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College of Business and Economics

Department of Management

**M.Sc. In Management, Specialization in Innovation Management
and Entrepreneurship**

**Effect of Reward System on Employees' Performance: The
Mediating Role of Job Satisfaction in Ethio Telecom**

Thesis Submitted to:

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**Addis Ababa,
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DECLARATION

I declare that the thesis entitled “**Effect of Reward System on Employees Performance: the Mediating Role of Job Satisfaction**” is a recorded of independent research work carried by me under the supervision and guidance of Dr. Lakew Alemu. This has not been previously submitted for the award of any other diploma, degree or other similar title.

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Acronyms

EMP: Employee Performance

JBS: Job Satisfaction

JPR: Job Promotion

MOB: Monetary Bonus

RWS: Reward System

SPSS: Statistical Packages for Social Science

SD: Standard Deviation

IVF: Variance Inflation Factor

DF: Degree of Freedom

α, β : Coefficient of an equation

ϵ : Error

Abstract

Now a day's firms are striving to achieve competitive advantage by using different strategic techniques. As a result of high competitive pressure, firms are making struggle to get competitive edge by utilizing workers talent, abilities and proficiency to formulate the accurate exploitation of employees' works organization offer different benefits and reward schemes. Therefore, reward system played an important role for the success and implementation of philosophy of scientific management. The purpose of this paper was to examine the effect of reward systems on employee performance: a mediating role of job satisfaction in ethio telecom, Addis Ababa, Ethiopia. The research used Equity theory this theory is selected by the researcher because this theory was used to predict the effort, satisfaction, performance and retention of employees. Both primary and secondary data were used. Simple random sampling was used to solicit response from selected 357 respondents. A quantitative research design was adopted. This study used two sampling stages. The first on is to sample out the company's (strata's) from the organization and secondly a number of respondents within the selected divisions. Data were collected from the sample of 357 from four divisions in the company through standard questionnaire. Descriptive statistics, correlation, regression analysis and mediation analysis were used to analyze the data with the aid of SPSS version 20. And additionally Hayes process procedure model version 3.4 was used for computing and depicting the mediation analysis. The study finds that reward system has a mediating role on the relationship between predictors (Extrinsic and Intrinsic rewards) on employee performance. Results showed that, except Job promotion, all the other variables: payment, benefit, monetary bonus, empowerment and autonomy, appreciation and recognition were significant on the employee performance. Moreover, the finding indicated job satisfaction mediates the effect of reward system on employee performance. The study recommended that ethio telecom should handle employee performance with a great concern for their competitive advantage by balancing both reward system to satisfying the employees. The study area was limited to Addis Ababa districts in corporate level. Thus the results from this case might not be generalized to the effect of reward system on employee performance of other divisions and out of Addis Ababa districts.

Keywords: reward system, Job satisfaction, employee performance.

Chapter One

Introduction

1.1 Background of the Study

Rewards and Job satisfaction has been the focus of many studies and is an important concern of organizations especially in uncertain business environment where attracting and retaining talented employees has acritical issue (Riaz, Akhtar, & Aslam, 2018). Rewards can be extrinsic or intrinsic, extrinsic rewards are tangible rewards whereas intrinsic rewards are intangible rewards or psychological rewards (Safiullah, 2014). Both extrinsic and intrinsic rewards plays an important role towards performance and achieving organizational goals (Riaz,et al, 2018).

In addition, rewards play vital role in success and failure of organization because rewards are important to motivate and encourage employees (Yasmeen, Farooq, & Asghar, 2013). Moreover, Reward is one of the important elements to motivate employees for contributing their best effort to generate innovation ideas that lead to better business functionality and further improvise company performance both financially and non-financially (San, Theen, & Heng,2012). Thus, employees are motivated by financial rewards such as increase in pay, bonus, promotion, commission, tips, gratuities, and gifts. In other hand, they also motivated by Non-financial rewards or non-monetary such as a social recognition, praise and genuine appreciation (Khan, et al, 2017).

However, many organizations face difficulties in identifying the type of rewards that are more preferable and more appropriate in order to increase employee motivation (Bustamam, Teng, & Abdullah, 2014). Hence, selecting the right reward for the employees has always been an issue in the human resource management. Human resource provides basis for an organization to achieve sustainable competitive advantage (Edirisooriya, 2014). Employees will make their best effort when they feel or hope that their hard work are to be rewarded by their manager. In this regard, many factors are available that change employees' performance such as worker and employer relationship, working conditions, job security, training and development, and overall rewarding policies of the company (Gohari, et al, 2013). Since organizations are operating in a dynamic and competitive business environment, they need to develop strategies to acquire and retain the skilled workforce (Khan, Waqas, & Munner, 2017).

Therefore, it is very important to understand the effect of reward system on employee performance, as well as in pursuit of finding ways to enhance their performance. One of the ways to enhance employee performance is incorporating job characteristics that contribute to employee motivation, commitment of the employees and job satisfaction (Evelyne, Muathe & Kilika, 2018). Employee Job satisfaction can be looked at as the extent of positive feeling or attitude that an individuals has towards their job (Anyango, 2011). He also clarify that when employees says they have a high job satisfaction, it means they like the job, feel good about it and value the job highly. This shows that reward system is becoming an important management system in an organization, boosts employee satisfaction and employee performance (Munap, Badrillah, & Rahman, 2013). Thus, understanding its importance is very necessary for all organizations' managers. The maximum level of employee's performance happens when they feel their endeavor is entirely rewarded and compensated. In this regard, reward system and employees' satisfaction is an interrelated component in an organization.

However, there is no a clear a reward system in Ethio- telecom. The absence of such important system was seriously question the achievement of the objective of motivating and ameliorating their performance of employees. Thus, the importance of having a clear and organized reward system on employee's satisfaction and job performance are geared towards the improvement of the organizations performance. Therefore, the basic aim of this study was to enlighten the effect of reward system on employees' performance through the mediating role of job satisfaction in the case of Ethio telecom.

1.2 Background of the study Organization

Ethio- telecom, previously known as the Ethiopian Telecommunications Corporation (ETC), is an integrated telecommunications services provider in Ethiopia providing internet and telephone services. Based in Addis Ababa, it is one of the "Big-5" groups of state owned corporations in Ethiopia, along with Ethiopian Airlines the commercial bank of Ethiopia, Ethio-insurance, and the Ethiopian Shipping lines (Medhin, 2015).

Ethio telecom is owned by the Ethiopian government and maintains a monopoly over all telecommunication services in Ethiopia by employing 11,748 employees. The company is born from the ambition to transform the telecommunication infrastructure and services to excellent standard, considering them as a key lever in the development of Ethiopia. Currently the company has a vision of becoming world-class telecom service provider through providing high quality, innovative and affordable telecom products and services that enhance

the development of our nation and ensure high customer satisfaction (www.ethiotelecom.et, 2019). In order to accomplish this mission, the company respects customers and recognizes that the revenue generated allows ethio telecom to operate. The recognition given to employees of ethio telecom as most valuable assets is equivalent to that of customers. To this effect, it strives to create conducive working environment that allows the employees to develop and grow. This effort is mainly targeted to improve their satisfaction and consequently enhance their job performance (Ethio-Telecom, 2018).

1.3 Problem Statement

In the current competitive business environment the organization are facing many challenges among these getting the right employees and retaining them is an important issue (Gohari, et al., 2013). To make sure viable improvement, organizations should consider for a more organized reward system that reflects both intrinsic and extrinsic rewards which in turn prospers high performance (Safiullah, 2014). These reward system helps the organization in keeping and retaining the efficient and competent employees, as well as a most important factor to attain high level of job satisfaction and employee performance (Khan & Afzal, 2016).

Employees who experience job satisfaction are more likely to be productive, effective, and committed to the organization (Oshagbemi, 2010). Furthermore, he confirmed that employee job satisfaction improves employee's performance and creativeness, and reduces absenteeism and turnover. In this regard, modern organization needs to take care of their employees by satisfying them, by fulfilling their wants both by financial and non-financial rewards (Yasmeen, et al., 2013).

According to Akafo and Boateng (2015), employees who are well paid but not recognized will leave for other organization because of the lack of intrinsic rewards, whereas employees who work in interesting environment and recognized leave due to dissatisfied with extrinsic rewards. Hence, to ensure competitive advantage, employees who are working for the organization should be motivated by providing a well-balanced reward system (Safiullah, 2014).

There are many studies, which conducted on the effect of reward system on Job satisfaction, effect of reward system on employee performance, impact of rewards on employee motivation, and related topics. For example; Yasmeen, et al., (2013), study on Pakistan

Telecom Company that focus on reward system and performance, The finding of the study revealed that some employees are motivated by extrinsic rewards such as promotion, bonus, and increase in pay. Conversely, Employees who are motivated by extrinsic rewards are less motivated. Likewise, Riaz,et al, (2018), found that there is significant relationships between total rewards and employee performance, financial rewards and performance, non-financial rewards and performance. In addition, they revealed that there is significant relationship exists between total rewards, employee motivation, and employee performance. They further points out that non-financial reward are significant contributor towards enhancing employee performance as compared to financial rewards. Safiullah (2014), in his part made study on the “Impact of rewards on employee motivation of the Telecommunication industry of Bangladesh” and the major finding of the researcher were to ensure competitive advantage, people who are working for the organization should be motivated by providing a well-balanced reward benefit system.

However, according to Ethio-Telecom annual magazine report (2018) there was considerable customer and employee dissatisfactions. The report clearly indicated that felling of dissatisfaction occur when employees compare their inputs such as education, job skill, and effort to the mixture of intrinsic and extrinsic rewards, which they receive from their organizations. In addition, there was lack of career advancement for employees, this leads employee only hopes the annual increment and bonus (Temitime, 2016). Nevertheless, the bonus pay was based on employee performance and it has leads for dissatisfaction in most hardworking employees because the employee’s appraisal was subjective and contradictory to objective based performance (Muluneh, 2015).

Hence, the company should strive towards satisfying its customers at best to gain ground in the anticipated firm competition. Achieving this would be unthinkable unless the company motivates its employees and strengthen its competitive advantage (Al-Rfou & Trawneh, 2009). The above argument of different studies shows that the question of whether reward system improves or worsens employee performance is still worthy of further studies in different sectors of organizations. Therefore, the study was aimed to examine the mediating effect of job satisfaction on the effect of reward system on employee performance in Ethio-telecom in order to fill the above identified gaps and unknown cause of employees’ dissatisfaction.

1.4 Research Questions

Based on the above research problems, the following research questions are for further investigation of the topic:

1. What is the effect of intrinsic and extrinsic rewards on job satisfaction?
2. What is the effect of intrinsic and extrinsic rewards on employee performance?
3. What is the effect of job satisfaction on employee performance?

1.5. Objective of the study

1.5.1. General Objective

The general objective of the study was to investigate the effect of reward system on employees' performance with the mediating role of employee job satisfaction in Ethio-telecom.

1.5.2 Specific Objectives

In conducting the study, the research tries to investigate the following specific objectives:

1. To examine the effect of intrinsic and extrinsic reward on job satisfaction
2. To explore the effect of intrinsic and extrinsic reward on employee performance
3. To investigate the effect of job satisfaction on employee performance
4. To identify the nexus between extrinsic reward and employee job performance
5. To examine the rewards significantly affect job satisfaction and employee performance

1.6 Significances of the Study

The study would attempt to assess the mediating role of job satisfaction the effect of reward system on employees' performance in Ethio telecom. In view of the study objectives, findings of this study would have some practical relevance, as it was provide a deeper understanding of the appropriate reward systems that are required to be adopted by service giving organization like Ethio telecom to influence employees work performance.

In addition, the findings of the study would help the planners of Human Resource to implement appropriate reward strategies within the organization to enhance job satisfaction, thus work performance. Moreover, volume of this study was help human resource

management to reflect more on the purpose and benefits of rewarding employees in line with work performance.

Finally, the findings of this research would add to the body of knowledge in the field of reward systems management, job satisfaction and employee performance in corporate sector, especially service provider Company on their suitability and adequacy of reward packages to be introduced to lift employees' performance.

1.7. Organization of Research Proposal

The study organized in to five chapters; First chapter deals with introduction parts, Second chapter dealt with review of related literature, Third chapter concerned the research methodology, fourth chapter presents discussion, analysis, and interpretation of the result and in Fifth chapter the conclusions were drawn from the findings and possible recommendations are made.

Chapter Two

Literature Review

Introduction

This chapter gives an overview about theoretical and empirical concepts of rewards system, employee performance, job satisfaction, and the relationship between them. In addition, this chapter at the end presented a conceptual framework of the study that was followed by hypothesis.

2.1 Theoretical Review

2.1.1 Concept of Reward System

Reward systems can be traced back to the scientific management era where management principles and philosophies were developed some of which are still existing today (Walter, 2019). It played an important role for the success and implementation of philosophy of scientific management. According to Armstrong (2010), "reward systems consist of the interrelated processes and practices which combine to ensure that reward management is carried out effectively to the benefit of the organization and the people who work there." Reward systems are based on the reward strategy; which runs from the business strategy, for instance to gain competitive advantage. One of such strategies is by the use of an appropriate reward system that attracts and retain top performing employee and constantly motivates them towards achievement (Downes & Choi, 2014).

Moreover, employee reward systems refer to program set up by an organization to reward performance and motivate employees on individual or group levels (Kibisu, Muturi, & Elijah, 2014). In this regard, Employee rewards are one method of motivating employees and a key to benefit an organization. Furthermore, rewards systems are a fundamental function of human resource management as they deal with the assessment of job values, the design and management of payments, performance management, contingent pay, employees' benefits and pensions and the management of rewards procedures(Galanou et al, 2011).

Therefore, reward system is any processes within organizations that encourages, reinforces or compensate people for taking a particular set of actions (Agwu, 2013). He also indicate it involves both financial and non-financial reward which consists of an organizations

integrated policies, processes, and practices for rewarding its employees in accordance with their contribution and skill within the competence framework of an organization's strategy.

2.1.2 The importance of reward system

In today's global market the majority of organization's value comes from its human resource it's important for a company to align the companies' goals with those of employees and as such reward systems are usually developed around this. Reward systems are a function of human resource management as they deal with the assessment of job values, the design and management of payments, performance management, contingent pay, employees' benefits and pensions and the management of rewards procedures (Galanou, et al., 2011).

According to Agwu (2013), Reward system has three main purposes: it attract new employees, stimulate good work performance and maintain commitment to the organization. It is therefore having a good reward system helps employees to retain in the organization, loyal to the company, and eager to move up the ladder. Hence, the motivation of employees and productivity of the firm enhance through balance rewarding system (Qasim & Nisa, 2016).

According to Essays (2013), advantages of implementing reward systems are:

- Reward systems improve organizational effectiveness by attaining the goals and strategies necessary to maintain competitive advantage.
- Reward systems help to achieve integration in the organization.
- Reward system helps to motivate employees to achieve high quality performance. It helps to attract and retain highly skilled workers.
- Reward systems promote fairness and equity by rewarded employees according to their contribution and effort to the organization.
- Reward system helps to raise competence, also encourage personal development, and helps to achieve high quality performance.
- Reward systems improve cooperation and effective team working at all levels.

2.1.3 Types of Rewards

Reward system can be categorized into two groups extrinsic and intrinsic rewards; Extrinsic rewards are external to the task of the job, including pay, work condition, fringe benefit security, and promotion, contract of service, salary, incentives, bonuses, payments and job security the work environment and conditions of work (Badrinarayan & Tilekar, 2011).

In other hand, intrinsic rewards are created purposely to appreciate employees in form of self-esteem and related to their feeling of achievement and growth with organization. Employees are feel satisfy when they have accomplished something worth in work and orally appreciated by the organization (Nawab, Ahmad & Shafi, 2011). Intrinsic rewards mean a self-generated support that comes from inside an individual and influence individual to move in a predetermined direction. Intrinsic rewards are linked to the job which consists of recognition, opportunity to use individuals' abilities, interesting work, career advancement, challenging works and achievement, participation in decision making and development opportunities (Kreitner, et al., 1999).

Moreover, Intrinsic rewards refers the internal feelings , involvement, growth autonomy and self-competence and individual experience during his or her career (Allen et al, 2004). it is tend to give personal satisfaction to individual such as:-

- Information / feedback: is a significant type of intrinsic reward that successful and effective managers never neglect. This type of rewards offers guidance to employees whether positive (remain on track) or negative (guidance to the correct path). This also creates a bond and adds value to the relationship of managers and employees.
- Recognition: Is recognizing an employee's performance by verbal appreciation. This type of reward may take the presence of being formal for example meeting or informal such as a "pat on the back" to boost employee's self-esteem and happiness which will result in additional contributing efforts.
- Trust/empowerment: in any society or organization, trust is a vital aspect between living individuals in order to add value to any relationship. This form of reliance is essential in order to complete tasks successfully. Also, takes place in empowerment when managers delegate tasks to employees. This adds importance to an employee where his decisions and actions are reflected. Therefore, this reward may benefit organizations for the idea of two minds better than one.

In general, intrinsic rewards make the employee feel better in the organization, while Extrinsic rewards focus on the performance and activities of the employee in order to attain a certain outcome. The principal difficulty is to find a balance between employees' performance (extrinsic) and happiness (intrinsic) (Reward management, 2019).

2.1.4 The concept of Job Satisfaction

Job satisfaction is one of the most significant issues of the human resource management literature. Job satisfaction is likely to provide employees of all levels with feelings of fulfillment, achievement and even pleasure for their job (Galanou, et al., 2011). Thus, such feelings can make people more productive, creative and therefore more profitable for the organization. Job satisfaction serves as tools, which make an employee mood happy to do work without the concept of leaving job (Nisar & Riasat, 2016).

In addition, job satisfaction is related with the mentality of employees how they think and feel about their jobs. Job satisfaction is also being viewed as the “pleasurable emotional state resulting from the appraisal of one’s job as achieving or facilitating the achievement of one’s values” or an emotional state that is obtained from the experiences in performing the job (Abu-Saad & Hendrix, 1996). Furthermore, Fu and Deshpande (2013) defined job satisfaction as "A pleasurable or positive emotional state resulting from the appraisal of one’s job or job experience".

According to Wicker (2011), the concept of job satisfaction can be understood through various ways. It depends upon the nature of the organization and the attitudes of the employees. Job satisfaction may be regarded as the extent to which an employee is content with the job, which he/ she is performing, and the various aspects and facets of the job, which motivates an employee to like or dislike his job, such as supervision or the nature of the work performed. The literature provides that while measuring the affinity of employees towards their job, it is necessary that the multidimensional psychological aspects of the employee and the job are also taken into account.

In support of the above arguments, Aziri (2011) added to the context stating that there are primarily three forces that make a person decide whether he/she is satisfied at his job or not. These forces are environmental (organization environment), physiological and psychological forces. As per this definition, even though the job satisfaction is affected by a number of

external factors, but it is something internal in the employees that affect the manner in which an employee feels for his job.

2.1.5 The concept of Employee Performance

According to Njanja et al. (2013), employee performance is an indicator of the capacity of an organization to efficiently achieve organizational goals. In discipline of Human Resource Management, different researchers 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, 2008); (Armstrong, 2006).

Furthermore, it can be evaluated in the employee's commitment display at work, the employees work values as well as the cohesiveness that employees display in a work environment. It is associated with both quantity and quality of output (Walters 2019). This structures the need to measure individual performance of employees as a way of weighing the effect the reward system has on the workforce and by extension, the organization. In addition, 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, Hall & Stephen, 2008).

2.1.6. The Nexus between reward systems and employee performance

The effect of reward system on employees' performance is well known phenomenon in the available literature of human resources. A large number of studies have verified that reward is a powerful tool to enhance employee behaviors leading to performance improvement. However, some other studies also observed the negative consequences of rewards on employee performance.

According to Gungor (2011) Reward system is a core function of human resource discipline and has an important role on employee performance. Rewards can be used to improve

performance by setting targets in relation to the work given (Walters, 2019). Research has proven that when human beings are appreciated and praised they tend to improve their performance. Sometimes portion of the retained earnings or the end of year profit can be shared to stimulate stellar performance. This is another way an organization can apply as a shared to stimulate stellar performance, this is often differently a corporation can apply as a gift so on improve performance. Praise might be shown within the organization newsletter or in meetings. When managers take time to satisfy and recognize employees who have performed well, it plays an enormous role in enhancing employee's performance (Torrington & Hall, 2006).

The "path-goal model" best explains the connection between employee performance and reward system. The concept states that, if an employee observes high productivity as a path escorting to the accomplishment of his one or more personal goals, he are going to be inclined to supply high. In contrast, if he observes low productivity as a path to the accomplishment of his personal goals, he will produce low. In other words, the worker would be motivated to expand a greater amount of effort in his work if he felt his previous effort had resulted in his receiving rewards" (Gungor, 2011).

Different reward offering enhance employee performance (Aktar, Sachu, & Ali, 2012). Similarly, Erasi and Arat (2012) stated that non-financial and financial rewards are important for top job performance. Agwu (2013) in his part found that rewards could significantly influence employee performance. Therefore, a corporation must carefully set the reward system to gauge the worker performance in the least and rewarding them both extrinsically and intrinsically (Aktar, Sachu, & Ali, 2012).

2.1.7. The connection between reward systems and job satisfaction

Rewards and job satisfaction has been the main target of the many studies and is a crucial concern of organizations especially in an uncertain business environment where attracting and retaining talented employees has become a critical issue (Riaz et al., 2018). Rewards is one among the important elements to motivate employees for contributing their best effort to get ideas that cause better business functionality and further improvise company performance both financially and non-financially (San, Theen & Heng, 2012).

In addition, rewards are vital for job satisfaction because it fulfills the essential needs also as helps to achieve the upper level of goals (Odembo, 2013).

2.1.7.1 The relationship between Intrinsic Reward and job satisfaction

Employees give their maximum efforts and loyalty to the organization once they feel they're treated fairly by organization especially by offering intrinsic reward (Khalid, Salim & Loke, 2011). Consistent with Judge et al (2017), employee job satisfaction is crucial for organization to make employee to done job well and organization can get excellent achievement from them. On the opposite hand, dissatisfied employee willingly tries to flee duty, high level of absents, when even they're within the job but attempt to hide far away from the work and don't thing about problems with organization which is affect negatively organizational productivity.

According to Koys (2001), Employee satisfaction plays a key function on the performance of organization. Consequently, it's crucial for a corporation to know what employee exactly feel, thing on their job and stage of satisfaction. When organization recognize the dissatisfaction elements of employee, supported the staff perception got to make strategies that how the staff determination and dedication are often improved. By way of this motion business outcome are often improved and therefore the same time productivity is perhaps increased also (Murad, 2018).

According to Farah (2014), the shortage of rewards will create an unpleasant environment, thus diminishing employees' work efforts and should cause them to withdraw from their jobs. For these reasons, rewards are increasingly important. the most objectives of rewards are to draw in and retain employees, to motivate employees to realize high levels of performance, and to elicit and reinforce desired behavior of the workers.

Nowadays, employees require beyond monetary rewards for his or her effort (Millmore et al, 2007). This suggests that employees search for other return in exchange for his or her contribution which is useful and meaningful to them, instead of being given just money (Johnson & Welsh, 1999).

2.1.7.2 The relationship between extrinsic reward and job satisfaction

According to Rafiq et al (2012), extrinsic rewards are comparatively more important than intrinsic reward when job satisfaction of employees was evaluated. They further investigate that job satisfaction is more hooked in to extrinsic reward as compared to intrinsic rewards. Rewards so as to improve performance and 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 employee's performance (Torrington & Hall, 2006).

The "path-goal model" best explains the relationship between employee performance and reward system. The concept states that, if an employee observes high productivity as a path escorting to the accomplishment of his one or more personal goals, he will be inclined to produce high. In contrast, if he observes low productivity as a path to the accomplishment of his personal goals, he will produce low. In other words, the employee would be motivated to expand a greater amount of effort in his work if he felt his previous effort had resulted in his receiving rewards" (Gungor, 2011).

Different reward offering enhance employee performance (Aktar, Sachu, & Ali, 2012). Similarly, Erasi and Arat (2012) stated that non-financial and financial rewards are important for high job performance. Agwu (2013) in his part found that rewards could significantly influence employee performance. Therefore, an organization must carefully set the reward system to evaluate the employee performance at all and rewarding them both extrinsically and intrinsically (Aktar, Sachu, & Ali, 2012).

2.1.7. The Relationship between reward systems and job satisfaction

Rewards and job satisfaction has been the main target of the many studies and is a crucial concern of organizations especially in an uncertain business environment where attracting and retaining talented employees has become a critical issue (Riaz et al., 2018). Rewards is one among the important elements to motivate employees for contributing their best effort to get ideas that cause better business functionality and further improvise company performance both financially and non-financially (San, Theen & Heng, 2012).

In addition, rewards are vital for job satisfaction because it fulfills the essential needs also as helps to achieve the upper level of goals (Odembo, 2013).

2.1.7.1 The relationship between Intrinsic Reward and job satisfaction

Employees give their maximum efforts and loyalty to the organization once they feel they're treated fairly by organization especially by offering intrinsic reward (Khalid, Salim & Loke, 2011). consistent with Judge et al (2017), employee job satisfaction is crucial for organization to make employee to done job well and organization can get excellent achievement from them. On the opposite hand, dissatisfied employee willingly tries to flee duty, high level of absents, when even they're within the job but attempt to hide faraway from the work and don't thing about problems with organization which is affect negatively organizational productivity.

According to Koys (2001), Employee satisfaction plays a key function on the performance of organization. Consequently, it's crucial for a corporation to know what employee exactly feel, thing on their job and stage of satisfaction. When organization recognize the dissatisfaction elements of employee, supported the staff perception got to make strategies that how the staff determination and dedication are often improved. By way of this motion business outcome are often improved and therefore the same time productivity is perhaps increased also (Murad, 2018).

According to Farah (2014), the shortage of rewards will create an unpleasant environment, thus diminishing employees' work efforts and should cause them to withdraw from their jobs. For these reasons, rewards are increasingly important. the most objectives of rewards are to draw in and retain employees, to motivate employees to realize high levels of performance, and to elicit and reinforce desired behavior of the workers.

Nowadays, employees require beyond monetary rewards for his or her effort (Millmore et al, 2007). this suggests that employees search for other return in exchange for his or her contribution which is useful and meaningful to them, instead of being given just money (Johnson & Welsh, 1999).

2.1.7.2 The relationship between extrinsic reward and job satisfaction

According to Rafiq et al (2012), extrinsic rewards are comparatively more important than intrinsic reward when job satisfaction of employees was evaluated. They further investigate that job satisfaction is more hooked in to extrinsic reward as compared to intrinsic rewards.

Extrinsic rewards like fringe benefits, bonuses, and salary help employees feel that they're treated fairly within the organization and their feeling of fairness increase job satisfaction (Shafi & Saeed, 2018). These Feeling of employees play positive role between extrinsic rewards and job satisfaction (Muhammad, 2015). during this regard, recognizing the

contributions of the workers will increase the strengthening of their self-esteem (Zeb et al 2018).

Therefore, Job satisfaction must be tied with rewards and recognition because employees achieve satisfaction and happiness once they put their energies fully in their activities. this might happen only on the idea of supportive environment and motivation (Zeb et al 2018).

2.1.8 The connection between job satisfaction and employee performance

According to Sempane et al (2002) job satisfaction is that the product of perception and evaluation of people jobs, which is influenced by their own unique needs, values and expectations, which employees consider as being important to them. it's widely believed that optimal functioning of organizations depends largely on the extent of employee satisfaction and regarding job performance (Abdullah & Wan, 2013).

Ahmad et al. (2014) explored that good compensation systems will increase the performance to high level and retain the workers within the organization for while after examining the work satisfaction factors like pay, work itself, promotion, supervision, and associates. Ghohari, et al.(2013) confirmed that job satisfaction is extremely crucial and satisfaction play remarkable role in achieving motivation of employees.

2.2. Theoretical framework

2.2.1 Expectancy theory

This theory is predicated on expectation which will bring back the work place & context during which these expectations are satisfied (Vroom, 1964). He explains that why people perform or fail to offer off their best to a corporation. additionally, Vroom argues about the important in motivating the manpower was the perception of the link between effort and reward. this suggests that the management must demonstrate to employees that effort are going to be recognized & rewarded both financially and non-financial terms (Marchington & Wikinson, 2000).

The importance of this theory is that it acts as a fund for management to determine schemes to reward behavior which will improve employees' performance. If employees perceive that they'll get valued rewards from the organization, they have a tendency to place greater effort into work. Thus consistent with Marchington and Wikinson (2000) employees' efforts should be recognized and rewarded in both financial and non-financial terms.

This theory is chosen by the researcher because this theory was wont to predict the trouble, satisfaction, performance and retention of employees (Mitchell, Terence, & Albright, 1974).

2.2.2. Equity Theory

Equity theory, one among the distributive justice theories, formulated by John Stacey Adams (1963) is more related with employees' rewarding fairness. The idea proposes that employees attempt to evaluate the rewards they receive in relation with the efforts or performance they invest as compared with other employees within the same job or organization. This theory concentrates on the concept of fairness within the workplace.

Consistent with Fincham and Rhodes (1996), this theory focuses on the method of labor & work environment & emphasizes on the role of individual process in determining the extent of motivation. Employees are probable to match the inputs they devote to the work with the outputs they receive from the organization. It's certain that the staff want their needs satisfied, however, they also would really like to be treated fairly by the organization. Once they feel they get less output than inputs, which suggests there isn't a balance, employees tend to be unsatisfied and not motivated. Thus, when reward system is delivered to bear it must assure that the workers realize the justice of the corporation, for instance the procedural justice of performance management (Muuu, 2013).

In addition, this theory proposes that individuals who perceive themselves as either under rewarded or over rewarded will experience distress, which this distress results in efforts to revive equity (Huseman, Hatfield, & Miles, 1997).

2.3. Empirical Review

Reward systems have major impact on organizations capability to catch, retain and motivate high potential employees and as a result getting the high levels of performance (Fay and Thompson, 2001). consistent with Erbas and Arat (2012), there's a big relation between the extrinsic and intrinsic rewards and therefore the job satisfaction of employees. additionally, they clarify that when these relations are compared, the attitudes towards financial reward have a stronger effect on job satisfaction than the attitudes towards non-financial rewards. Singh and Fisseha (2018), finding suggested that reward system have positive effect on the employees' satisfaction and highly affected the employees' satisfaction.

According to Gerald and Dorothee (2004) rewards are significantly regarding professionalism and job satisfaction. They supported the argument that job satisfaction for professionals springs partially from what professional perceives from job. Job satisfaction is influenced by the reward systems.

Thorpe and Homan (2000), found that among the foremost fundamental debates within the world of rewards system management, concerns the extent to which employees are motivated

by money. At that time there's an thorough discussion about whether or not money could even be a motivator and will influence the number of job satisfaction. Fashionable concerning reward systems and job satisfaction, Armstrong and Murlis' study in 1998 (Georgakopoulos, Sotiropoulos, & Dimitris, 2010), verified reward systems as motivational factors towards employee job satisfaction. Moreover, theories of motivation consider satisfaction of the requirements for autonomy, competence and relatedness (Gagne & Deci, 2005).

Reasonable rewards are another job-related influence that affects job satisfaction. Employees are satisfied once they feel that the rewards they receive from their jobs correspond to their skills and energy. It's not solely about the amount of cash they receive. They're satisfied once they feel that they need been fairly treated and when the rewards they receive are capable those colleagues who have an equivalent skills, expertise and energy, receive.

Another case study conducted on the impact of monetary and non-financial reward on employee's motivation in Turku University of Applied Sciences, the rewards which were impacting employee motivation the notable are pay, significant and valued job and galvanizing work atmosphere. This supports this stage of data which states that rewards which motivate the workers the foremost are the presence of both financial and non-financial rewards. Exhausted all what was concluded that both financial and non-financial rewards have impact on employee motivation.

The impact which rewards wear motivation are often enforcing or hindering one's motivation. It's considered that the organization x has well managed to reward its employees as none of the workers felt that they're not motivated within the smallest amount. For this case study 29 organization what are often concluded is that the entire rewards which they need in use are positively impacting the worker motivation Lotta (2012)

To summarize, the key practical messages of effect of reward on employees' motivation as Armstrong (2007) described that, Extrinsic rewards provided by employers within the sort of pay will help to draw in and retain employees and, for limited periods, may increase effort and minimize dissatisfaction. Intrinsic non-financial rewards regarding responsibility, achievement and thus the work itself may have a longer-term and deeper impact on motivation. Reward systems should therefore include a mixture of extrinsic and intrinsic rewards.

Gungor (2011) proven that organizations use reward systems and methods to motivate their employees and to extend their performance. Further, He recommended that organizations

may improve or change their reward systems to survive in today's environment and should renew their reward systems and put more efficient and effective ones.

There is the existence of strong and substantial relationship between intrinsic rewards and employee performance, although the connection between intrinsic reward and employee performance was minor. They also indicate that there's a statistical significant between extrinsic rewards and employee performance and both reward system have a positive influence on employee performance (According to Ranijan and Mishra,20017).

In other part, there exists insignificant and weak relationship between salary, bonus and employee performance. However, there exists moderate to strong relationship between promotion and employee performance. Results also show highly significant and powerful relationship between recognition and employee performance the strongest and highly significant relationship exists between appreciation and employee performance. All the variable salary, bonus, promotion, recognition, and appreciation are positively related with employee performance (Yasmeen, Farooq, & Asghar, 2013).

In this regard, when an employee receives reward, it is a valid way of motivating him since the reward causes satisfaction for the employee and it has straight effect on employee performance. On the bases of above reviews, the following hypotheses are proposed.

H1: There is positive relationship between intrinsic reward and Job satisfaction

H2: There is positive relationship between extrinsic reward and Job satisfaction

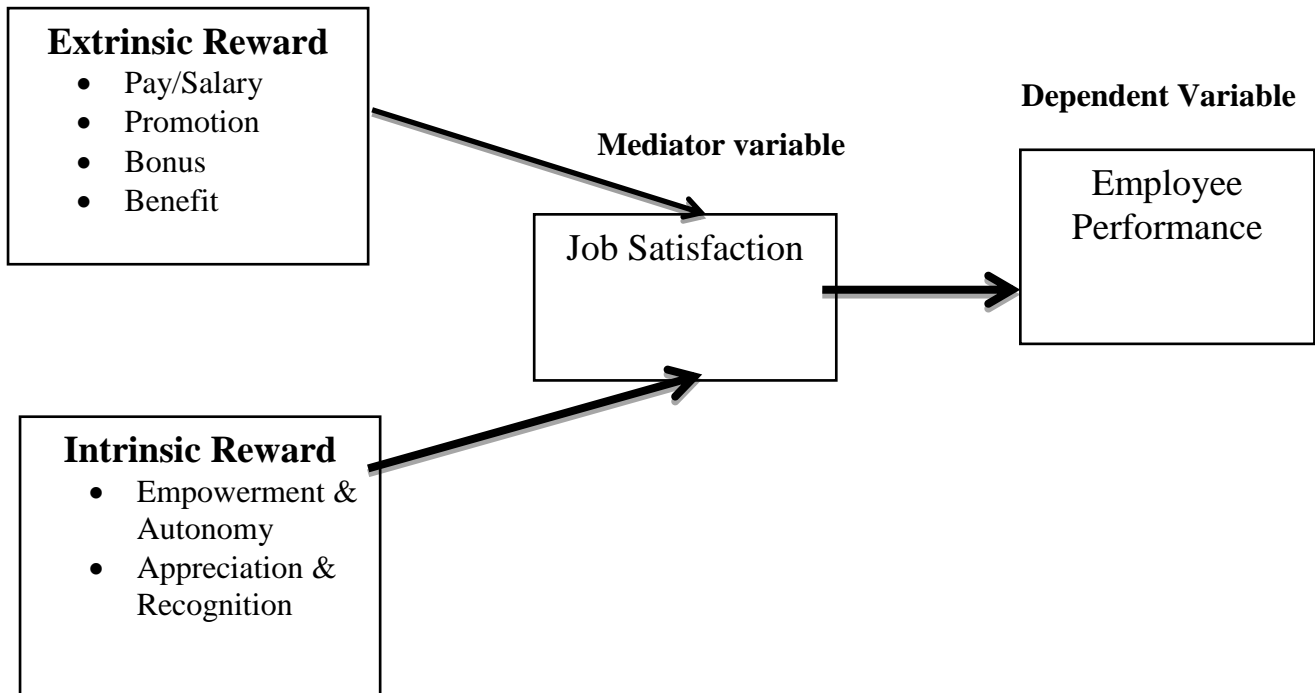
H3: There is positive relationship between Job satisfaction and employee performance

H4: There is positive effect of reward system on employee performance

H5: Job satisfaction mediates the relationship among reward systems and employee performance.

2.4 Conceptual Framework

Independent Variable



Adopted from, Gohari et al, (2013)

Chapter Three

Research Methodology

3.1. Introduction

This chapter presents the methodology used to study the mediating effect of job satisfaction on the effect of reward system on employee performance in selected district of Ethio-telecom.

3.1 Research approach and design

Research design refers a comprehensive plan for data collection aimed at answering specific research questions or testing specific hypothesis (Bhattacharjee, 2012). In addition, it is types of inquiry within quantitative, qualitative, and mixed methods that provides specific direction for a research. There are three common approaches to conducting research; these are quantitative, qualitative, and mixed methods (Wiliams, 2007). Accordingly, for this study the researcher select the quantitative research method and explanatory research design to address the research questions.

3.2 Target population and Sampling Technique

Target population refers to all the members who meet the particular criterion specified for a research investigation (Alvi, 2016). The target populations of this study would be employees of ethio-telecom. For the purpose of the study among the total of 21 divisions within Ethio-Telecom four divisions namely, the human resource, marketing, sales and customer service divisions are selected by purposive sampling.

It is extremely important to choose a sample that is truly representative of the population so that the inferences derived from the sample can be generalized back to the population of interest. Improper and biased sampling is the primary reason for divergent and erroneous inferences (Bhattacharjee 2012, pp, 66).

By using appropriate sampling techniques which best suites the purpose and situation, sampling has been performed to select representative sample from sampling unit from headquarters, division's population.

Accordingly, the researcher was choosing only those who are under four job categories. As per the employee handbook of the company published (2018), job categories range from Job Grade level Sub band SB 81 to SB 41 (Expert, Director, Manager, Supervisor and employee). In these four job categories there are 3356 employees and they are target population for this study. The reason beyond the researcher selected these division was the feedback of human resource manager who observed that this group was usually more responsive to completing questionnaires.

Table 3.2.1 Staff distribution in each division of ethio telecom as corporate level (A.A)

SN	section	no of staff	target population/ sample
1	Customer service Division	2583	300
3	Sales Division	225	27
4	Marketing Division	111	13
5	Human resource	137	17

Source: - corporate organizational structure (2018)

3.3 Sample size

The sample size is an important feature of any study or investigation in which the aim is to make inferences about the population from a sample (Singh & Masuku, 2014). In research practice, the sample size used in a study is usually determined based on the cost, time, and convenience of collecting the data, and the need for it to offer sufficient statistical power. From various sample size criteria conferring to (Sahai, H., 1996), if the sample size is greater than 30, then we use the z- test. If the population is small, than we need a bigger sample size, and if the population is large, then we need a smaller sample size as compared to the smaller population. Thus, the sample size of the study was comprised of employees working under the human resource, marketing, sales, and customer service divisions having minimum Job Grade level Sub band SB 41 to a maximum of SB 81 because of large population. As per the employee handbook of the company published in (2018), the four divisions together with the job grade selected are done randomly.

Sekaran (2003) provides a simplified formula to calculate sample sizes of finite population, which was used to determine the sample size for the particular study. A 95% confidence level is assumed for this formula to determine the sample size, at $e=0.05$ and the sample size is determined in the following formula.

$$n = \frac{N}{1 + N(e)^2}$$

Where

$$n = \frac{3056}{1 + 3056(0.05)^2} = 357$$

n= Sample size

N= Total number of Employees

e = standard Error

Hence, the sample size for this research was 357 employees of Ethio-telecom who are working in above four selected divisions under those sub bands. Therefore, samples of 357 employees was made and data collected by questionnaires.

From the four divisions and job grades 357 respondents was chosen by a simple random sampling method; it implies every employee would have equal chance irrespective of its division and job grade.

3.4. Data Collection Method

In this study, a structured survey questionnaire was used to collect primary data using the personal method where the researcher distributes the questionnaires personally and collects completed questionnaires later. The survey instrument contains closed ended questions with each of the questions on a five-point Likert response scale that ranged from 5 “strongly agree to 1 “strongly disagree”. The method chosen was relatively cheap, offers greater anonymity since there is no face-to-face interaction between participants, is easy to administer and participants can complete the questionnaire at a convenient time. The sample participants are also easily accessible to the researcher. In addition, the secondary data collected from various books, documents, journals, articles and internet sources to support the study.

In this study, we had three variables to measure; namely, rewards as an independent variable, employee job satisfaction as a mediating variable and employee work performance as a dependent variable. The survey questionnaire had four parts which is comprised of the above three questionnaires and biographical questionnaire.

The first part was the biographical questionnaire with seven questions in it which are intended to capture some demographic characteristics of respondents. The opinions of employees about rewards such as salary/pay, promotions, monetary bonuses, and benefits collected using the questionnaire Adapted from Nadia et al., Rizwan, and Usman (2011). Whereas, feelings of respondents about job satisfaction will be captured by the questionnaire with nine dimensions adapted from De Beer (1987). These dimensions are work content, payment, promotion, recognition, work condition, benefits, personal, my leader/ supervisor and general. Lastly, employee work performance was the dependent variable in this research; measured by individual work performance. The employee performance questionnaire was adopted from Onyango (2014).

3.5. Method of data analysis

Depending on the main objective of the study, researchers undertake the data analysis process in order to transform the raw data to relevant, valid, and meaningful summary. In this study for analyzing the data, both descriptive and inferential statistics was used to describe the behavior of the individual variables over the period under review and the Statistical Package for the Social Science (SPSS) were used.

The findings were present through table, charts, and graphs. Moreover, multiple linear regressions were used to find the value of R, R Square, Pearson Correlation, a significance test of the variables. This part would attempt to explain the effect of reward system on employee job satisfaction and employees' performance on one hand and the effect of employee job satisfaction on employees' performance on the other hand.

The mediation analysis also employed to measure the mediating variable accounts for the effect of independent variable and dependent variable; it “transmits the effect of an independent variable on a dependent variable (Baron, et al., 1986). In contrast to a moderating or interaction effect where an observed relationship depends on the level of a third variable, a mediating effect occurs when the relationship between two variables can be interpreted by looking at a third variable. Hence, basically, “whereas moderator variables specify when certain effects will hold, mediators speak to how or why such effects occur.” (Baron & Kenny, 1986: 1176)

3.6. Reliability and Validity

Validity and reliability of the measures need to be assessed before using the instrument of data collection (Hair et al., 2003). Validity concerns whether an instrument can accurately measure, while reliability pertains to the consistency in measurement.

Due to the nature of the questionnaire construct, as varying ways were applied for measuring the different variables considered. In this study, the researcher was used questionnaire that their validity and reliability are checked according to the specific topic. The researcher tested the reliability using Cronbach's Alpha (α) which is an internal consistency test that measures the degree to which the items or measurements consistently measures the underlying construct. According to Kothari, (2004) the closer the reliability coefficient to 1.00 is the better. In general, reliabilities less than 0.60 are considered poor; those in the range of 0.60 to

0.80 are considered good and acceptable. In this study, all the independent variables and dependent variable, met the above requirement. Based on this, as we can see from the SPSS result table below the Cronbach's alpha coefficient for the overall items taken for this test was good.

Table 3. 6.1: Reliability Statistics for all variables

Subscales	Cronbach's Alpha	Number of Items
Payment	.848	7
Monetary bonus	.885	7
Job promotion	.854	5
Benefit	.689	4
Empowerment and autonomy	.869	4
Appreciation and recognition	.880	5
Job satisfaction	.843	7
Employee performance	.957	15

3.7 Ethical consideration

The ethical issues are considered in this study: An ethical consideration of confidentiality and privacy would be addressed. A guarantee would give to the respondents that their names would not expose in the research report.

Chapter Four

Data Presentation, Analysis, and Interpretation

4.1. Introduction

This chapter deals with the presentation, analysis, and interpretation of data collected through questionnaire. The study aimed to examine the effect of reward system on employees' performance: A mediating role of job satisfaction in Ethio –Telecom). Four potential variables were to examine the study; namely dependent variables (employee performance) and independent variables (intrinsic reward system, extrinsic reward system and mediator variable job satisfaction).

As indicated earlier the dependent variable in this model is multiple liner regression analysis was used to show up the effect of reward system on employees' performance using a mediating factor of job satisfaction in ethio telecom.

4.2 Data Cleaning

Based on the methodologies specified in chapter three (stratified sampling), 357 questionnaires were distributed and 339 were returned for analysis. Meanwhile, in the process of cleaning the data for its completeness and practical response pattern, only 329 of the questionnaires were found valid or workable. Accordingly those 329 workable responses obtained from respondents were used for data analysis with Statistical Package for Social Science (SPSS) Version 20.

4.3. Demographic Characteristics of Respondents

This part deals about gender, marital status, age, job classification, education category, job grade, and experience of respondents. The result of this demographic presentation is stated below using frequency analysis.

Table 4.3.1 Demographic information of respondents (N = 329)

Variables	Categories	Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	181	55.0	55.0	55.0
	Female	148	45.0	45.0	.0
	Total	329	100.0	100.0	100.0
Marital status	Single	174	52.9	52.9	52.9
	Married	151	45.9	45.9	98.8
	Divorced	4	1.2	1.2	0
	Widowed	0	0	0	0
	Total	329	100.0	100.0	100.0
Age	20-30yrs	3	.9	.9	.9
	31-40yrs	228	69.3	69.3	70.2
	41-50yrs	80	24.3	24.3	94.5
	51 & above yrs	15	4.6	4.6	99.1
	5.00	3	.9	.9	.0
	Total	329	100.0	100.0	100.0
Job classification	Manager	40	12.2	12.2	12.2
	senior supervisor	27	8.2	8.2	20.4
	supervisor	49	14.9	14.9	35.3
	Officer	158	48.0	48.0	83.3
	Others	55	16.7	16.7	.0
	Total	329	100.0	100.0	100.0
Educational category	Diploma	8	2.4	2.4	2.4
	Degree	239	72.6	72.6	75.1
	Masters	79	24.0	24.0	99.1
	Others	3	.9	.9	.0
	Total	329	100.0	100.0	100.0
Job Grade	Sb42	198	60.2	60.2	60.2
	Sb52	73	22.2	22.2	82.4
	Sb61	40	12.2	12.2	94.5

	Sb71	4	1.2	1.2	95.7
	Sb81	14	4.3	4.3	.0
	Total	329	100.0	100.0	100.0
Experience	Less than 1yr	3	.9	.9	.9
	1-5yrs	171	52.0	52.0	52.9
	6-10yrs	117	35.6	35.6	88.4
	11-15yrs	19	5.8	5.8	94.2
	16-20yrs	15	4.6	4.6	98.8
	21yrs & above	4	1.2	1.2	.0
	Total	329	100.0	100.0	100.0

Source: Questionnaire & SPSS output (2019)

The above table indicates that, the gender diversity in the sample population is 55 % male and 45% females. For this we can say that the numbers of males are slightly higher than females in the case area and this may implies that gender population is fairly distributed in the sample. The marital status shows regarding to respondent marital status, majority 52.9% of the respondents were single, other 45.9% of the respondents were married and the rest 1.2% of participant were divorced and (0%) were widowed employees in the respondents.

Demographic result regarding to participant age group 1% of them are at age of 20-30 years and other 69.3% of respondents are between 31-40years old and other 24.3% of respondents are between the age of 41-50 years and the rest of 4.9% of respondents are at between the age of 51 & above years old. Based on respondents' job classification; 12.2% of them are manager, other 8.2% of participant were director, 14.9% of the participant were supervisor and the rest of 48% were staff. This implies that all the respondents are professional in their field of job assigned.

Demographic result regarding to participant educational qualification shows that, 2.4% of the respondents are diploma holders, 72.6% of the respondents are degree holders and 24% of the respondents are masters. Since most of the respondents are degree and above holders also 1% are tick other. Therefore, they respondents would have know-how about reward and employee performance in case organization. When we come to the job grade of respondents';

it indicated that 60.2% of the employee's job grade in Sb 42, 22.2% of the employees job grade in SB 52, 12.2% of the employee's job grade SB61, 1.2%, and 4.3% of employee's job grade in SB 81. It can be seen that most of respondents job grade in both SB42 and SB52. The above table 4.3.7 shows that 1% of the respondents served the company less than 1 year, those who worked 1 – 5 years are 52%., 6 – 10 years are 35.6%, 11 – 15 years are 5.8%, 16-20 years are 4.6%, and those who worked 21 years and above are 1.2%. With this reference one can say that ethio telecom poses significant percent of experienced worker. More over staffs in last two categories are able to compare and contrast the reward management practice of the company with the former ETC.

4.4. Descriptive Statistics for Variables

This section discusses the results of the survey in respect of the dependent and independent variables; accordingly we will discuss employee's status in each of the variables under study. Therefore descriptive statistics in the form of arithmetic means and standard deviations for the respondents were computed for the multiple variables and dimensions that have been assessed through the questionnaire; the results are presented and discussed in this section.

In order to assess and portray the level of employee's performance and job satisfaction in the company , seven (7) five- item scales which specifically measures participants' psychological presence in their job and organization were designed and presented to the respondents. Employees were asked to show their levels of performance to their job and organization using a five point liker –type scale with affix (1) strongly disagree to (5) strongly agree. Then, the average (mean) rating for each statement is computed and tested for its significance using a descriptive statistical technique. The analysis result is in each table below.

Table 4.4.1: Descriptive Statistics Regarding to Extrinsic Rewards Payment

Items	Mean	Std. Deviation
1. The pay system is clearly communicated to me	3.8906	.78488
2. The Basis of pay for performance is reasonable	3.4559	1.11203
3. My salary is satisfactory in relation to the job I do	3.2158	1.18383
4. Salary increments are decided in a fair manner	3.1733	1.09756
5. Pay scale of the organization treats each employee equitable	2.9848	1.06628
6. Performance related incentives improve my work motivation	3.1489	1.24658
7. The amount of work expected of me is reasonable with the amount of pay I received.	2.8602	1.17853
Average	3.24	1.09

Source: Questionnaire & SPSS output (2019)

Table 4.4.1 shows the descriptive statistics result of payment measures. The finding shown that the pay system is clearly communicated to employees had the mean score of 3.89 (SD =0.78). The basis of pay for performance is reasonable had the mean score of 3.45(SD = 1.11). The individual employees salary is satisfactory in relation to the job they do had the mean score of 3.21(SD = 1.18). Salary increments are decided in a fair manner had the mean score of 3.17(SD = 1.09). The Pay scale of the organization treats each employee equitable had the mean score of 2.98 (SD = 1.06). The performance related incentives improve their work motivation had the mean score of 3.14(SD = 1.29). The amount of work expected of employees is reasonable with the amount of pay they received had the mean score of 2.86 (SD = 1.17).

Generally, from the above payment measures statements the pay system is clearly communicated to employees scores was the highest mean (Mean=3.89, SD=0.78) and the lowest mean (Mean=2.86, SD=1.17) fail on the amount of work expected from employees is reasonable with the amount of pay they received. This indicates that respondents believe that the expected works from employees are not linked with the amount of pay they received.

Table 4.4.2. Monetary Bonus

Items	Mean	Std. Deviation
1. In my organization, bonus scheme is satisfactory	2.9119	1.38199
2. I receive the right amount of bonus for my work	3.0881	1.22530
3. I think that bonuses are important than my salary	2.5471	1.30842
4. All employees should receive equal bonuses percentage	2.3739	1.30081
5. I receive annual bonuses based on the organization's achievements	2.9240	1.29151
6. I am satisfied with the bonuses given by the organization	2.8419	1.41613
7. All tasks to be accomplished are associated with bonuses	3.0608	1.16972
Average	2.82	1.27

Source: Questionnaire & SPSS output (2019)

Table 4.4.2 above depicted questions related to monetary bonus as a predictor of extrinsic rewards. Participants were on average score a slightly better level of a monetary bonus with a mean weight of 2.82 (SD=1.27) using a five point Likert scale. From the table we can also observe that from the items measuring monetary bonus respondents give maximum score (M=3.08 SD= 1.22) for item 2 (I receive the right amount of bonus for my work) which shows positive response in the form admiration for better performance. The second largest average mean (m=3.06 SD=1.16) is recorded for item 7 (All tasks to be accomplished are associated with bonuses.) which indicate respondents feeling about the bonus is somewhat satisfied with the monetary bonus of rewards being offered by their organization. But employees are not satisfactory because the mean result is below average in all over.

Table 4.4.3 Job Promotion and Benefit

Items:- job promotion	Mean	Std. Deviation
1. Promotion should be based on performance	3.3009	1.03478
2. I believe there are sufficient opportunities for career growth for all employees in the organization	2.6505	1.20568
3. The criteria for promotion are acceptable	2.5897	1.07296
4. Staffs are promoted in a fair & honest way	2.5015	1.12652
5. Everyone has equal chance to be promoted	2.4407	1.06367
Average	2.69	1.09
Items:- benefit	Mean	Std. Deviation
1. There is equal treatment of each staff in the benefit policy of the organization	3.0334	1.30271
2. The medical and insurance scheme are attractive	4.0334	1.06872
3. I never faced problems of leave arrangements	3.1824	1.11948
4. I am satisfied with the benefit I received from the organization.	3.2614	1.23900
Average	3.37	1.17

Source: Questionnaire & SPSS output (2019)

According to the above two table 4.4.3 the company reward system of job promotion is not satisfactory because the mean result is below average ($M=2.69$ and $SD=1.09$). But all other extrinsic reward variables (payment with a mean weight of 3.24 & $SD=1.09$ and benefit package $M=3.37$ and $SD=1.17$) are satisfactory since the mean result slightly above average. When it is also seen aggregate result the extrinsic reward system of the company is satisfactory.

Table 4.5: Descriptive Statistics Regarding to Intrinsic Rewards

Table 4.5.1 EMA and autonomy and Appreciation and Recognition

Items:- EMA and autonomy	Mean	Std. Deviation
1. I have part in decision making process	2.4863	1.16372
2. I have certain degree of autonomy in my work	2.9210	1.22716
3. I am allowed to decide on the methods to perform my work	2.8936	1.21384
4. I am independently of other when I perform my work	3.0182	1.23453
Average	2.82	1.20
Items;- Appreciation and Recognition	Mean	Std. Deviation
1. The management recognizes employees whose efforts make a difference	3.0091	1.25058
2. I receive recognition for individual accomplishments	2.9878	1.08756
3. I receive constructive criticisms about my work	2.8784	1.05509
4. I get credit for what I do.	2.8116	1.21263
5. I am told that I am making progress	2.9453	1.14899
Average	2.92	1.14

Source: Questionnaire & SPSS output (2019)

As indicated in the above table 4.5.1, the mean values of EMA, autonomy, Appreciation and Recognition are below average this indicate that the company reward system with this regard it is not satisfactory. When the aggregate mean result (2.82 & 2.92 respectively) seen the intrinsic reward system of the company is unsatisfactory.

Table 4.6: Descriptive Statistics Regarding to Job satisfaction

Items	Mean	Std. Deviation
1. I am satisfied with my job	2.8723	1.30972
2. I find my job very interesting	2.6444	1.24865
3. My current job meets my expectations	2.6444	1.30827
4. I am satisfied with incentives related to my job	2.9848	1.27227

5. As soon as I can find a better job, I will leave	3.0760	1.17013
6. I am satisfied my current job position	2.5927	1.26325
7. I feel positive about my job	2.9635	1.26824
Average	2.82	1.26

Source: Questionnaire & SPSS output (2019)

Aggregating employee's response of respondents on seven statements, on the average, respondents reported experiencing a level of Job satisfaction of 2.82 (SD= 1.26) measured on a five point scale which is found that the majority of respondents reported themselves to have slightly low job satisfaction.

Table 4.7: Descriptive Statistics Regarding to Employee Performance

Items	Mean	Std. Deviation
1. I rated the quality of my work in the last performance excellent	3.3617	1.30972
2. I rated the quantity of my work in the last performance sufficient.	3.2310	1.24865
3. I managed to plan my work so that it was done on time.	3.5015	1.30827
4. I was able to perform my work well with minimal time and effort	3.5015	1.27227
5. I often expand extra effort in carrying my job	3.3313	1.17013
6. I have a complete knowledge and understanding of my tasks	3.7447	1.26325
7. I complete in all areas of my job handling tasks with proficiency	3.3799	1.26824
Average	3.432	1.257

Aggregating employee's response of respondents on seven statements, on the average, respondents reported experiencing a level of employee performance 3.43 (SD= 1.257) measured on a five point scale which is found that the majority of respondents reported themselves to have a good level of employee performance. Item 6, with a mean of 3.74 & SD=1.26 to the statement of (I have a complete knowledge and understanding of my tasks).

Table 4.7.1: Descriptive Statistics Regarding to Employee Performance two

Items	Mean	Std. Deviation
8. I always reach my performance target.	3.4195	1.34132
9. I review my performance continuously for improvement	3.4468	1.07539
10. I have the required skills to perform my task	3.8480	1.03653
11. I have the required level of motivation to perform the tasks	3.4103	1.35656
12. I do my job independently	3.4954	1.21505
13. I perform my work well to the expected standards	3.6079	1.14820
14. I could manage more responsibilities in my job than typically assigned to me.	3.8571	1.04621
15. I feel I appear suitable for a higher level role	4.0547	1.07108
Average	3.63	1.02

Source: Questionnaire & SPSS output (2019) In particular Item 10 with a mean of 3.84 & SD=1.03 to the statement of (I have the required skills to perform my task.) and item 14 with a mean of 3.85 & SD=1.04 to the statement of (I could manage more responsibilities in my job than typically assigned to Me) this indicates employees are highly committed for their work and Express their readiness to take more responsibilities with a skill needed. Also item 15 to the statement of (I feel I appear suitable for a higher level role) with a mean of 4.05 (SD=1.05) average agreement score. Generally we can observe that for all of the items specified to measure employee performance, the mean score is above the average mean score which clearly indicate slightly a high level of employee performance in the case area.

Table 4.8: Summary of Descriptive Statistics of the independent and dependent variables

Constructs	Mean	Standard Deviation
Employee performance	3.5461	.95203
Extrinsic rewards system	3.0356	.59342
Intrinsic rewards system	2.8781	.53401
Job Satisfaction	2.8254	.90738

Source: Questionnaire & SPSS output (2019)

According to the above table, the respondent ranked job satisfaction from their most to least of preference: intrinsic reward, extrinsic reward and employee performance respectively. These indicate that ET employees mostly inspired by extrinsic reward and least inspired by intrinsic responsibility and job satisfaction.

This also was supported by several previous researches (Temitim and Muluneh 2016, Al – Rfou & Trawneh, 2009) which found intrinsic and extrinsic reward having a positive effect on employee performance and job satisfaction and also other positive psychological behavior.

4.9. Pearson’s Correlations Between variables

According to (Wegner, 2012), The Pearson correlation coefficient is used to measure the strength of a linear association between two variables, where the value $r= 1$ means a perfect positive correlation and value $r= -1$ means a perfect negative correlation. Theoretically, there could be perfect positive correlation between variables which is represented by 1.0 (plus 1), or a perfect negative correlation which would $- 1.0$ (minus 1). To determine Effect of reward system on Employees’ Performance using a Mediating factor of Job Satisfaction in ethiotelecom (intrinsic rewards, extrinsic rewards, and Employee performance), Pearson correlation computed. A correlation test therefore shows either a negative or positive relationship, which can either be weak or strong, depending on the range of value of the coefficient; 0.5 moderate, 0.7 strong (Cooper, 2010). Accordingly, inferential statistics Pearson Correlation Coefficient and linear regression are used to examine the relationship of those variables under the study; and strength of correlation was interpreted through suggestion of (Cooper, 2010). As to the scale of the correlation scores is concerned, the following points can be supposed.

Table 4.9: Correlation Analysis of Each predictor Variable with employee performance

		PT	MB	JP	BT	EMT	AR	JS	EP
PT	1								
MB	.612**	1							
JP	.611**	.572**	1						
BT	.677**	.619**	.687**	1					
EMT	.610**	.569**	.595**	.767**	1				
AR	.581**	.536**	.541**	.640**	.708**	1			
JS	.610**	.674**	.659**	.679**	.743**	.651**	1		
EP	.352**	.515**	.509**	.714**	.726**	.609**	.633**	1	

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Questionnaire & SPSS output (2019)

The above table shows that the level of correlation between the dependent variable employee performance and independent variables Extrinsic rewards, Intrinsic rewards and job satisfaction.

- ❖ There is a reasonable and, statistically significant relationship between EMA, autonomy, appreciation and recognition with Job satisfaction ($r = 0.726$, $p < 0.01$; $r = 0.609$, $p < 0.01$; and $r = 0.633$, $p < 0.01$ respectively).
- ❖ There is substantial and, statistically significant relationship between payment, monetary bonus, job promotion and benefit with job satisfaction ($r = 0.352$, $p < 0.01$; $r = 0.515$, $r = 0.509$, $p < 0.01$; $r = 0.714$, $p < 0.001$; and $r = 0.633$, $p < 0.01$ respectively).
- ❖ Job satisfaction is positively correlated to employee performance with a Pearson correlation coefficient of $r=0.633$ and Sig. (2-tailed) is 0.000 which is <0.05 so that, there is a high relationship between the two variables
- ❖ Employee performance is low and statistically significant relationship with payment by Pearson correlation coefficient of $r=.352$ and Sig (2-tailed) is 0.000 which is <0.05 .

- ❖ The results of the Pearson correlation analysis also revealed that there was a positive correlation between employee performance and monetary bonus ($r = .515$, $p < 0.05$) which implies a sensible relationship between the above-mentioned variables.
- ❖ Employee performance is positively correlated to benefit and job promotion with a Pearson correlation coefficient of $r = .714$, and $r = .509$ at Sig (2-tailed) is 0.000 which is < 0.05 respectively. Therefore there is moderate relationship between the two variables.
- ❖ Employee performance is also positively correlated to EMA and autonomy and appreciation and recognition with a Pearson correlation coefficient of $r = .726$, and $r = .609$ at Sig (2-tailed) is 0.000 which is < 0.05 respectively. Therefore there is moderate relationship between the two variables.

Thus, the analysis indicated that EMA and autonomy was the most correlated variable with the dependent variable employee performance ($r = 0.726$, $p < 0.05$) followed by benefit with employee performance ($r = 0.714$, $p < 0.05$) there was also a moderate positive relationship between Job satisfaction, appreciation and recognition, and monetary bonus and job promotion, with the dependent variable _employee performance' with the correlation coefficient of ($r = 0.633$, $p < 0.05$) , ($r = .0.609$ $p < 0.05$) , ($r = .0.515$ $p < 0.05$) and ($r = .0.509$ $p < 0.05$) respectively. The lowest correlation is found between payment and employee performance at ($r = 0.352$, $p < 0.05$).

4.10 Assumptions of simple linear regression analysis

According to Field (2009), to run a simple linear regression, checking critical assumptions is essential and it is helpful to draw conclusion about the population under study. Therefore in order for our analysis to be reliable and valid we need to check our data for the assumptions of multiple regressions. In this regard, all of the assumption were checked and pass the standards to run regression analysis; the results are presented as follows.

4.10.1 Normality test

A normality test is used to determine whether sample data has been drawn from a normally distributed population (with in some tolerance). Skewness and kurtosis were used to measure the normality of data for this study. Therefore, to establish the validity of these assumptions, the researcher also checks for the normality through and P-P plot as follows.

Figure 4.10.1.2. Normal P-P Plot



The normal probability plot shows up deviations from normality. The straight line in this plot represents a normal distribution, and the points represent the observed residuals. Therefore, in a perfectly normally distributed data set, all points will lie on the line (Field, 2009). Also, the dots are relatively closed near plotted to the straight line, which indicate a small deviation from normality and there are no extreme cases observed.

4.10.2 Test for autocorrelation

Autocorrelation test is a test for whether the errors of adjacent observations are highly correlated which may underestimate the standard error of the coefficient; multiple linear regression models assume the residuals are independent of one another. The Durbin-Watson statistic is the common method used to test for the presence of serial correlation among the residuals. The test statistic vary from 0 to 4, a value of 2 indicate that there is no autocorrelation. However a value below two i.e. nearing zero indicates a positive autocorrelation and value above two i.e. nearing four indicates negative autocorrelation. Field (2009) suggests that values less than 1 or more than 3 a cause of concern.

Here we can use the Durbin-Watson statistic to test the assumption that our residuals are independent (or uncorrelated). This statistic can vary from 0 to 4. For assumption #3 to be met, we want this value to be close to 2. Values below 1 and above 3 are cause for concern and may render our analysis invalid.

Figure 4. 1: Durbin-Watson Autocorrelation Test
Model Summary

Model	Durbin-Watson
1	1.569 ^a

- a. Predictors: (Constant), JBS, Payment, APR, JPR, MOB, Benefit, EMA
- b. Dependent Variable: EMP

The Durbin-Watson statistic from our model summary showed that this assumption had been fairly met, as the computed value for Durbin-Watson was closely 2.00 (DB= 1.569) which show no autocorrelation.

4.12. Tests for Multi-co linearity

In regression, multi co linearity occurs when independent variables in the regression model are highly correlated with each other than dependent variable. When the independent variables in the regression model are highly correlated with each other; they are basically measuring the same thing. One way to assess multi co linearity is to examine correlations among the independent variables.

Table 4.12: Test of Multi-co linearity

Model		Collinearity Statistics	
		Tolerance	VIF
1	Payment	.444	2.252
	MOB	.463	2.160
	JPR	.438	2.281
	Benefit	.294	3.406
	EMA	.286	3.500
	APR	.440	2.274
	JBS	.317	3.153

a. Dependent Variable: EMP

Table 4.12 above shows that value of tolerance of each independent variable ranges from 0.294 to 0.463 and the value of variance inflation (VIF) factor ranges from 2.160 to 3.500, hence, the tolerance value in all independent variable were greater than 0.1 and the VIF values of all independent variables are less than 10, which indicate there is no multi-collinearity problem among the variables on this study.

4.13. Regression Analysis

In order to determine the extent to which the explanatory variables explain the variance in the explained variable, multiple regression analysis was performed. The below table 4.6, show that the regression of all independent variables intrinsic and extrinsic reward on employee performance dependent variable.

Table 4.13.1 Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.820 ^a	.673	.667	.54935

- a. predictors: (Constant), APR, MOB, JPR, Payment, EMA, Benefit
- b. Dependent Variable; EMP

The above table shows that the model analysis indicates independent variable extrinsic reward (payment, job promotion, monetary bonus and benefit) and intrinsic reward (EMA and autonomy and appreciation and recognition) statistically predicting the overall level of dependent variable employee performance in ethio telecom. Therefore, R value 0.820 indicate that the presence of strong correlation between the independent variables and dependent variable. The value of R² 0.673 which indicate that the independent variables explain 67.3% of the variations on the dependent variable with un explained factors of 32.7%. This indicates that 67.3% of the variance in employees' performance level can be explained by the variance of the determinants of the above-mentioned variable (extrinsic and intrinsic reward system). As indicated in the above model summary, the linear combination of the independent variable was significantly related to the dependent variable.

Furthermore the standard error of the estimate is a measure of the variability of the multiple correlations. Therefore, as shown in the model summary for the regression analysis table above the standard error estimate of this model summary is (.54935).

4.14. Test of significance

Coefficient table shows which variables are individually significant predictors of the dependent variable through the standardized Beta coefficient which show the contribution of individual variables. The Beta Weight is the average amount the dependent variable increases when the independent variable increase by one standard deviation (all other independent variables are being held constant).

Table 4. 15: Regression Coefficients of the Variables

Model	Coefficients				t	Sig.
	Unstandardized Coefficients		Standardized Coefficients	Beta		
	B	Std. Error				
(Constant)	1.355	.140			9.689	.000
Payment	-.496	.057	.416		8.709	.000
MOB	.134	.042	.141		3.176	.002
1 JPR	.029	.051	.027		.573	.567
Benefit	.527	.066	.472		8.027	.000
EMP	.367	.052	.395		7.084	.000
APR	.181	.048	.180		3.783	.000

a. Dependent Variable: EMPerf

Note; * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

The beta value in the coefficient table tells in what degree each independent variable affects the outcome if the effects of all other predictors are held constant. Each of the beta values has an associated standard error indicating to what extent these values would vary across different samples, and these standard errors are used to determine whether or not beta value differ significantly from zero. The t-test associated with p-value is significance (p or sig value is less than 0.05) then the predictor is making significant contribution to the model the smaller the value of the sign (the larger the value of t) the greater the contribution of that predictor.

The p-value is less than 0.05 for all the variables except Job promotion indicates that the whole independent variables are highly significant predictor of employee performance (dependent variable) and Job promotion found to be statistically insignificant in predicting

employee performance. The regression coefficient β represents the change in the outcome resulting from a unit change in the predictor and that if a predictor is having a significant impact to predict the outcome then this β should be different from 0 (and big relative to its standard error). Therefore, the β is different from 0 and the researcher found that the predictor variables make a statistically significant contribution in predicting employee performance. Payment (β_1)=(.416), Monetary bonus (β_2) =.141, benefit(β_4)=.472, (P <0.05), empowerment and autonomy (β_5)=.395, appreciation and recognition(β_6)=.180, are statistically significant variables in predicting employee performance. Whereas job promotion (β_1)=.027,(sig. 0.567) positive but statistically insignificant relationship with employee performance since its p value is greater than 0.05.

The above table (table 4.15) also shows each of these beta values has an associated standard error indicating to what extent these values would vary across different samples, and these standard errors are used to determine whether or not the β – value differs significantly from zero.

4.16. Testing the Mediation analysis Job satisfaction

Considering the requirements described in the previous section, a preliminary regression analysis was performed to assess which variables of Reward system affect employee performance and following regression models to determine the mediating effect between the dependent and independent variables. Since this is explanatory research, a significance level of 95% was used to determine significant variables. Both regression models were already tested for normally distributed error terms and normal distributions of the dependent variable. The preliminary analysis showed that all independent variables had a significant effect on performance.

According to Barona and Kenny, (1986), a mediator variable is a variable that explains the relationship between a predictor variables and a dependent variable. Mediators tell us how or why something works. The mediator is considered an intervening variable which explains the relationship between a predictor variable and a dependent variable. In this study Mediation analysis was performed to test the mediator role of job satisfaction between the dependent variable employee performance and the independent variable reward system. The research has five major hypotheses each major hypothesis are tested the above regression analysis and the each hypothesis will tests the mediator variable H5= (Job satisfaction mediates the

relationship among reward systems and employee performance) .Data analysis of the mediating hypotheses testing will investigate the effect of mediator on the relationship between independent variables and dependent variable the following three steps.

According to Baron & Kenny,(1986), in this study Step one, Reward system (the independent variable) must affect Job satisfaction(the mediator variable). Step two, reward system (the independent variable) must be shown to affect employee performance (the dependent variable), Step three job satisfaction (the mediator) must affect employee performance (the dependent variable) if effect of independent variable on DV significant also after IV+ M has significant, the mediator partially mediates the relationships between Iv and DV but if effect of independent variable on DV not significant and after IV+ M has significant, the mediation fully mediates the relationship between IV an DV.

Table 4.18 steps of regression relating the independent variable, mediator variable and dependent variable.

Steps	Predictor variable	R	Sig.	Model one and two
Step one	Reward system predicting employee performance to test the path c	.580 ^b	.000	R Square .673
Step two	Reward system predicting job satisfaction to test the path a alone	.686 ^b	.000	
Step three	Job satisfaction predicting employee performance to test the significance of path b alone	.533 ^b	.000	R Square Change .670
Step four	Multiple regression analysis with reward system and job satisfaction predicting employee performance	.235 ^c .435 ^c Total Indirect effect = .670	.000	

From the above table the path analysis of Intrinsic rewards, extrinsic rewards, employee performance, and job satisfaction relationship among them. Findings revealed that extrinsic and intrinsic rewards has positive and significant relationship with Job satisfaction as direct effect of extrinsic and intrinsic reward is (b=0.745, p<0.05) and supported to H1 and H2. Also the table enlightened that Job satisfaction also has positive and significant relationship with employee performance as direct effect of Job satisfaction is (b=0.559, p<0.05) and supported to H3. Findings proved that rewards system has positive and significant relationship with employee performance and supported to H4. Moreover total indirect effects

which indicated that job satisfaction positively and significantly mediate the relationship between reward system and employee performance (($b=0.551$, $p<0.05$, $b=0.246$, $p<0.05$) respectively and supported to H5.

Table 4.19 the mediation effect of dependent and all independent variables model summary

The direct effect of independent variables on the dependent variables

Model 1	Unstandardized Coefficients		Standardized Coefficients	t	sig
	B	Std. Error	Beta		
Payment	-.297	.061	-.249	4.847	.000
MOB	.165	.040	.174	4.097	.000
JPR	-.038	.050	-.035	-.764	.445
Benefit	.459	.064	.411	7.156	.000
EMA	.287	.051	.309	5.663	.000
APR	.111	.047	.111	2.361	.019
JBS	.144	.059	.137	2.448	.015
	Predictor variable	R2 change	Significance change	Cumulative R2	Standardized coefficient change
	IV on DV	.446	.000	.434	One variable by 0.64 (JPR)
Model 2					
Payment	-.055	.058	-.049	-.955	.051
MOB	.231	.038	.254	6.046	.000
JPR	.216	.048	.208	4.548	.000
Benefit	.030	.061	.029	.502	.626
EMA	.243	.048	.275	5.071	.000
APR	.037	.045	.039	.828	.029
	IV on M	.471	.000	.459	
Model 3					
JBS	.553	.053	.527	10.526	.000
	M on DV	.579	.000	.479	

From the above table 4.19, 1st step:- Regression Model for the Mediating Effect of Extrinsic and Intrinsic rewards on employee performance. The significant influence between independent variables monetary bonus, job promotion, benefit, empowerment appreciation and recognition, and job satisfaction with the dependent variable employee performance, the six variables of both an extrinsic and intrinsic reward system that showed to be significant in the above table used together with the seven control variables on the dependent variable *employee performance*. Thus both reward systems have a positive effect on employee performance except job promotion which was found to be an insignificant predictor of employee performance. This implies that having a job promotion is not significantly predicting

employee's level of performance to their job and organization, to confirm proposition H5a. The significant regression model consequently, this regression model shows **both rewards system had a significant direct effect on employee performance** and therefore **proposition 1a is accepted.**

2nd step: The significant effect between independent variables monetary bonus, job promotion, benefit, empowerment appreciation and recognition, and the mediator variable job satisfaction. All independent variables of both extrinsic and intrinsic reward system that showed to be significant in the above table used together with the seven control variables on the mediator variable *job satisfaction*. Thus both reward system had a positive effect on job satisfaction except benefit, to confirm proposition H5b. consequently, this regression model shows **both reward system had** statistically significant or the direct (mediated) effect of **on job satisfaction 1b** and therefore **proposition 1b is accepted.**

The 3rd step : The significant effect between independent variables monetary bonus, job promotion, benefit , empowerment appreciation and recognition, and the mediator variable job satisfaction. This regression model also uses *employee performance* as dependent variable, with job satisfaction and seven control variables as independent variables added, the mediating effect of job satisfaction measured by employee performance to the regression model. This significant regression model shows a slightly reduced effect of the job satisfaction is significant and has a positive effect.

Therefore, the above findings and discussions provide answers to the research questions relating to what are the factors affecting employee performance in ethio telecom by quantitatively testing the effect of independent and dependent variables as a mediator role of job satisfaction. As stated already, level of employee performance perceives by receiving an extrinsic and intrinsic reward is expected to influence the reward attractiveness in the same manner. This implies that an employee who prefers a fixed pay over a fringe benefit, will also be more attracted to extrinsic reward than to intrinsic reward. Yet, an intrinsic reward to employee's performance has also proven to be an important factor that influences job satisfaction.

Figure 10.20. Mediation analysis result Process macro modeling tool available in SPSS version 20.

Model: 4	Sample Size	Outcome variables
Y : EMP X : RWS M : JBS	329	
Model Summary R R-sq MSE F df1 df2 p .8080 .6529 .2866 615.2050 1.0000 327.0000 .0000		
Model coeff se t p LLCI ULCI constant -.0795 .1208 -.6579 .5110 -.3171 .1581 RWS .9742 .0393 24.8033 .0000 .8969 1.0514 Standardized coefficients coeff RWS .8080		JBS
Model Summary R R-sq MSE F df1 df2 p .6869 .4719 .4816 145.6386 2.0000 326.0000 .0000 Model coeff se t p LLCI ULCI constant 1.0462 .1567 6.6779 .0000 .7380 1.3544 RWS .5729 .0864 6.6297 .0000 .4029 .7429 JBS .2801 .0717 3.9076 .0001 .1391 .4211 Standardized coefficients Coeff RWS .453 JBS .2670		RWS EMP
TOTAL EFFECT MODEL		
Model Summary R R-sq MSE F df1 df2 p .6687 .4471 .5026 264.4671 1.0000 327.0000 .0000 Model coeff se t p LLCI ULCI constant 1.0239 .1599 6.4019 .0000 .7093 1.3386 RWS .8458 .0520 16.2624 .0000 .7435 .9481 Standardized coefficients coeff RWS .6687		EMP

Source: Questionnaires & SPSS Macro Processes output (2019).

- The direct effect from reward system to job satisfaction was positive and statistically significant ($\beta=8080$, $se=0339$, $p<0.001$)
- The direct effect from reward system to job satisfaction is positive and significant ($\beta=5729$, $se=0864$, $p<0.001$) which indicating that rewards provide job satisfaction

and pleasure that the task itself might not provide so that it express reward system has immediate and power full effect for job satisfaction

- **On** Prior to identify the direct indirect the path coefficients of both direct and indirect and their significance were tested by regression model simultaneously using SPSS version 20. The significance of mediation effect was tested through Baron & Kenny (1986) four step model. Similarly the standardized coefficient and R value($r=.6687$, $p=0.000$) was statistically significant as stated above Process macro procedure by Andrew F. Hayes, which compliments the first assumption.

Table 4.21: Hypotheses Testing and Result

This study examines mediating on the direct path between the independent variables and the dependent variable using the Kenny’s (1986) three step mediation analysis and process macro procedure test. Here after Job satisfaction considered as mediator the effect of reward system on employee performance still exist in significant extent. Thus, potentially, Job satisfaction mediates the path between reward system and employee performance. Therefore, hypothesis 5 is supported. In general, the entire hypothesis was accepted as follows:

Hypothesis	Finding	Decisions
H1: There is positive relationship between intrinsic reward and Job satisfaction	significant	Accepted
H2: There is positive relationship between extrinsic reward and Job satisfaction	significant	Accepted
H3: There is positive relationship between Job satisfaction and employee performance	significant	Accepted
H4: There is positive effect of reward system on employee performance	significant	Accepted
H5: Job satisfaction mediates the relationship among reward systems and employee performance	significant	Accepted

4.21. Summary of Findings and Discussion

This study was aimed at investigating the effect of reward system on employee performance as a mediating role of job satisfaction in ethio Telecom. Seven demographic factors were among the questions forwarded to respondents, these were regarding: gender, marital status,

age, job classification, education qualification job grade and service year in the company all were not the intent of the study in driving relationships with employee performance. Based on the findings, 45% % and 55% from the total population of 320 respondents were females and males respectively.

With regard to age distribution, 1% of them are at age of 20-30 years and other 69.3% of respondents are between 31-40years old and other 24.3% of respondents are between the age of 41-50 years and the rest of 4.9% of respondents are at between the age of 51 & above years old. With regard to marital status, majority 52.9% of the respondents were single, other 45.9% of the respondents were married and the rest 1.2% of participant were Divorced and (0%) were widowed employees in the respondents. With regard to job classification, 12.2% of them are Manager, other 8.2% of participants were Director, 14.9% of the participants were supervisor and the rest of 48% were staff. This implies that all the respondents are professional in their field of job assigned.

With regard to educational classification 2.4% of the respondents are diploma holders, 72.6% of the respondents are degree holders and 24% of the respondents are Masters. Since most of the respondents are Degree and above holders also 1% are tick other.

Therefore, they respondents would have know-how about reward and employee performance in case organization. with regard to job grade 60.2% of the employees job grade in SB 42, 22.2% of the employees job grade in SB 52, 12.2% of the employee's job grade SB61, 1.2%, and 4.3% of employee's job grade in SB 81. It can be seen that most of respondents job grade in both SB42 and SB52. Also with regard to service year 1% of the respondents served the company less than 1 year, those who worked 1 – 5 years are 52%., 6 – 10 years are 35.6%, 11 – 15 years are 5.8%, 16- 20 years are 4.6%, and those who worked 21 years and above are 1.2%. According to descriptive statistics mean result, the mean value of extrinsic reward is 3.03 and 3.54 this shows that employees in ethio telecom highly remunerated. Also according to descriptive statistics intrinsic reward and job satisfaction employees expressed their agreement towards the mean value is 2.87 and scored a minimum score for job satisfaction 2.82.

Results from Pearson's Correlation Coefficient revealed that, there is moderately strong and statistically significant relationship between all the variables with employee performance. Among employees performance determinants considered in this study, empowerment and

autonomy was the most correlated variable with the dependent variable, followed by benefit with employee performance there was also a moderate positive relationship between job satisfaction and appreciation & recognition with the dependent variable _employee performance, also relatively The lowest correlation is found between payment, job promotion & monetary bonus with employee performance. From this we can infer that, there should be a priority among determinants of employee performance considering in this study while needing to implement performance scheme in ethio telecom.

From ranking question, respondent revealed that among the reward package that the company provides from the most motivating aspect to the least motivating aspect accordingly. 1=benefit, 2= payment, 3= appreciation and recognition, 4= empowerment and autonomy, 5= monetary bonus and job satisfaction 6= job Promotion. From most respondent raveled that since the company doesn't have a design of appreciation and recognition for its employees, their motivation is significantly affected. Besides they express that both intrinsic and extrinsic reward package affect their job satisfaction. Moreover, the Fitness of the model or the power of the independent variables in explaining over all employee performance level of ethio telecom has found that the dependent variable was positively explained by the seven determinants namely payment, benefit, monetary bonus, job promotion, job satisfaction, empowerment and autonomy, appreciation and recognition which are found as significant joint predictors of employee performance.

The independent variables in this study have positive correlation with employee performance which revealed that the independent variables have positive relationship with employee performance. Furthermore, this study was to investigate the mediation role of job satisfaction between reward system and employee performance. The findings yielded in mediation analysis that job satisfaction fully mediate the relationship between the six constructs of extrinsic and intrinsic rewards, namely payment, benefit, job promotion monetary bonus empowerment and autonomy, appreciation and recognition on employee performance in ethio telecom.

Therefore, in current study revealed that perception of individual employees regarding reward system and how rewards system influence action of an individual employees. Job satisfaction statistically significant linked with employee's performance. Reward System positively influence employees' performance. Reward system positively affects the employee's performance and job satisfaction play mediating role in employee's performance. Thus, the

current study conclude that in the real life it is very necessary to rewarding system applied for higher performance and high level achievements. Analysis of the research was done in light of research questions and hypothesis proposed in the plan of the paper. Accordingly, all the five hypotheses results presented as follows.

H1: As presented in the analysis part, correlation coefficient of Intrinsic reward system $r=0.763$ $p < 0.05$ and the regression of $r=0.763$ and r square 0.583 which implies that strong relationship and effect on job satisfaction. Therefore, the hypothesis is **accepted**. This also was supported by Baylor, (2010) Findings revealed that intrinsic rewards has positive and significant relationship with job satisfaction and job performance as direct effect of intrinsic rewards on job satisfaction and job performance.

H2: Since the correlation coefficient of intrinsic reward, $r=0.763$, $p < 0.05$ and the regression of $r=0.778$ and r square 0.605 extrinsic reward which implies that high relationship and effect on job satisfaction, the hypothesis is **accepted**. It enlightened that extrinsic rewards also has positive and significant relationship with job satisfaction and job Performance as direct effect of extrinsic rewards on job satisfaction and job performance(Alsam. S., et al 2016).

H3: As presented in the analysis part, correlation coefficient of Job satisfaction $r=0.633$ $p < 0.05$ and the regression of $r=0.633$ and r square 0.401 which implies that strong relationship and effect on employee performance. Ahmad et al.,(2014) found that good compensation systems will increase the performance to high level and retain the employees in the organization for long time after examining the job satisfaction factors similarly another recently researchers also divergent the positive and significant relationship by Riasat. F., (2016). Therefore, the hypothesis is **accepted**.

H4: As presented in the analysis part, correlation coefficient of both reward system $r=0.820$ $p < 0.05$ and the regression of $r=0.820$ and r square 0.673 which implies have a strong relationship and effect on employee performance. It advanced that extrinsic rewards also has positive and significant relationship with job satisfaction and job performance as direct effect of extrinsic rewards on job satisfaction and job performance Thus, the hypothesis is accepted.

H5: As presented in the mediation analysis part, H5: = H5a, H5b H5c, hypothesize that the higher level of Job satisfaction is the higher level of employee performance. In addition,

reward system positively significantly ($\beta=0.464$, $p=0.000$) affects employee performance in ethio telecom. Overall, the regression results support the conditions for mediation to be realized. It can be situated concluded that job satisfaction mediates the connection between rewards on employee performance. Gohari. P., et al (2013) Extant research emphasized on relationships between job satisfaction with reward and employee performance, so this research tried to spotlight the mediating role of job satisfaction within the connection between reward and employee performance as a result the hypothesis is accepted.

Therefore of those findings are hugely supported by previous studies as previous researchers. Findings revealed that intrinsic rewards has positive and significant relationship with job satisfaction and job performance as direct effect of intrinsic rewards on job satisfaction and job performance. Moreover total effects are greater than direct effects which indicated that rewards system positively and significantly mediate the relationship between intrinsic rewards, job satisfaction and job performance and supported also enlightened that extrinsic rewards also has positive and significant relationship with job satisfaction and job performance as direct effect of extrinsic rewards on job satisfaction and job performance findings proved that rewards system also partially mediate the connection between extrinsic rewards, job satisfaction and job performance supported by Latif et al. (2013)., Baylor, K. (2010)., Ahmad, R., (2014)., Ahmad et al. (2014) ., Riasat. F., (2016)., Gohari. P., et al (2013).

Chapter Five

Conclusion and Recommendation

5.1 Conclusion

The purpose of the study was to examine Effect of reward system on Employees' Performance: A Mediating Role of Job Satisfaction and based on our model the analysis was conducted using different statistical techniques (descriptive, correlation, regression, multiple regression and mediating analysis). Therefore based on the analysis made, the following conclusions were drawn:

The organization has varied sorts of reward system like extrinsic rewards (payment, monetary bonus, Job promotion, incentive and benefit) and intrinsic rewards (EMA, autonomy, appreciation and recognition). Both Extrinsic and Intrinsic reward has significant and positive relationship with employee's performance and their satisfaction. However, except payment and benefit practices which are rated as quite average by employees the remainder of job promotion, bonus, Appreciation of the work done, recognition and empowerment and autonomy are rated poorly within the organization.

The research indicated that organization offer Extrinsic rewards in sort of salary, bonus, incentives and allowances. The workers are strongly satisfied with the amount of those rewards. However the workers are sensibly satisfied with intrinsic rewards (praise from their bosses, formal and informal recognition, and work autonomy) because these rewards aren't frequently utilized in this organization. On the Intrinsic rewards, the bulk of the workers are less satisfied with recognition given and there's absence of praise within the work place as only few employees experienced praise rewards. This involves implementation intrinsic reward system within the organization. Therefore, the presence of intrinsic rewards like praise, empowerment and autonomy, employee recognition and appreciation motivates employees and subsequently improves their work performance.

The research also revealed that the extent of job satisfaction play a big effect of their performance. Furthermore management must understand the factors that results into dissatisfaction with rock bottom score. Thus, little things have a way greater impact on satisfying and motivating employees for higher performance than extrinsic rewards and their impact got to be recognized within the work environment. From the results of this study, it are often concluded that reward system matters tons, not only but also job satisfaction and

will be a priority of the organization and employees in ethio telecom. The results of this study indicated that workers place an excellent value on different rewards given to them by their employees. the present system within the ethio telecom isn't sufficient enough to consistently satisfy employees. With reference to Empirical review ,the findings of the study is according to the previous studies which, Ranjan and Mishra (2017),Gungor (2011),Singh and Fisseha (2018), Erbas and Arat (2012),Fay and Thompson, (2001),have investigated empirically the connection between reward system on employee performance effect.

They mentioned that some theories predict that the practice of a gift system affects the work satisfaction and employees. The results of their study bring out a positive relationship between the perceived features of the reward system and extrinsic motivation and intrinsic motivation as a gift to extend employees' satisfaction and performance. Consistent with their findings similar with the results of this study, employee performance is suffering from both extrinsic and intrinsic reward through a mediator role of job satisfaction.

With reference to the mediation analysis the study reviled that Job satisfaction mediate the connection between the predictors except job Promotion was significantly mediate the consequences of reward system on employee performance, therefore its concluded that the extent of job satisfaction will determine how a private react to those predictors.

5.2 Recommendation

The main purpose of any organization is to achieve the higher performance which could only be possible by employee's job satisfaction and organizational performance. Rewards system is also very crucial in any organization, for best employee performance and employee satisfaction. According to this research paper and researchers there is positive relationship of rewards (intrinsic and extrinsic) on employee performance and job satisfaction. Administration must keep the balance between the intrinsic and extrinsic rewards to induce superior yield from representatives. The study provides some recommendations:

- Salary increase or promotion should be regularly considered to reward good performance. Conversely, different forms of support should also be announced and used frequently, including verbal support, letters of recognition for workers who best in their performance, and building an environment where good service generates self - motivation for the employees the organization management should also initiate mechanisms to improve communication amongst workers in different units by developing a better communication system.
- The reward system must be balanced to satisfy employees an employee who is satisfied with his job would perform his duties well and be committed to his job, and subsequently to his organization. Thus, it is of greatest reputation for employers to know the influences that can affect their employees' job satisfaction level

In addition, for the success of any organization, it is essential that the human resources of that organization are treated well and most importantly are satisfied. A satisfied employee is not only productive but serves to be a great asset for an organization. Organizational performance is not limited to just the financial performance but also includes the market performance, if all the components of the organization work together. In start up to bring all these components together, the workers play a major part.

- It is, therefore, necessary to satisfy and reward them in balanced way so they can enhance not only their performance but also the organizational performance.
- Finally, the management should work on a reward mechanism that detects and selects the best performing employees to receive the listed rewards; this will bring a sense of competition for a better outcome.

5.3. Limitation of the study

This study faced some confines. First, researcher's lack of well-developed prior experience in conducting systematized research. The next major problem was lack of attentiveness among the respondents to fill out questionnaires with attention and return them on time. Third Staffs were not willing to fill out questionnaires. Finally the data in this study was obtained using self-report measures, and the results may be contaminated by the variance of the common method. It would be appropriate to complement these measurements with others obtained with different methods these were the challenges that I had faced.

5.4. Future Research Directions

Future research can be enlarging this area through adding more dimensions, adding other mediator variable by using several statistical methods. The researcher believed that, there are issues remain uncovered in this study due to the scope limitation and need to be addressed in future studies to broad insights in to the subject. Furthermore this research employed only quantitative research method and reflects only employees of office, accordingly future researcher may employ mixed approach in the data type to include managerial say and document review and may consider organizational unit of analysis.

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COLLEGE OF BUSINESS AND ECONOMICS

DEPARTEMENT OF MANAGEMENT

Appendix: Survey Questionnaire

Dear Respondents,

I am Kidist Hailegebriael, a student at Addis Ababa University studying a degree of Master of Science in management specialization in innovation management and entrepreneurship. I have designed the following questionnaire for the study of Effect of reward system on Employees' Performance: A Mediating Role of Job Satisfaction; A Case Study in Ethio –Telecom. The questionnaire has three parts. Part I deals with demographic characteristics, part II about Reward system, Job satisfaction and employee performance. This study is only for academic purpose. Hence, I assured that your responses will be treated utmost confidentially. The soundness and the validity of the findings highly depend on your genuine responses. Therefore, I kindly request you to respond to each item as frankly as you can.

Instruction:-

- ❖ No need of writing your name
- ❖ Read each statements carefully
- ❖ please put your answer by using “√” sign in the corresponding boxes;
- ❖ Multiple responses are not possible.

For any problem and suggestion, contact the researcher through the following addresses:

Email: Kidd4haile21@gmail.com

Phone: **0922474452**

Thank you very much for spending your valuable time!

Appendix – A – Questionnaires

2 Demographic Characteristics

Gender

1. Male
2. Female

Marital Status

1. Single
2. Married
3. Divorced
4. Widowed

Age

1. Under 20 years
2. 21 –30 years
3. 31 – 40 years
4. 41 – 50 years
5. 51 – 60 years
6. 61 years & above

Job Classification

1. Manager
2. Senior Supervisor
3. Supervisor
4. Officer

If you are unsure, please state your occupation : _____

Educational Qualification

1. Diploma
2. Degree
3. Masters
4. PhD

Other (Please specify) _____

Job Grade

1. Sb 42
2. Sb 52
3. Sb 61
4. Sb 71
4. Sb 81

(Other? Please specify) _____

How long have you been employed at this company?

1. Less than 1 year
2. 1 year – 5 years
3. 6 years – 10 years
4. 11 years – 15 years
5. 16 years – 20 years
6. 21 years and above

I). Rewards Questionnaire

Instruction: Please tick (√) in the appropriate box for each statement based on the scale below. You may tick only one answer.

Ratings

Strongly Disagree(1) , Disagree(2), Not sure(3), Agree(4), Strongly Agree(5)

1. Regarding to Extrinsic Rewards

No.	Statements	Rating				
		1	2	3	4	5
	Payment					
1.	The pay system is clearly stated and communicated to me					
2.	The Basis of pay for performance is reasonable					
3.	My salary is satisfactory in relation to the job I do					
4.	Salary increments are decided in a fair manner					
5.	Pay scale of the organization treats each employee equitable					
6.	Performance related incentives improve my work motivation					
7.	The amount of work expected of me is reasonable with the amount of pay I received.					
	Monetary Bonuses					
8	In my organization, bonus scheme is satisfactory					
9	I receive the right amount of bonus for my work					
10	I think that bonuses are important than my salary					
11	All employees should receive equal bonuses percentage					
12	I receive annual bonuses based on the organization's achievements					
13	I am satisfied with the bonuses given by the organization					
14	All tasks to be accomplished are associated with bonuses and incentives					
	Job Promotion					

15	Promotion should be based on performance					
16	I believe there are sufficient opportunities for career growth for all employees in the organization					
17	The criteria for promotion are acceptable					
18	Staffs are promoted in a fair & honest way					
19	Everyone has equal chance to be promoted					
	Benefit					
20	There is equal treatment of each staff in the benefit policy of the organization					
21	The medical and insurance scheme are attractive					
22	I never faced problems of leave arrangements					
23	I am satisfied with the benefit I received from the organization.					

Adapted from Nadia et al., Rizwan, and Usman (2011)

2. Regarding to Intrinsic Reward

No.	Statements	Rating				
		1	2	3	4	5
	Empowerment and autonomy					
2	I have part in decision making process					
3	I have certain degree of autonomy in my work					
4	I am allowed to decide on the methods to perform my work					
5	I am independently of other when I perform my work					
	Appreciation and Recognition					
6	The management recognizes employees whose efforts make a difference					
7	I receive recognition for individual accomplishments					
8	I receive constructive criticisms about my work					
9	I get credit for what I do					
10	I am told that I am making progress					

3. Regarding to Job satisfaction

No.	Statements	Rating				
		1	2	3	4	5
1	I am satisfied with my job					
2	I find my job very interesting					
3	My current job meets my expectations					
4	I am satisfied with my salary and other incentives					
5	As soon as I can find a better job, I will leave					
6	I am satisfied my current job position					
7	I feel positive about my job and the organization					

4. Regarding to Employee Performance

No.	Statements	Rating				
		1	2	3	4	5
1	I rated the quality of my work in the last performance excellent					
2	I rated the quantity of my work in the last performance sufficient.					
3	I managed to plan my work so that it was done on time.					
4	I was able to perform my work well with minimal time and effort					
5	I often expand extra effort in carrying my job					
6	I have a complete knowledge and understanding of my tasks					
7	I complete in all areas of my job handling tasks with proficiency.					
8	I always reach my objective set (performance target).					
9	I review my performance continuously for improvement					
10	I have the required skills to perform my task					
11	I have the required level of motivation to perform the tasks					
12	I do my job independently					
13	I perform my work well to the expected standards					
14	I could manage more responsibilities in my job than typically assigned to me.					
15	I feel I appear suitable for a higher level role					

Adopted from Onyango, 2014

Thank You

Please check to make sure that you have not missed any questions.

Appendix B



CORPORATE ORGANIZATIONAL STRUCTURE

