related to extrinsic rewards, and finally the remaining five items were part of the employee performance.

In addition to primary data sources, secondary data sources like published articles, social science journals, thesis and related studies were collected in order to obtain some reliable literature and empirical findings that can be applied in order to have a better understanding of rewards management and employee performance. The secondary data that was used in this study come from the various reports of the insurance company to describe the back ground and performance of the company and its size in terms of employees.

To assure the reliability, Cronbach-Alpha reliability coefficients which is the most commonly used method in internal consistency analysis for Likert-type questionnaire was used. In addition, validity is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study and therefore ensuring validity of the data collection instrument involves going through the questionnaire in relation to the set objectives and making sure that it contains all the information that can enable answer these objectives (Najanja, M. and Naiagi, 2013). Therefore, to appraise the validity of the instrument of this study, the questionnaire was shared with HR experts and secured their comment to refine the face validity of the survey instrument before distributing to the respondents. The survey instrument was also tested by distributing the questioner to 25 respondents to check the understandability and reliability of the instrument, minor modification was conducted to make it clear for the main survey respondents based on feedbacks received from test survey respondents.

3.5. Sample and sampling techniques

The total staff population at Tsehay Insurance is 144, out of which 133 are based in Addis Ababa among which 3 are contract staff. The target population for this study was 133 staff based in Addis Ababa. The target population included supporting and managerial level employees. The target respondents were selected by using stratified sampling technique because each member of the population had equal chance of being selected. This had assured reduced selection bias and perspectives of staff who are in different hierarchies. All 11 branches were taken as strata and the Head Office is taken as the 12th stratum. Then, simple random sampling was used.

The sample size that was selected for this research is considered to be a representative of the target population and large enough to allow for precision, confidence and generalizability of the research findings.

3.6. Sample size determination and sampling procedure

The researcher used an automated sample size calculator (Market Research Resources, 2018) to reach at the below sample size determination formula.

Population Size (Only focused on Tsehay Insurance based in Addis Ababa)	133
Margin of Error	5%
Confidence Level	95%
Required Sample Size	60
Estimated Response Rate	50%
Number of participants to invite	120

This shows that 90% of the target population has been included in the sample.

Since the whole population has its own encounter with reward management, all staff under those branch and Head Office had equal chance of being selected as part of the sample. Therefore, in this study stratified sampling was used initially. All 11 branches were taken as strata and the Head Office is taken as the 12^{th} stratum. Then, simple random sampling was used to select sample from each stratum. From complete list of each stratum, respondents were selected randomly based on the proportion of the strata to the sample size determined.

3.7. Data collection procedures

Before the full scale survey, a sample of 25 respondents were selected from the Head Office and given the prepared questionnaire to fill for the purpose of pilot testing. The major objective of the pilot test was to check if it is possible to get the desired result using the prepared questionnaire and to identify and eliminate potential problems associated with question content and wording. Based on feedback received from the test respondents, few modifications were made in order to make it more clear and understandable to the full scale survey respondents.

During the full scale survey, the questionnaire was administered to the sample through personal contact by the researcher and arrangement were done with staff assistant of each unit/department to act as collaborator in data collection. Respondents were kindly requested to fill the questionnaire based on their experience and asked to return all completed questionnaires within two weeks. Out of the total 120 distributed questionnaires, 60 were collected back, this made the response rate 50%. The remaining 60 questionnaires could not be collected due to unavailability and unwillingness of the employees even after thorough follow up by the researcher.

3.8. Data analysis technique

The collected survey data was analyzed using statistical package for social sciences (SPSS) version 20 application program. Using SPSS, descriptive statistics and multiple regression was performed. Each research question are answered accordingly and outputs of the analysis are presented in tables and later their implication is explained. These were used to measure the effect of intrinsic and extrinsic rewards management on employee performance. Therefore, the dependent variable; employee performance was regressed on the independent variables; work content, recognition, job satisfaction, payment, promotion, benefits, supervision and working condition.

To accomplish the study objective and to answer the stated research questions, descriptive and inferential statistics were employed. Descriptive statistics such as frequency, percentage, mean and standard deviation were used to assess reward management practice and measure employees' performance. Descriptive statistics was also applied to know the general demographics information of the respondents. Inferential statistics was also applied to identify the relationship between intrinsic rewards and employee performance, and, extrinsic rewards and employee performance. It also tested how significantly the rewards system variables affect employee performance.

Multiple regression analysis was applied to measure the influencing factor between two variables, in this case, reward management and employees performance. Accordingly, if the coefficient was positive, it would have shown a relationship between the two variables and the relationship considered as direct predictor. If the β coefficient was negative, then the relationship would have been indirect and considered as an inverse predictor. If the β coefficient was equal to 0 then there would not have been a predicting relationship between the variables. Furthermore, the regression analysis was useful to answer the research questions posed in the study.

The multiple regression helped to describe the effect of a single variable while controlling for the other variables, which were included in the regression analysis. Therefore, given the continuous nature of employee performance data, the dependent variable, measured on a 5-point Likert scale, it was appropriate to use multiple regression analysis.

3.9. Reliability and validity

3.9.1. Reliability

Cronbach’s alpha was used in this study to assess the internal consistency of items on the research instrument, which is developed questionnaire. Cronbach's α (alpha) is a coefficient of reliability used to measure the internal consistency of a test or scale; it resulted as a number between 0 and 1. As the result approaches to 1, the more is the internal consistency of the items, which means all the items measure the same variable. Scales were considered reliable if their Cronbach alpha value reached at least .70 (Najanja, M. and Naiagi, 2013).

Therefore, in the below table, it is indicated that the questionnaire was internally consistent which was checked against the cutoff point for Alpha value of 70% (0.7). The Cronbach’s Alpha value for all the variables is 70% and above, confirming that the internal consistency of the scales used in the questionnaire and also the reliability of the data.

The reliability of the data for intrinsic, extrinsic rewards and employment performance was computed and the questionnaires for internal consistency and reliability was once again confirmed. The alpha values for them were 79% (0.79), 81% (0.81) and 87% (0.87) respectively.

Table 1: *Reliability Statistics of Cronbach's Alpha*

Variables	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
WORK CONTENT	0.704	0.700	10
JOB SATISFACTION	0.817	0.817	4
WORKING CONDITION	0.789	0.794	4
PAYMENT	0.813	0.815	6
BENEFITS	0.837	0.839	4
CAREER ADVANCEMENT	0.811	0.811	3
RECOGNITION	0.890	0.892	4
SUPERVISION	0.869	0.869	4
EMPLOYEMENT PERFORMANCE	0.870	0.870	5

Table 2: *Reliability Statistics*

Variables	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
INTRNSIC REWARDS	0.794	0.788	18
EXTRNSIC REWARDS	0.818	0.816	21
EMPLOYEMENT PERFORMANCE	0.870	0.870	5

3.9.2. Validity

Validity is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study and therefore ensuring validity of the data collection instrument involved going through the questionnaire in relation to the set objectives and making sure that it contains all the information that can enable answer these objectives (Najanja, M. and Naiagi, 2013). Moreover, validity of the questionnaire was assessed and found out to be strong after piloting it with people to respond to the questionnaires as per their positive feedback. However, few modifications on using simple terms were made in order to make it clearer and understandable based on the feedback. The questionnaire was also shared with HR experts and secured their comment to refine the face validity of the survey instrument. In addition, the literature that the researcher referred in chapter 2 have used somewhat the same tool for collection of the data.

3.10. Ethical consideration

Ethical issues are the concerns and dilemmas that arise over the proper way to execute research, more specifically not to create harmful conditions for the subjects of inquiry, humans, in the research process. The researcher was aware of the big responsibility to be sensitive and respectful of research participants and their basic human rights and fully endorsed the Ethical Code of the Organization.

In particular, the researcher ensured the following throughout the study:

(i) Explaining the aim and objectives of the study as well as the procedures to be followed up front to everybody taking part in the research;

(ii) Making it clear to them that participating in the study is voluntary, and that should they for some reason want to withdraw from it, they have the right to voluntarily do so at any time;

(iii) That everybody participating in the study complete an informed consent form and

(iv) That their privacy is respected at all time and that everything they shared is treated as confidential.

Moreover, Addis Ababa University also emphasizes that wherever human and animal subjects are used in the action, ethical clearance should be obtained from the appropriate office. The proposal must describe the risks involved, the levels of damages to which the research subjects are exposed and the assurance of mitigations (Addis Ababa University, 2018).

Accordingly, the researcher explained the detail and got clearance from Tsehay Insurance to undertake the research. Therefore, the researcher collected the relevant data between April 26, 2017 and May 10, 2017.

CHAPTER FOUR

4. Result and discussion

This chapter presents the findings of the study based on the data collected through survey. By using different statistical methods, findings are presented and interpreted. By doing so, the identified research questions have been answered in this chapter.

4.1. Demographic characteristics

As shown in the Table 3, item 1 below, 55% (33) of the respondents were male while 45 % (27) of them were female. As majority of them were male; it can be said that gender balance is inclined towards male employees.

In the Table 3 below, item 2, 60% (36) of the respondents were between 25 and 35 years old; 18.3% (11) were between 36-45 years old and less than 25 years old is 21.7% (13). However, there was no above 46 years old age range. 81.7 %(49) of the respondents were below 35 years old. This shows that the human resources are populated with active work age. This age group demands modern life, which in turn needs higher real income.

Item 3 in Table 3 below also indicates that 70 %(42) of the respondents were first degree holders, 21.7% (13) were college diploma holders and the remaining 8.3% (5) were master's degree holders. 78.3% (47) of the respondents had first degree and above level. This showed that the work force is educated and can easily be trained to enhance individual and or corporate performance level provided that there is proper reward system.

As indicated by item 4 of the Table, about 28.3 % (17) have been in this company for 1-2 years, 18.3 % (11) of the respondents worked in the insurance between 3 and 4 years, 28.3% (17) of the respondents have <1-year tenure while the remaining 25 % (15) have been with the insurance sector for more than 4 years. The company started operation in March 2012 which shows that total service year of the Organization is only 5 years. Finally, item 5 of Table 3 below indicates that 20% (12) of the respondents are working at Managerial positions whereas the Support staff 80 % (48).

Table 3: *Frequency Distribution of Demographic Variables*

Item		**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percentage**
Gender	Male	33	55.0	55.0	55.0
	Female	27	45.0	45.0	100.0
	Total	60	100.0	100.0	
Age	Under 25 years old	13	21.7	21.7	21.7
	25 -35 years old	36	60.0	60.0	81.7
	36 -45 years old	11	18.3	18.3	100.0
	Total	60	100.0	100.0	
Educational Attainment	Diploma	13	21.7	21.7	21.7
	Bachelor Degree	42	70.0	70.0	91.7
	Master Degree	5	8.3	8.3	100.0
	Total	60	100.0	100.0	
Tenure	less than a year	17	28.3	28.3	28.3
	1 to 2 years	17	28.3	28.3	56.7
	3 to 4 years	11	18.3	18.3	75.0
	> 4 years	15	25.0	25.0	100.0
	Total	60	100.0	100.0	
Position in the Organization	Managerial	12	20.0	20.0	20.0
	Supporting	48	80.0	80.0	100.0
	Total	60	100.0	100.0	

4.2. Assessment on results of the effect of intrinsic and extrinsic rewards on employee performance

Descriptive statistics in the form of means and standard deviations for the independent variables and dependent variable for the respondents were computed and presented in Table 4 below.

Table 4: *Descriptive Statistics of Rewards and Employee Performance*

Descriptive statistics			
Variables	**Mean**	**Std. Deviation**	**N**
Employee Performance	3.8667	1.04908	60
Work content	4.2250	0.64061	60
Job satisfaction	3.5917	0.84619	60
Working Condition	3.7417	0.82077	60
Payment	3.1750	0.94252	60
Benefits	3.5500	0.87672	60
Carrier advancement	3.4667	0.98233	60
Recognition	3.5500	0.99021	60

Mean category: *< 2 below average, = 2.5 average, > 3 above average, > 3.5 good, > 4 high, 4*

Table 4 above indicates that at Tsehay Insurance, work content (mean=4.22) is high. Job satisfaction (mean=3.60), working condition (mean=3.74), payment (mean=3.17), benefits (mean=3.55), career advancement (mean=3.47), recognition (mean=3.55) and supervision (mean=3.67) are above average and good. Moreover, employee performance (mean=3.87) was also good which implies that the employees of Tsehay Insurance are overall good performers.

Table 5: *Summarized Descriptive Statistics of Rewards and Employee Performance*

Descriptive Statistics			
Variables	**Mean**	**Std. Deviation**	**N**
Employee Performance	3.8667	1.04908	60
Intrinsic reward	3.9583	0.53116	60
Extrinsic Reward	3.5000	0.62436	60

As shown in Table 5 above, the total of intrinsic reward (mean=3.96) while that of extrinsic is (mean=3.50). This implies that, extrinsic rewards like payments are relatively lower than intrinsic rewards in the organization.

4.3. Correlation analysis

Correlation analysis was used to describe the strength and direction of the linear relationship between the two variables. In this analysis, Pearson Product-Moment Coefficient was employed which is designed for interval level (continuous) variables. The nature of the data of this research was continuous hence Pearson's correlation is used.

The Pearson's Product Moment Correlation Coefficient was computed for the purpose of determining the relationship between intrinsic and extrinsic rewards with employee performance at Tsehay Insurance S.C.

Table 6: *Correlation of Intrinsic and Extrinsic Rewards with Employee Performance*

Correlations				
Variables		Employee Performance	Intrinsic reward	Extrinsic Reward
Employee Performance	Pearson Correlation	1	.294*	.311*
	Sig. (2-tailed)		.023	.016
	N	60	60	60
Intrinsic reward	Pearson Correlation	.294*	1	.217
	Sig. (2-tailed)	.023		.096
	N	60	60	60
Extrinsic Reward	Pearson Correlation	.311*	.217	1
	Sig. (2-tailed)	.016	.096	
	N	60	60	60

*. Correlation is significant at the 0.05 level (2-tailed).

In Table 6 above, it is indicated that employee performance is positively correlated with both intrinsic and extrinsic rewards, with 0.294 and 0.311 at 95% confidence level. This implied that increase or decrease in both intrinsic and extrinsic rewards will bring corresponding direction change in employee performance. Moreover, employee performance can be influenced by extrinsic reward than intrinsic rewards.

4.4. Regression analysis

Multiple regression was applied to see which independent variable is more powerful in explaining the dependent variable. Regression was performed in two ways. As represented in research framework (Figure 1), all components of both intrinsic and extrinsic independent variables have been regressed together to look how they explain the independent variable - employee performance.

Table 7: *Model Summary*

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.548[a]	.301	.191	.94356	.301	2.742	8	51	.013
a. Predictors: (Constant), Supervision, Payment, Carrier advancement, Working Condition, Work content, Benefits, Job satisfaction, Recognition									

As shown in Table 7 above, all the eight components of intrinsic and extrinsic rewards such as work content, job satisfaction, working condition, payment, benefits, career advancement, recognition, and supervision explained 19.1% (Adjusted R2 =0.191) of the dependent variable (employee performance). Note that, only very small amount of the employee performance variance was explained by this model. It is only, 19.1% that was explained, according to the adjusted r square presented in the Model summary table.

However, the sig value of the F Change was statistically significant indicating that the model was a good fit. Thus, the low level of Adjusted R^2 is not useful to comment on the goodness of fit of the regression model. However, it implies that 19.1% employee performance depends on the reward package provided in the Insurance. The remaining, unexplained part (80.9%) is determined by other variables, which affect employee performance.

Table 8: *Coefficient of Variables for Eight Components of Independent Variables*

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.617	1.170		-.527	.601
	Work content	.382	.227	.233	1.682	.099
	Job satisfaction	.166	.182	.134	.914	.365
	Working Condition	.182	.172	.142	1.056	.296
	Payment	.171	.151	.154	1.137	.261
	Benefits	.055	.158	.046	.347	.730
	Career advancement	.059	.154	.055	.385	.702
	Recognition	-.124	.157	-.117	-.791	.433
	Supervision	.297	.146	.274	2.030	.048

a. Dependent Variable: Employee Performance

As indicated in Table 8 above, only supervision was significantly related with employee performance, 0.048 which less than 0.05. This suggests that other factors affected employee performance but not significantly as the data implies. However, it should be noted that work content affected the performance of employee positively at 10% significance level. Thus a one-point improvement in work content may result in a performance improvement of employees by about 0.38 points. And a one percent increment in supervision may result in an improvement of performance by about 3%.

Table 9: *Regression Analysis for Two Independent Variables*

Model Summary									
					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.388[a]	.150	.120	.98385	.150	5.041	2	57	.010

a. Predictors: (Constant), Extrinsic reward, intrinsic reward
b. Dependent Variable: Employee performance

As shown in Table 9 above, both intrinsic and extrinsic rewards could explain 12%. (Adjusted R2 =0.120) of the dependent variable (employee performance). This implied that 12% employee performance depended on the reward package provided in the Company. The remaining, unexplained part (about 88%) was determined by other variables which affect employee performance. In other words, the explanatory power of the model, adjusted R Square, was only 12%, which means only 12% of the variance in employee performance was explained by reward systems. Note here also the goodness of fit of the regression model was statistically significant at 1% significance level.

Table 10: *Coefficients of Variables*

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.485	1.096		.443	.660
	Intrinsic reward	.470	.247	.238	1.901	.062
	Extrinsic Reward	.435	.210	.259	2.070	.043

a. Dependent Variable: Employee performance

As indicated in Table 10 above, the results obtained including a direct positive relationship between intrinsic and extrinsic rewards, and employee performance, both independent variables in the research framework were assessed using multiple regressions to ascertain the extent to which they explain the variance of the employee performance at Tsehay Insurance.

Extrinsic rewards (25.9%) were more powerful than intrinsic variable (23.8%) in explaining the dependent variable-employee performance. The extrinsic rewards were statistically significant at 5% significant level. It also indicated that the mean value of employee performance can be improved by about 0.435 percent for a 1% increase in the extrinsic rewards. Whereas, the intrinsic variables were also statistically significant at 10% level with an effect of 0.47% improvement on employee performance for a unit percent improvement in intrinsic rewards.

CHAPTER FIVE

5. Summary of major findings, conclusion and recommendations

This is the final chapter and it presents the major finding, conclusion and recommendations of the study. First summary of findings, which is obtained while answering the research questions, then the conclusion part follows and based on these facts, the proposed recommendations are presented. Finally, limitation and implications for further study is shown.

5.1. Summary of the major findings

The purpose of this research was to assess the effect of intrinsic and extrinsic rewards on employee performance at Tsehay insurance S.C. Furthermore, it was to indicate solutions for betterment of individual and corporate performance. In order to do so, the researcher collected data to address the below main research questions:

1. Do intrinsic rewards have effect on employee's performance?
    a. Does work content affect employee's performance?
    b. Does recognition affect employees' performance?
    c. Does Job Satisfaction affect employees' performance?
2. Do extrinsic rewards have effect on employee's performance?
    a. Does payment affect employee's performance?
    b. Does promotion affect employees' performance?
    c. Does benefits affect employees' performance?
    d. Does supervision affect employees' performance?
    e. Does working condition affect employees' performance?

In investigating the effect of intrinsic and extrinsic rewards on employee's performance at Tsehay Insurance by quantitatively testing the relationship of independent and dependent variables, the following findings were reached –

- In this study, a total of 120 questionnaires were distributed to the respondents of Tsehay Insurance S.C. out of which 60 (50%) were properly filled and returned;

- Based on the demographic questionnaire, the analysis result indicated that 55% of the respondents were male while 45% of them were female. As majority of them were male, it can be said that the gender balance is inclined towards male employees. Regarding the respondents' age group, 60% of the respondents were between 25 and 35 years old; 18.3% were between 36-45 years old and less than 25 years old were 21.7%. In general, 81.7% of the respondents were below 35 years old. This shows that the human resources are populated with active age group. This age group demands modern life, which in turn needs higher real income. Regarding educational qualification, 70% of the respondents were first degree holders; 21.7% were college diploma holders and the remaining 8.3% were master's degree holders. In other words, 78.3% of the respondents had first degree and above level. Hence, one can conclude that the work force was educated and can easily be trained to enhance individual and or corporate performance level provided that there is proper reward system. As the insurance company started operation in March 2012, which shows that total maximum service year of every employee cannot be more than 5 years. Thus, only 25% of the respondents had at the time worked for more than 4 years in the company. As to the position of employees 20% were at Managerial level while the supporting staff were 80%;

- Employee performance was positively correlated with both intrinsic and extrinsic rewards, with 0.294 and 0.311 at 95% confidence level respectively. This implied that increase or decrease in both intrinsic and extrinsic rewards brought corresponding change in employee performance. Moreover, employee performance had stronger relationship to extrinsic reward than to intrinsic rewards;

- Both intrinsic and extrinsic rewards explained dependent variable (the mean improvement in employee performance) by 12% (Adjusted R^2 =.120). This implied that 12.% employee performance depends on the reward package provided in the Company. The remaining, unexplained part (about 88.%) was determined by other variables which affects employee performance. However, the overall significance of both intrinsic and extrinsic rewards explaining the improvement in employee performance was statistically significant at 99% with an F statistics 5.041 (see Table 4.7);

- Only the extrinsic reward variable significantly affected the employee performance at 95% significance level;

- The intrinsic reward variable significantly affected the employee performance at 10% confidence level;

5.2. Conclusion

- Employee composition of the insurance is populated with active age group and the work force is educated and can easily be trained to enhance individual and or corporate performance level provided that there is proper reward system;
- One can easily infer from the finding of this research that extrinsic and intrinsic rewards are contributing to employee performance. Moreover, it was observed that employee performance is high;
- The situations are consistent to the researcher's observation in that employees at Tsehay Insurance are motivated for better performance by all of the rewards;
- There was a direct positive relationship between the independent variables (intrinsic and extrinsic rewards) and dependent variable (employee performance). The increase or decrease in both intrinsic and extrinsic rewards brought corresponding change in employee performance. Moreover, employee performance had stronger relationship with extrinsic rewards than with that of intrinsic rewards;
- The effect of intrinsic rewards on employee performance was lower than that of extrinsic rewards. Only 12% employee performance depended on the reward package provided in the Company. The remaining, unexplained part (about 88%) was determined by other variables, which affected employee performance that can also be considered as the limitation of this study;
- The extrinsic reward is significantly affects the employee performance.

In conclusion, all the elements of both intrinsic and extrinsic variables except level of supervision were not statistically significant at a 95% confidence level individually. However, the extrinsic rewards system was found to be statistically significant keeping the intrinsic variables constant.

5.3. Recommendations

- Management of the Company should mobilize and make use of the opportunity of having educated and active age work force in enhancing performance at both individual and at corporate level by strengthening appropriate rewards system;

- The use of both intrinsic and extrinsic rewards in enhancing employee performance should further be encouraged. Although, the result of the study indicated that the extrinsic variables are statistically significant, the intrinsic variables should also be incorporated to have a holistic system;

- Both intrinsic and extrinsic rewards were significantly and positively correlated with employee performance. Particularly, extrinsic rewards like benefits have greater immediate effect to employee performance than intrinsic rewards. However, the Management of the Company should use both intrinsic and extrinsic rewards together to complement each other in enhancing long-term employee performance;

- Better employee performance is caused by an effective rewards management and other factors such as right training and development programs, recruitment and selection, organizational culture, and labor relation. Hence, other researchers may explore to find out other variables that could explain the remaining unexplained part of the employee performance.

5.4. Limitation and further area of study

From the findings of the study, it was confirmed that both intrinsic and extrinsic rewards had a corresponding change in employee's performance at Tsehay Insurance S.C. However, the study has some limitations. First, it was geographically limited to Head Office and branch offices located in Addis Ababa. Time was the other major constraint to gather more information in the specific area of the study. Further studies should be conducted in this specific area by considering branch offices outside Addis Ababa also.

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APPENDICES

Appendix-A

Questionnaire

Addis Ababa University, School of Commerce - MA HRM Program

Questionnaire to be filled by Tsehay Insurance S.C. staff

Dear Respondent:

This questionnaire is designed to solicit the relevant information for the research carried out on the topic "**The Effect of Intrinsic and Extrinsic Rewards Management on Employee Performance at Tsehay Insurance S.C.**". The study is conducted for academic purpose for partial fulfillment for a Master of Art Degree in Human Resource Management at the Addis Ababa University, School of Commerce. I confirm that your responses will be kept confidential. The soundness and the validity of the findings highly depends on your kind and genuine response. Therefore, I kindly request you to fill the questionnaire carefully and accurately. I will collect completed questionnaire on **Wednesday 10 May 2017.** I kindly therefore request you humbly to complete the questionnaire before Wednesday.

Thank you in Advance!

Lealem Tilahun

General Directions

1. There is no need to indicate your name, unless you wish to do so.
2. Please mark your answer with an (X) for each question/ for the number of your choice among the alternatives given.
3. If you require further clarification or details, please contact me either by phone (0911-509923) or through email (lealem.tilahun@wfp.org), whichever is most convenient.

Finally, I would like to reiterate that confidentiality is assured.

Part One: **Demographic Question**

Please put a tick (**X**) mark just inside the given bracket.

1. Gender

( ) 1. Male ( ) 2. Female

2. Age

( ) 1. Under 25 years old ( ) 3. 36-45 years old

( ) 2. 25-35 years old ( ) 4. 46-above years old

3. Educational Attainment

( ) 1. Diploma

( ) 2. Bachelor Degree

( ) 3. Master's Degree

( ) 4. Other, please specify____________________

4. For how long have you been employed in this company? (Tenure)

( ) 1. Less than a year ( ) 3. 3 to 4 years

( ) 2. 1 to 2 years ( ) 4. >4 years

5. Position in the Organization

( ) 1. Managerial ( ) 2. Support Staff

Part Two: Rewards and Performance Questionnaire

Please put (**X**) mark against each question that indicate your level of agreement for each question.

5= Strongly Agree, 4 =Agree, 3= Neutral, 2= Disagree, 1=Strongly Disagree

Research Question	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
WORK CONTENT	**5**	**4**	**3**	**2**	**1**
6. I am interested in my work					
7. My work consists of a variety of work					
8. I receive new training which are related with my work					
9. I handle the amount of work I do myself					
10. My work creates a sense of responsibility					
11. I am allowed to decide on the methods for doing the work					
12. I am proud to say what kind of work I do					
13. I have the opportunity to take part when decisions are made					
14. I feel that my work has great value in my department					
15. I have a certain degree of authority in my work					
JOB STISFACTION	**5**	**4**	**3**	**2**	**1**
16. I am given work in accordance with my qualifications and skills					
17. I work in the department of my choice					
18. I am personally in agreement with the stated goals of my work unit					
19. The structure of my work unit is well designed					
WORKING CONDITIONS	**5**	**4**	**3**	**2**	**1**
20. My working hours are reasonable					
21. I get the opportunity to mix with my colleagues and to communicate on aspects of our work					
22. I am satisfied with the way my co-workers get along with each other					
23. The arrangements of office layout is convenient for employee					
PAYMENT	**5**	**4**	**3**	**2**	**1**
24. The payment system is clearly stated and communicated to the employee					
25. The existing salary is satisfactory in relation to what I do					
26. I earn the same as or more than other people in a similar job					
27. The basis for payment is clear and easily understandable by the employee					
28. The pay scale and benefits of our company treat each employee equitably					
29. All tasks to be accomplished are associated with incentives					

BENEFITS	5	4	3	2	1
30. My pensions benefits are good					
31. My medical scheme is satisfactory					
32. I never have problems with my arrangements for leave					
33. Company insurance schemes enhance the motivation of employee					
CAREER ADVANCEMENT	**5**	**4**	**3**	**2**	**1**
34. The career paths are clearly stated and communication to the employee					
35. The opportunity for promotion exists in this organization					
36. Staffs are promoted in a fair and transparent way in this organization					
RECOGNITION	**5**	**4**	**3**	**2**	**1**
37. I am praised regularly for my work					
38. I receive constructive criticism about my work					
39. I get credit for what I do					
40. I am told that I am making progress					
SUPERVISION	**5**	**4**	**3**	**2**	**1**
41. My supervisor is satisfied easily with my working result					
42. My supervisor will support me if there are problems					
43. My supervisor can be convinced and persuaded with my work					
44. My supervisor observes the talents of her/his subordinate and directs them to improve their talents					
EMPLOYEE PERFORMANCE	**5**	**4**	**3**	**2**	**1**
45. I get a continuous feedback from my supervisor regarding my performance					
46. Stakeholders are always satisfied with my contributions					
47. My contribution in my department is very high					
48. My performance appraisal result is always above average					
49. I am always committed to work beyond employment contractual expectation					

Thank you once again!

Appendix-B

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የንግድ ሥራ ት/ቤት

ADDIS ABABA UNIVERSITY
College of Business and Economics (CoBE)
SCHOOL OF COMMERCE

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ADDIS ABABA, ETHIOPIA

ቁጥር Our Ref. BAIS/HU 009/2016
ቀን Date 24/01/17

09 11-50-99-23

To: - Tsehai Insurance
Addis Ababa

The Addis Ababa University School of Commerce currently runs four Postgraduate programs: Human Resource Management, Project Management, Marketing Management, Supply Chain and Logistics Management beside its preparation to embark on launching some more expedient programs very soon.

As an immediate and direct stakeholder to this socioeconomically pragmatic move, we would like you to cooperate with us by way of assisting our students to conduct academic researches and case analyses in your organization. As such, we kindly request your esteemed organization to provide student Lealem Tilahun ID.No.GSD/0099/06 with information pertaining to The effect of reward on employee performance in Tsehai Insurance Co. ________. A copy of the paper produced may be provided to you if so demanded.

Thanking for your earnest cooperation, we remain

Sincerely Yours

Abraraw Chane (PhD)
Distance Program Coordinator

① HR department pls cooperate her

② B/HR please cooperate her

28/01/17