



**THE IMPACT OF REWARD MANAGEMENT SYSTEM ON EMPLOYEE
PERFORMANCE THE CASE OF ETHIOPIAN ELECTRIC UTILITY (EEU)**

**A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE
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HUMAN RESOURCE MANAGEMENT (MAHRM).**

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DEDICATION

This thesis work is dedicated to my dear family for their unconditional support and prayer towards a successful completion of this work. The work is also dedicated to my colleagues.

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LIST OF ABBREVIATIONS

EEU	Ethiopian Electric Utility
SPSS	Statistical Package for Social Science

ABSTRACT

Employees are the main assets of any organization. The successes or Failure of the organization mostly depends on their employees. To be successful organizations should have a well-designed reward management system that leads to the best achievement on the output of employees and also on the performance of the organization as a whole. This study seeks to examine the relationship between rewards and employee performance. The research gathered data from two main sources namely secondary and primary sources. The main techniques employed in gathering the primary data were questionnaire survey. A total of 133 questionnaires were distributed to employees of the EEU Eastern Addis Ababa Region office and a total of 103 employees completed the questionnaire properly. The result indicate that there is a statistical significant relationship between Reward Management and Employee Performance. Majority of respondents indicated that the current reward system of EEU do not stimulates or encourages them to work hard. Therefore, Respondents recommended improving the reward system to initiate employees to work hard by offering more incentives or paid more to increase competitiveness within and outside the organization.

Keywords: employee performance; reward Management

CHAPTER ONE

Introduction

1.1 Background of the Study

Employees are the key resources for any organization. The success or failure of the organization mostly depends on their employees. To be successful or to get a well performed tasks or achieving the desired goals of the company, Employees will be motivated, attracted and retained in the organization. The key tools or instruments for these are reward management systems of the Organization. Desired performance can only be achieved efficiently and effectively, if employee gets a sense of mutual gain of organization as well as of himself, with the attainment of that defined target or goal. Organization must carefully set the rewards system to evaluate the employee's performance at all levels and rewarding them whether visible pay for performance of invisible satisfaction. The concept of performance management has given a reward system which contains; needs and goals alignment between organization and employees, rewarding employee both extrinsically and intrinsically(Armstrong, 2005)..

Half of the cash flow in the companies is usually equal to compensation, although it is more than half in service sector. Mostly employees with good education and work experience are unsatisfied with their job and salary packages as a result of low performance are inevitable. So organizations plan thoroughly for best reward plans for them to improve and encourage their employee's performance and to motivate them. In other words I can say that rewards motivate employees for better performance. If employees are paid well and earn satisfactory benefits, they feel happier at their work places and perform at their maximum. As a result we can conclude that good reward packages are motivating employee's for a better performance (Maund, 2001).

Let us see the impacts of reward on employee's performance by backing it up with different globally accepted research studies.

Reward is concerned with employees and organization performance development through which better result can be achieved by understanding and managing reward within an agreed framework, planned goals, and standard and competency requirements (Armstrong, 2005).

Reward systems are very crucial for an organization (Maund, 2001). Rewards include systems, programs and practices that influence the actions of people. The purpose of reward systems is to

provide a systematic way to deliver positive consequences. The only way employees fulfill the employers dream is to share in their dream (Kotelnikov,2010). Reward systems are the mechanisms that make this happen. They can include awards and other forms of recognition, promotions, Re-assignments, non-monetary bonuses like vacations or simply thank you. When employees are rewarded, they do better. Employers get more of the performance they reward, not what they assume they will automatically get from employees. Thus when employees surpass their target or exceed their standard they should be rewarded immediately as a way of motivating them. By doing this, employees directly connect the reward with behavior and higher performance they have attained. Effective reward systems should always focus on the positive reinforcements for employee performance. Positive reinforcement encourages the desired behavior of employee performance. Positive reinforcement encourages employees to take positive actions leading to rewards. Reward management programs should be properly designed in the organization so as to reinforce positive behavior which leads to better employee performance. (Torrington & Hall, 2006).

Human Resource Managers focused on ‘reward’ as the key to raising employee morale. Successful employees got certificates and they really felt appreciated. As a result, the firm had given good performance and industry observers felt that its performance management and reward system was responsible for this.. (Torrington & Hall, 2006).

1.2 Background of the Organization

Power development was introduced in Ethiopia as early as 1950s, and since then the Ethiopian electric power sector has served over 55 years. During these times, three landmark stages have passed to reach at the current status of the sector.

In early days (1958) the sector had been organized in a vertically integrated structure, vested with both operator and regulatory mandates, and it was named as the “Ethiopian Electric Light & Power Authority”. It was managed by a general manager leading five departments, namely Operations, Engineering, Planning, Finance and Administration, and Services.

In the second development stage (1996), the sector changed to accommodate the then new economic policy of the country, and the former Ethiopian Electric Light & Power Authority was restructured as a corporation and was named as the “Ethiopian Electric Power Corporation,”

which was responsible for generating, transmitting, distributing and selling electric power to the public in a commercially viable system as an operator; and then the Ethiopian Electric Agency was established as a regulator. This stage was marked by the segregation of the duties of the regulators and operators. In addition, the company had to support the government's rural electrification program, which is based on equitable availability of electric power to the rural mass population.

In the third development stage (2013), the fast double-digit economic growth the country, regional interconnection and the growth the sector itself – in service area, customer's size, finance, and human capital, etc. – demanded further restructuring of the vertically integrated Ethiopian Electric Power Corporation into two legally unbundled state-owned enterprises, namely the Ethiopian Electric Utility (EEU) and Ethiopian Electric Power (EEP).

The Government of Ethiopia recognized the key role that power sector plays in the economic and social development and growth of the country and has best owed top priority to the sector and for its expansion.

The Ethiopian Electric Utility (EEU) as public utility enterprise was established for indefinite duration by regulation No. 303/2006, and conferred with the powers and duties of the previous Ethiopian Electric Power Corporation in terms of Distributing and selling electrical energy.

So the purpose of the company is to engage in the business of distributing and selling electrical energy in accordance with economic and social development policies and priorities of the government and to carry out any other related activities that would enable it achieve its purpose **EEU**, when starting its operation had 12,172 employees. Of this 10,168 are male and 2004 are female. The head office of this company is Piasa, Degol Square Addis Ababa Ethiopia.

The references for the above background of the organization are the following published and unpublished agreements and Electronic sources

EEU, (2008) Labor Union agreement documents

EEU, (2007): Performance Appraisal Procedure: unpublished

EEU, (2008): Performance Management Policy: unpublished

EEU, (2007): Performance reward and corrective action Procedure: unpublished

1.3 Problem Statement

There is a strong a need for organization to be in a position of understanding appropriate rewarding system that motivates their employees for higher organization performance (Vance 2012). In Ethiopia various reward packages are used and these involve monetary (extrinsic) and non-monetary (intrinsic) rewards.

For example, in the context of monetary reward salary increase is sought to be highly essential for employees' satisfaction (URT, 2010). However, little is known in Ethiopia about the effect of other reward tools on employee and organization performance.

Several studies on reward systems and work/employee performance have conducted, in various countries of the world for example in Pakistan cement industry (Quresh, Zaman and Shah, 2010), Nigerian manufacturing industry (Sajuyigbe, Bosede and Adeyemi, 2013), Bangladesh commercial banks (Aktar, Sachu& Ali, 2012) and Malaysian universities (Jalaini et al., 2013).

These studies indicated that in today's environment, employees including EEU are motivated by both intrinsic (internal) and extrinsic (external) rewards for greater work/employees performance and that none of the two sets of reward systems should be overlooked by managers when motivating employees for higher performance. Other studies such as Ajila and Abiola (2004) revealed that reward package can influence on employee performance. Base on their findings they concluded that reward system helps to increase employee performance by enhancing employee skills, knowledge and abilities in order to achieve organizational objectives. According to the Allen and Kilmann (2001), reward practices play a vital role in improving employee performance and to achieve organizational goals. As mentioned earlier, many researchers have identified that employee rewards directly attach to employee performance. According to the available literature (Eisenberger, 2011: Heng ,2012), they identify, if organization fails to reward employees, it will directly affect to decrease employee performance and an efficient reward system can be a good motivator but an inefficient reward system can lead to demotivate the employees and leads low productivity. Thus, organization needs to develop strategic reward system for employees in order to retain competent employees which result to obtain sustainable competitive advantage. This research was intended to fill this gap. Therefore this study is conducted to examine and investigating to what extent does employee rewards have an impact on employee performance in EEU?.

1.4 Research Question

To determine the factors that influence the relationship between rewards and performance of employees, the study will attempt to answer the following research questions:-

1. To what extent does the reward management system influence the employee performance?
2. Does EEU reward management system motivate employees to perform their best?
3. Does the reward management system of EEU satisfactory and performance based?

1.5 Objectives of the Study

1.5.1 General objective

The general objective of this study is to examine and explaining the impact of rewards on the employee performance in EEU Eastern Addis Ababa region

1.5.2 Specific objectives

1. To identify the relationship between rewards and employee performance in EEU
2. To assess the effectiveness of existing reward system
3. To show the extent to which reward enhances employees performance
4. To examine reward management system of EEU is motivate employees or not
5. To study the overall relationship between reward and employees performance.

1.6 Scope of the Study

This study is limited in Eastern Addis Ababa Region offices of the company (EEU) found in Addis Ababa yeka sub city in front of kotebe steel factory only from all regions of the company and other government organizations. The variables covered by this proposal were reward management system and employee performance only. But other variables that affect performance are not covered, such as external factors; technological factors and organizational culture that affects the employee performance are not covered

1.7 Significance of the Study

Rewards play important role in success and failure of organization. Employees don't work for free. Rewards are important for employees because people work only for rewards. Organizations provide rewards to their personnel in order to try to motivate their performance and encourage their loyalty and retention. Organization rewards take a number of different forms including money (salary, bonuses, and incentive pay), recognition and task autonomy. Therefore, this study tries to cover factors that determine the performance of employees in EEU Eastern Addis Ababa Region employees. The study proposed important recommendations and strategies for improving the performance of employees.

Moreover, the finding of this study will be beneficial to the stakeholders including:

a) Academician/Researchers

The findings of this study will assist academicians in broadening of the prospectus with respect to this study hence providing a deeper understanding of the determinant factors that affect employees' performance.

b) For EEU the findings of this study will help the human resource management of the organization and others, within an insight in to the benefits of using different factors that would be studied in this research to predict the factors that affect the performance of employees and design remedial actions to exploit their better performance.

Finally, the information produced from this study will be expected to provide some value for decision and Policy makers with respect to determinants factors for employees 'performance.

1.8 Limitation of the Study

The major limitation of this study were failure to address all factors that affect the performance of employees and failure to include employees working at other regional offices due to time constraints.

1.9. Definition of terms

Operational Definitions

- Reward: a formal, impartial and equitable exchange. A material or financial expression of appreciation that is conditional on results. It is an independent variable that affects the performance of employees and measures how to affect is based on the data that were collected.
- Employee performance: it is a dependent variable of this research the way how to measure is also based on the data that were collected from the research questions by using different testing instruments

1.10 Organization of the Study

The research paper was organized into five chapters. First chapter is introduction; this includes back ground of the study, problem statement, objective of the study, research questions, significance of the study, Scope of the study, Limitation of the study, definition of terms and organization of the study. Second chapter includes related theoretical and empirical literatures discussed. Chapter three includes the methods of the study which encompasses description of the study, research approach, research design, population and sample, data source and types, procedures of data collection, ethical considerations and methods of data analysis. Fourth chapter; this part of the study presents data analysis and presentation of the main findings of the study. Fifth chapter: this section contains summary, conclusion and recommendation based on the major findings of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Introduction

This chapter provides a review of pertinent literature in relation to the management of reward and how it influences employee performance. It was review works by other researchers on how managing the components of reward influence performance. I was look at various definitions of reward and how it influences the performance of employees. In this review I am going to explore various works related to the study area on the relationship between reward packages and their management attempt to establish a relationship between rewardand the work output of employees.

2.1 The Concepts of Reward

Reward means a thing given to any one because of his contribution to organization. Rewards and incentives contribute to strategy implementation by shaping individual behavior in the organization. A well design reward system is consistent with organizational goals, visions, missions and job performance. The most obvious reward that individual gets from the job is in the form of pay.The Concept of Reward Management Steel and MacDonnell (2012) recently deliberated about the behaviors that contribute to the success of the organization. These behaviors could be managed by using the traditional concept of “The carrot and the stick”, Using this concept in a business setting means offering or removal of the reward. Organizations now days are extensively focused on the management of reward practices as at times these are not as worthwhile as anticipated. Organizations are challenged by high turnover issues of their employees. That is why researchers believe it to be tough for the organizations to attain competitive advantage in the absence of less effective reward policy (Kwenin, Muathe, & Nzulwa, 2013). Keeping in view the implications of reward Steel and MacDonnell (2012) upraised questions about the terms; reward, reward management, and factors behind the effectiveness of the reward policy.

Reward management is a concept that conveys the signal to the employees that are being appreciated in the organization (Shoaib, Noor, Tirmizi, & Bashir, 2009). Armstrong and Taylor (2014b)in his seminal work designated that “reward management deals with the strategies, policies and processes required to safeguard that the value of people and the contribution they

make to achieving organizational, departmental and team goals is recognized and rewarded”. Whilst discussing the characteristics of reward management Armstrong indicated that reward management includes developmental and application relating areas of reward system that is a mean to achieve organizational targets. Similarly, Bratton and Gold (2001) mentioned that reward management is “central to the regulation of the employment relationship and is one of the central pillars of human resource management”. Armstrong and Stephens (2005) in a different study added to the meaning of reward management by signifying that the ultimate aim of reward management is to enable organization to achieve its strategic goals,

Generally reward practices enable organization to answer two questions, (i) where do we want our reward practices to be in a few years’ time? & (ii) how do we intend to get there? (Armstrong & Stephens,2005). Similarly (Armstrong & Brown, 2001) suggested that reward management of an organization “deals with both ends and means”. Putting simply acomprehensive reward strategy defines the purposes of the reward programs, their components, and how they allied to accomplish organizational objectives. Kaplan (2007) in the same vein came up with the ability of reward strategy to define the philosophy behind the programs, which as a result offers the basis for future plan design. Armstrong and Murlis (2007) earlier arguments appear in line with the recent description of reward strategy, he mentioned that “a business-focused statement of the intention of the organization concerning the development of future reward processes and practices which are aligned to the business and human resource strategies of the organization, its culture, and environment in which it operates”. That is why Wilson (2003) regards reward strategies as a process by which an organization interprets its competitive business strategy into a sequence of programs and initiatives that will have an encouraging influence on human behavior. Despite of all of these benefits reward strategy is a mind boggling concept.

Non-financial Rewards Researchers like Daniel (2009) showed their apprehensions about financial rewards. Polemics of financial rewards pointed towards the negative effect of financial rewards like decrease in intrinsic motivation as it can cause short term thinking and more frauds (Morrell, 2011). Morrell (2011)additional added that significance of both financial and non-financial rewards are imperative as there are diverse jobs in the industry where one kind of reward does not accomplish the purpose. Therefore, with the passage of time the prominence of

non-financial rewards (also called relational, intangible, and/or non-monetary) is increasing. The early findings of Drucker Peter (1954) about the significance of rewards are consistent with (Ryan & Deci, 2000). Drucker Peter (1954) suggested that workers or managers, in business or outside needs reward for pride and prestige. Further upheld that financial benefits are not single major sources of optimistic motivation even though dissatisfaction with them inhibits performance conversely, nonfinancial incentives cannot compensate for displeasure with economic rewards (Drucker Peter, 1954).

Whilst proposing ingredients of effective performance Jensen, McMullen, and Stark (2007) regards non-financial rewards as crucial in helping an organization stand out as a top employer, and also have the dual impact of increasing engagement among employees. Similarly, Brewster and Mayrhofer (2012) highlighted the importance of nonfinancial rewards by revealing their role in the enhancement of job satisfaction of employee's, their commitment and performance. Scott, Yeld, & Hendry, (2007) termed non-financial rewards as a vehicle to develop the value of reward programs to justify significance employees give to non-financial rewards. The CIPD (2011) research indicated that employees give more importance to non-financial rewards when determining where to work and the level of commitment to give to their work. Similarly, Fagbenle, Adeyemi, and Adesanya (2004) survey revealed that "Application of non-financial incentive schemes increases the productive time of bricklayers and consequently enhances productivity. These schemes increased the output from 6 to 26% and concreting activities measured on site (p. 907).

Despite of its significance, implementation of non-financial rewards are more difficult. Armstrong (2010) recently briefed that it is not a matter of announcing 'quick-fix' initiatives. In reality it appears to be a challenge for organizations to develop effective methodologies to measure the cost of non-financial rewards (Deloitte Consulting, 2008). The following paragraphs explain different categories of rewards that lie in the domain of non-financial reward.

The success of organization at times hinge on the fine alignment between the organizational goals and that of employees' individual goals. Gandossy and Kao (2004) regard career opportunities as one of the factors of employee retention. Similarly, Day, Sammons, Stobart, and Kington (2007) confirm that for an employee the chance to develop and grow as part of his/her

job is a factor that can satisfy and retain them for longer period of time. That is why, employees stay in those organizations that invest in their employee development and make them a part of the vision for the future. The recent survey conducted by Scott et al. (2007) confirmed employee's preference of career development opportunities as the focal purpose behind their decision to stay in the same organization for longer period of time. The absence of proper career development plan pushed organizations to offer high pay and benefit packages to attract and retain employees compared to organizations with attractive career development plans. The presence of effective developmental plan shows greater value an organization gives to its employees, absence of which could lead to frustrated work force searching for alternative job opportunities. (Mercer & Reilly, 2006).

Apart from offering career development another kind of nonfinancial benefit that organization use is opportunities of learning and training (Yeo & Li, 2011). The organization learning and training opportunities depicts high importance and value for employees which results in their job satisfaction, commitment, and devotion (Mercer & Reilly, 2006). In today's dynamic world there is a need to regularly improve reward investment (Mercer & Reilly, 2006). Furthermore, many organizations who invest in their employees consider their learning and training practices more strategically as a means of ensuring that they have the required skills and knowledge. Researchers agree on the notion that employees give prominence to learning new skills to make them more competitive and to exploit future opportunities whether within the organization or outside Armstrong (2010).

The skill enhancement can be done in variety of ways ranging from offering training about the new technology, virtual education, corporate universities, assistance with tuition, assistance with outside seminars and conferences, or educational sabbaticals (Zingheim & Schuster, 2008). Review of literature highlighted that training at times can be the reason of high turnover as general training puts employees in a position where they can avail more opportunities than otherwise. Although the above described non-financial contributes towards overall satisfaction and retention of employees the needs of the modern world seeks the answer to questions; Are these rewards enough? Employees now days have to deal with additional responsibilities which require them to bring balance between work and life which emerged as a major issue. By way of illustration the adoption of flexible working hours strategies by leading businesses like Google

highlighted the need to look for organization that facilitate their employees to achieve work-life balance. An employee with occupied mind is less beneficial for organization than the one who can contribute at the peak of its attention. For example (Blades & Fondas, 2010) study affirmed that 66% of the respondent organizations offer flexible programs which helped them increase employee's engagement. Whereas, 64% acknowledged employee's retention, and about 49% experienced enhanced employee's recruitment.

Researchers maintained that Work-Life balance includes programs which make it easier for employees to get their job done while balancing personal and family needs (Giancola, 2009). In response to such balance makes an organization a best place to work, increasing employees' preferences to stay, and/or praise the organization to other people. Similarly, it enhances performance, minimizes costs associated with absenteeism and turnover, and contributes significantly to job satisfaction. (Heneman III & Milanowski, 20

2.2 Definition of Reward

Reward can be described as monetary or non-monetary terms. The Journal of Global Business and Economics (2010) defines reward as "the combination of all cash incentives and the fringe benefits mix that an employee received from a company which constitutes an individual's total reward. Nguithomaskatuaat (2014) study that reward have major influence on the function of the organizations by using SPSS and MS Excel and conclude that reward systems have an important effect on the performance of company employee. According to Muhammed Ramzan, Ghazanfar Ali, Hafiz M. Kashif Zubair and Muhammad Arslan, In 2014, the effect of reward on employee performance by using SPSS gather the result that reward has significance effects on employee Performance. Omoayo Adewale et al (2014) analyze the impact of reward system on the job performance of employees and work on only preferred private institutes in Ogun State, South-West Nigeria by using questionnaire. He found that institutes which have more appropriate reward packages embed an affirmative effect on employee's performance. Therefore the performance of employee become high and they sincere with their job and stay in organization. Muhammadriaz (2014) studied the impact of reward of employee performance on organization commitment on the performance of employee, by using SPSS as a statically tool and concluded that reward in the form of incentives, salaries will perform an important part to enhance motivation of employees.

Reward also includes payments such as bonuses, profit sharing, overtime pay, recognition rewards and sales commission. It can also include non-monetary perks such as a company-paid car, stock options in certain instances, company-paid housing, and other non-monetary, but taxable income items.

Reward management is a general policy, designed to help an organization maximize the returns on available talent. The ultimate goal is to reward the right people to the greatest extent for the most relevant reasons.

Reward systems, also known as pay systems refer to the scheme by which rewards are distributed to an employee (Barr 1998). According to (Thomas, 1998) the typical compensation package includes two basic components: direct pay and indirect pay or benefits. Compensation systems vary across organizations. Gerhart and Milkovich (1988, p. 12) suggested that “employers tend to distinguish among themselves through differences in the contingency of reward.”

Scholars have argued that Reward systems provide outsiders with information about less visible organizational characteristics (Gerhart and Milkovich, 1990) and therefore, they might signal to a job applicant what an organization’s culture, norms, and values are like (Rynes and Barber, 1990). It is further suggested by Rynes (1987, p.190) that “compensation systems are capable of attracting (or repelling) the right kind of people because they communicate so much about an organization’s philosophy, values, and practices.” Organizations could therefore take another look at their reward packages and redesign them to attract those candidates on the job market who they think are very skilled and can help them reach their goals.

2.3 Employee Performance

Employee performance in the organizational context, performance is usually defined as the extent to which an organizational member contributes to achieving the goals of the organization. Employees are a primary source of competitive advantage in service-oriented organizations (Luthans and Stajkovic, 1999; Pfeffer, 1994). In addition, a commitment performance approach views employees as resources or assets, and values their voice. Employee performance plays an important role for organizational performance. Employee performance is originally what an employee does or does not do. Performance of employees could include: quantity of output, quality of output, timeliness of output, presence at work, cooperativeness(Güngör, 2011). Macky and Johnson pointed that improved individual employee performance could improve

organizational performance as well. From Deadrick and Gardner's (1997) points, employee performance could be defined as the record of outcomes achieved, for each job function, during a specified period of time. If viewed in this way, performance is represented as a distribution of outcomes achieved, and performance could be measured by using a variety of parameters which describe an employee's pattern of performance over time. On the other hand, Darden and Bab in (1994) said employee's performance is a rating system used in many corporations to decide the abilities and output of an employee. Good employee performance has been linked with increased consumer perception of service quality, while poor employee performance has been linked with increased customer complaints and brand switching. To conclude, employee performance could be simply understood as the related activities expected of a worker and how well those activities were executed. Then, many business personnel directors assess the employee performance of each staff member on an annual or quarterly basis in order to help employees identify suggested areas for improvement.

2.4 What is Reward Management?

Reward management refers to a company's overall strategy for its payment and reward system for its employees. Rewards from a company can be both monetary and non-monetary. A properly implemented reward management system is generally an important factor in the recruitment and retaining of talented employees. Reward management can encompass salary, bonus pay, benefits, and performance management. A clear reward system within a company also can help motivate existing employees to improve their performance. Positive recognition for their work can help improve both performance and morale in employees, leading to higher productivity. Reward policies also should be clearly communicated to employees to ensure they are understood and implemented.

2.5. The Purpose of Reward Management

According to Armstrong & Stephens,(2005) said that “The purposes of reward management are : reward people according to the value they create, align reward practices with business goals and with employee values and needs, reward the right things to convey the right message about what is important in terms of behaviors and outcomes, help to attract and retain the high-quality people the organization needs, motivate people and obtain their engagement and commitment and develop a high-performance culture.” From my personal observation for the above aim of

reward, most of them are not applicable on the company. The aims of reward management are achieved by developing and implementing strategies, policies, processes and practices that are founded on a philosophy, operate in accordance with the principles of distributive and natural justice, function fairly, equitably, consistently and transparently, are aligned to the business strategy, fit the context and culture of the organization, are fit for purpose and help to develop a high-performance culture.

2.6. The Reward System

There are different types of approaches in rewarding employees. This approaches to achieving the reward management system. According to (Armstrong & Stephens, 2005, P.8) consists of:

1. Reward strategies, which set out what the organization intends to do in the longer term to develop and implement reward policies, practices, processes and procedures that will further the achievement of its business goals. For example, an organization may have a strategy to maintain competitive rates of pay.
2. Reward policies, which set guidelines for decision making and action. For example, an organization may have a policy that sets the levels of pay in the organization compared with median market rates.
3. Reward practices, which consist of the grade and pay structures, techniques such as job evaluation, and schemes such as contingent pay used to implement reward strategy and policy. For example, the policy on pay levels will lead to the practice of collecting and analyzing market rate data, and making pay adjustments that reflect market rates of increase.
4. Reward processes, which consist of the ways in which policies are implemented and practices carried out, for example the way in which the outcomes of surveys are applied and how managers manage the pay adjustment and review process.
5. Reward procedures, which are operated in order to maintain the system and to ensure that it operates efficiently and flexibly and provides value for money. For example, a procedure will be used for conducting the annual pay review

2.7. The Significance Impact of Reward Management on Employee Performance

According to Baker (2002) the output or performance of an employee is a combination of effort, ability and an error margin, providing for all uncontrollable factors, at least from the employee's perspective. He stated that given the employee's private information, the employer must depend

on performance measures in order to estimate the effort the employee has put in. Performance measures are selected based on (a) strategically related to the organizations goal and, (b) controllability by the employee as proposed by Baker (2002). The performance measure is used to evaluate the performance of the employee, which forms the basis for determining the amount of variable monetary compensation an employee will receive and for making career decisions.

According to Baker fixed compensation, as opposed to variable compensation, does not induce effort and its role is limited to attract and motivate. In practice, completely fixed compensation that is totally unrelated to performance is extremely rare, for instance, the probability of being fired creates an incentive to perform. Baker again identified two forms of fixed compensation as primary compensation and secondary compensation. In the primary compensation, he stated that it consists of monetary payments for employees whereas in the secondary compensation, the non-monetary benefits such as a company car, cell phone and pension benefits.

Within the cognitive evaluation theory, the controlling and informing elements of a reward system are expected to have an effect not only on performance but on motivation as well (Frey 1997). Employees perceive controllability and the controlling element of the reward system as two opposite sides of the same coin. The need for self-determination is the foundation for this dimension (Ryan 1985). An employee, who is involved in determining the performance measures that are used in an incentive program, will perceive the performance measurement itself as less controlling. This is in line with the cognitive evaluation theory where the informing and controlling elements are proxies for the possibilities of self-determination of the employees. Although the underlying theoretical concepts are different for the cognitive evaluation theory and the agency theory, the expected relationship between control (self-determination) and motivation to influence performance is similar.

Reward combines with effort, ability and with external circumstances to determine actual performance. Looking at it from the other way around, one could infer that managing a reward system effectively has the potential to motivate employees to improve their effort and ability to perform desirably. How motivated an employee is to perform can be measured by the amount of effort the employee demonstrates in the performance of their job.

From the discussions above two types of compensation have been identified which are direct and indirect compensation. The two put together will determine the total compensation and therefore,

both types must be taken into account in the analysis for the optimal amount of effort that can be reached regarding employee

2.8. What are the reward Packages?

According to Dessler (2011), reward can be divided into 2 forms- Direct and indirect reward.

2.8.1 Direct reward

He explained that direct reward is usually limited to the direct cash benefits that the employees receive on weekly, monthly or yearly basis for the services they render as employees of a particular organization. It could be in the form of bonus or other benefits of reward, where employees of the organization are given the opportunity to own shares in the organization they work for and at the end of every year they have the opportunity again to gain some dividend in the form of equity on their shares.

2.8.2 Indirect reward

The other reward package is indirect. According to Dessler (2011) refers to In-direct reward as the indirect financial and non-financial payments employees receive for continuing their employment with the company which are an important part of every employee's reward. Other terminology such as fringe benefits, employee services, supplementary reward and supplementary pay are used. According to Armstrong (2009) In-direct reward or Employee benefits are elements of remuneration given in addition to the various forms of cash payments. They also include items that are not strictly remuneration such as annual holidays. Management uses it ostensibly to facilitate its recruitment effort or influence the potential of employees coming to work for a company, influence their stay or create greater commitment, raise morale, reduce absenteeism in general and improve the strength of the organization by instituting a comprehensive program in this area (Noe et al. 1996).

According to Chhabra (2001), Indirect or Supplementary reward involves 'fringe benefits' offered through several employee services and benefits such as housing, subsidized food, medical aid, crèche and so on. It involves rewards provided by organizations to employees for their membership, attendance or participation in the organization. Because of the increasing costs of fringe benefits, some people also label them as 'hidden payroll'. The basic purpose of fringe benefits or supplementary reward is to attract and maintain efficient human resources and to

motivate them. From the above literature, it can however be deduced that most researchers who have considered work in this field agree on the definition of the term reward and also agree on the types of reward being considered by this review. Some have also classified reward into fixed and variable reward. These are terms that relate to the concept of direct and indirect reward; also sometimes referred to as primary and secondary reward.

Byars and Rue (2008) mentioned the following as some of the more popular indirect reward offered by today's organizations. These are as follows below.

a. Holiday payments:

These comprise holidays such as Christmas Day, New Year's Day, Independence Day, Labor Day, Arefa, Mewulidetc and Casual leave days can also be considered in this category as holiday payments by at the discretion of the employer and the request of the employee.

b. Insurance coverage reward:

This is meant to protect employees from loss of income and to cover extra expenses associated with job-related injuries or illness. The laws generally provides for replacement of lost income, medical expenses, rehabilitation of some sort, death benefits to survivors, and lump-sum disability payments.

c. Social Security:

According to law, both employer and employee must pay into the system, and a certain percentage of the employee's salary is paid up to a maximum limit. How much is paid by employer and employee is calculated on the average monthly wage (weighted toward the later years). It is provided mainly to give financial security to employees during their retirement.

d. Vacation payments:

Typically, an employee must meet a certain length-of –service requirement before becoming eligible for paid vacation. Also, the time allowed for paid vacations generally depends on the employee's length of service. Unlike holiday policies that usually affect everyone in the same manner, vacation policies may differ among categories of employees. Most organizations allow employees to take vacation by the day or week but not in units of less than a day. Organizations may offer a wide range of additional benefits, including food services, exercise facilities, health and first-aid services, financial and legal advice, and purchase discounts in addition to the major benefits previously discussed to motivate employees.

2.9. The relation-ship between reward and employee performance

It has been found that there is a significant relationship between reward and employee's organizational performance (Shin-Rong and Chin-Wei, 2012). For example, Mayson and Barret(2006) found that a firm's ability to attract, motivate and retain employees by offering competitive salaries and appropriate rewards is linked to firm performance and growth. On the other hand, Inés and Pedro (2011) found that the reward system used for the sales people has significant effects on individual salesperson performance and sales organization effectiveness. Therefore, to be competitive in the global business environment, many companies today are attempting to identify innovative reward strategies that are directly linked to improving organizational performance (Denis and Michel 2011).

According to Nebeker et al. (2001),“Customer's satisfaction and organizations performance is the result of its employee's satisfaction”.Manyresearches prove a positive relationship between reward and employee performance.

Performance-based reward is the dominant human Resource practice that firms use to evaluate and reward employees' efforts (Collins and Clark, 2003). Evidently, performance-based reward has a more positive effect upon employee and organizational performance. Firms that were rapid-growth oriented provided their employees financial incentives and stock options as part of their reward packages. In doing so, firms managed to elicit high levels of performance from employees, provide employees feeling that they have an ownership interest in the firm which is a key intheattraction and retaining of high-quality employees, and shift a portion of a firm's business risk to the employees. Cho et al. (2005) suggested that incentive plans play the leading role to increase performance rates

2.10. Problems associated with reward management

The main problem of reward management in different organization is lack of employee participation in the reward plan. According to Aswathappa (2007), He mentions that once an employee benefit program is designed by the organization, employees have little discretion. For instance, the same pension usually is granted to all workers. Younger employees see pension as distant and largely irrelevant. Older female workers feel that maternity benefits are not needed. The uniformity of benefits fails to recognize workforce diversity. Admitted, uniformity leads to administrative economies, but when employees receive benefits they neither want nor need, these

economies are questionable. Since employees have little choice in these benefit packages, most workers are unaware of all the benefits to which they are entitled. This lack of knowledge often causes employees to request for more benefits to meet their needs. And perhaps even worse, employee confusion can lead to complaints and dissatisfaction which could adversely affect their performance hence productivity.

2.11. Factors affecting reward process

It is important to understand, before analyzing different reward options, factors that affect reward strategies and practices. Each organization is faced with a number of internal and external factors that affect the reward system is structured and administered. Armstrong (2010) identifies organizational culture, the organization's business or sector or work environment, people, business strategy, political and social climate as key internal variables that affect reward strategies. Each of these factors is different for each organization and the organization will then develop a reward system based on how it values each of the variables. For example "Bankers, entrepreneurial directors or sales representatives will be more interested in financial incentives than, say people engaged in charitable work" Armstrong (2010: p.17).

External aspects that may affect reward strategies include globalization, rate of pay in the marketplace, the economy, societal factors, legislation and trade unions, Armstrong (2010). These factors play an important role and may force organizations to take certain decisions for example trade unions in South Africa have a big influence in worker package and incentives.

2.11.1 Organizational Rewards Systems

In discussing different types of rewards and incentives it is important to first categorize these. Rewards can be viewed as intrinsic or extrinsic. Intrinsic rewards "are intangible rewards concerned with the work environment (quality of working life, work life balance) recognition, performance management and learning and development" Armstrong (2002:99).

Kinicki and Kreitner (1998) stated that financial, material and social rewards are extrinsic rewards because they emanate from the environment.

2.11.2 Individual satisfaction with rewards

There are a number of factors that affect individual satisfaction with rewards. Lawler E (1977) quoted in Ivancevich and Matteson (1990) identified five factors that determine satisfaction with rewards.

- Satisfaction with a reward is a function of how much is received and how much the individual feels should be received. This therefore means that employees will compare and depending on their feelings they may feel satisfied or dissatisfied.
- An individual's feelings of satisfaction are influenced by comparisons with what happen to others. In essence people compare their own input with others relative to rewards received. This concept is directly tied to the equity theory of motivation.
- Satisfaction is influenced by how satisfied employees are with both intrinsic and extrinsic rewards taking into account that they satisfy different needs.
- People differ in the rewards they desire and how important different rewards are to them. Issues of diversity play an important role. This factor is closely linked to Maslow's hierarchy of needs. This view is also supported by Lutherans (2002).
- Some extrinsic rewards are satisfying because they lead to other rewards, for example money as a reward leads to such things as prestige, autonomy and independence.

2.11.3 Financial Rewards

According to Armstrong (2012) financial rewards comprise all rewards that have a monetary value and add up to total remuneration. These rewards include base pay, merit pay, skills based pay, incentives, and service related pay, bonuses, financial recognition schemes and benefits such as pensions, sick pay and health insurance Armstrong (2010), Armstrong (2012), Ivancevich& Matteson (1990), Kinicki&Kreitner (1998), Robbins etal (2001) and Robbins (2003).A number of arguments have been forwarded regarding the effect of financial rewards. Some authors think financial rewards work while others are of the opinion that they do not

achieve the intended results. Armstrong (2012:83) state that “a vociferous chorus of disapproval has been heard on the incentive effect,” Kohn (1993) state that financial rewards are bribes in the workplace and they don’t simply work.” Sonawane (2008) in his research found out that financial rewards had short-lived effect on employee motivation. Kohn (1993) even state that rewards undermine the processes they intend to enhance according to research findings. According to Kohn (1993:55) “research suggests that by and large rewards succeed at securing one thing only: temporary compliance” Accordingly rewards do not affect long term changes. So the argument is still on whether these rewards work? According to Kohn (1993:55) “when it comes to producing lasting changes in attitudes and behavior however rewards, like punishment are strikingly ineffective”. Accordingly rewards do not create a lasting commitment, they merely and temporarily change what we do Kohn (1993). What Kohn (1993:55) observes is that “the more a manager stresses what an employee can earn for good work, the less interested that employees will be in the work itself.” He also claims that studies have conclusively shown that if employees expect to get a reward for successfully completing a task, they do not perform as well as those who don’t expect a reward at all.

2.11.4 The role of money

The role of money as reward or incentive has received different views by different authors. According to Armstrong 2012:84 “commentators who question the usefulness of financial rewards often contend that money is much less important than many people think. To what extent this view is true has been a source of great debate for many years. Different researches and studies have been carried out with different results for and against the notion that money is not important factor in motivating employees. A strong view on money is given by Luthans (2002:145) when he states that “money has long been viewed as a reward and for some people, it is more important than anything else their organization can give them” He goes on to argue that the value of money will often vary by both individual and industry but states that one thing is clear, money is an important reward. Luthans (2002) also states that money is an important motivator and can lead to higher levels of performance mainly because of the power it has and the ability it has to help employees get other needs like achievement and recognition, status and respect, freedom and control and power. Pfeffer (1998:112) states that “people do work for money but they work even more for meaning in their lives.” He goes on to say that people work

for fun and companies that do not take that into consideration are bribing their employees and will eventually lose their loyalty and commitment. The first assertion that people work for money is supported by many authors. Authors who write from less developed countries tend to agree that money is the main reason why people work and is the main motivator and that without it many people would not work. Doyle (2003) even says that because of the need for money, people are even prepared to do humiliating and dangerous jobs. Doyle (2003:83) further states that “thus there seems little reason to doubt that one of the main reasons people work is to earn money to buy themselves necessities to sustain their lives” She further states that people are willing to continue working for money even if it is a source of serious dissatisfaction and grievance. .”Pay is the reason why millions of people get out of bed and go to work ,what they do when they get there can be another entirely different matter and this is where the difficulty starts (Doyle 2003:84). There are very few authors who support the view that money is the sole motivator, most have expressed reservations or totally disagree with this notion. According to Armstrong (2012) many surveys have been done to assess the relative importance of a salary in relation to other factors affecting motivation. Kohn (1998) states that numerous studies have shown that money ranks behind other factors as a motivator. According to Armstrong (2012) other researchers like Jurgensen (1978), Ritchie and Martin (1999), Slovic and Lichtenstein (1971) also found that money ranked lower than other factors as a motivator. What is strikingly important and must be paid attention to is what Jurgensen (1978) quoted in Armstrong (2012:85) found out. He found out that “however when asked to rate the importance of the same 10 attributes to someone just like yourself – same age, educational level, gender and so on, pay jumped to being the most important factor amongst both men and women. In other words people seemed to believe that pay was the main motivator to everyone except themselves.” This means then that people give desirable answers or answers that are socially acceptable even if money is important to them, they will not say it. It is also important to note that Lutherans (2002)’s view when he says “despite the tendency in recent years to downgrade the importance of pay as an organizational reward, there is ample evidence that money can be positively reinforcing for most people and if the pay system is designed properly to fit the strategies, it can have a positive effect on individuals, team and organizational performance.” He further argues that money will always be a motivator because even if it satisfies basic needs people can use it to get ahead, do more, achieve more ambitious goals, so people will always be motivated and are prepared to

workharder for more money. He concludes by stating that there is evidence that shows that if and organization cuts on pay, morale suffers

2.12 Empirical Studies

Several studies have been done on the impact of reward system on employee performance in different parts of the world. Next is a discussion of some of recent studies

Quresh, Zaman and Shah (2010) in their Pakistan in cement industry found that there is a direct relationship between extrinsic rewards, intrinsic rewards and the employees' performance. The study also found that recognition techniques (approaches) used in cement factories are good for the maximum performance of employees. This study is relevant but different from the current study as the latter is dealing with target population of white collar jobs, while the former examined factory workers. Furthermore, this research examined the relationship between reward and employee performance, while the new study specifically examines the effect of intrinsic rewards (social recognition and appreciation) and extrinsic rewards (salary, bonus and performance promotion) on job and employee performance.

Aktar, Sachu & Ali (2012) examined the impact of intrinsic rewards (recognition, Learning opportunities, challenging work and career advancement, and extrinsic rewards basic salary and performance bonus) on employee performance in twelve commercial banks of Bangladesh. The study found that each factor within both extrinsic and intrinsic reward was a highly significant factor which affects employees' performance. In contrast, the study conducted by Yasmeen, Farooq and Asghar (2013) on the impact of rewards on employee performance in Pakistan revealed that there exists insignificant and weak relationship between salary, bonus and organization performance. However it found that there exists moderate to strong relationship between promotion and employee performance.

Although these two studies are similar to the current study, they were conducted outside Ethiopia and because of cultural difference and other idiosyncrasies; the impact of rewards on employee performance could yield different outcomes.

2.13. CONCEPTUAL FRAMEWORK

Conceptual framework is a set of coherent ideas or concepts organized in a manner that makes them easy to communicate to others (Schwartz, 2006). Figure 2.1 is the conceptual framework showing the relationships between independent and dependent variables. The independent variables were conceptualized as intrinsic rewards (recognition, Learning opportunities, Challenging work, genuine appreciation and career advancement, and extrinsic rewards basic salary and performance bonus) (Luthans, 2000; Quresh, Sachu & Ali, 2012; Sajuyigbe, Bosede and Adeyemi, 2013). In contrast, the dependent variables measures employee performance (such as job quality, job accomplishment) and overall organisation preference (Taljaad, 2003). The independent variables have been shown to have an effect Ong and The, 2012), For example, Aktar, Sachu & Ali (2012) found that each reward factor within both extrinsic and intrinsic reward systems, was a highly significant factor which affects employees' performance.

Independent Variables

Dependent Variables

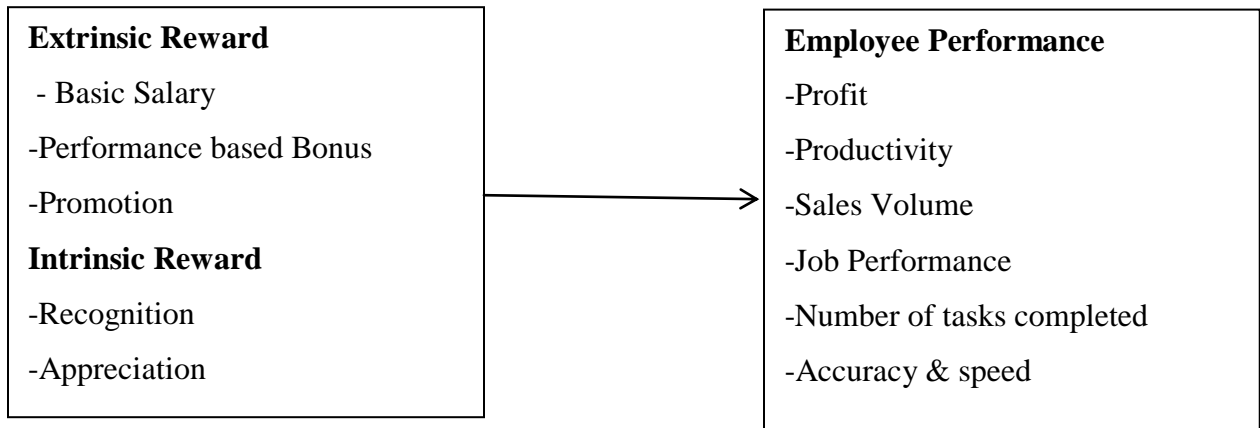


Figure 2.1 Conceptual Framework

Source: Developed by the Researcher (2017)

Development of *Research hypothesis*

The research process is quantitative and qualitative study. Quantitative research provides numerical measurement and statistical predictability that can be representative of total population (Barson, 2003), according to Kerlinger (1986), qualitative studies attempt to establish casual association among objectively specified variables through testing hypothesis derived from predictive theories. The following hypotheses are taken for the study;

H₀; there is no direct relationship between reward and employee performance.

H₁; there is a direct relationship between reward and employee performance

CHAPETR THREE

METHODOLOGY

3.1 Introduction

In order to analyze the potential impacts of reward factors on the performance of employees, the researcher used a research methodology. In defining the term 'methodology' it can be said to refer to the sets of structured procedures and instruments used in conducting a research. The chapter discusses procedures and activities undertaken, focusing on namely the study's research design, data collection, sampling and sampling techniques, data processing and analysis, and instrument development. A framework within which to record facts, document them and interpret them in a piece of research. Two fundamental approaches exist to the methodology of a research. They are the qualitative and the quantitative methods. Qualitative research is more descriptive and quantitative research more often draws inferences based on statistical procedures and often makes use of graphical presentations and figures in its analysis (Ghauri and Grønhaug, 2005). In recent times researchers commonly employ the use of both qualitative and quantitative methods in a single research (Ghauri and Grønhaug, 2005).

3.2 Research Approach

In conducting a research researchers follow different research approaches. According to Saunders et al. (2009) claim there are two approaches to research which can be described as inductive reasoning and deductive reasoning. Ghauri and Gronhaug (2005, p. 16) state deductive reasoning is "the logical process of deriving a conclusion from a known premise or something known as true, inductive reasoning is the systematic process of establishing a general proposition on the basis of observation or particular facts". These two approaches are commonly used in business and management research, particularly in terms of the cause-effect relationship. The aim of this research is to examine the impacts of reward management to employee performance. Therefore the researcher adopted deductive approach in terms of the relationship between the theory and observed research so as to follow the rationale of progressing from observed research to a theoretical result.

3.3 Research Design

The study was a descriptive research set out to ascertain the impact of reward systems on employee performance at EEU Eastern Addis Ababa Region office. According to Pilot and Hurgler (1995), descriptive survey aims predominantly at observing, describing and documenting aspects of a situation as it naturally occurs rather than explaining them. The design has an advantage of producing good amount of responses from a wide range of people. At the same time, it provides a more accurate picture of events at a point in time. Gay (1992) opined that, descriptive design describes and provides understanding of a phenomenon usually with simple descriptive statistics. Gay (1992) further explained that, the descriptive survey method is useful for investigating a variety of social problems including assessment of attitudes, opinions, demographic information, conditions and procedures; and that descriptive data are usually collected through questionnaire, interview or observation

3.4 Population and Sample

For this study the populations were management and non-management staffs who were working in the East Addis Ababa region. Total population of the region is 200 staff members as of February 01, 2017. It is impossible to collect data on the whole population, considering the size, as well as the time, available to the researcher. Thus, to avoid the constraint the researcher was forced to draw sample from the whole population and also to draw the sample the researcher follows stratified random sampling procedures. Therefore for this study, the sample size of the study was determined using the formula adopted from kreijcie and Morgan's (1970). Thus, the formula was used to calculate the sample size is

$$n = N / (1 + N(e)^2)$$

Where N= is the total population

n= is the sample from the population

e= is the error term, which is 5% (i.e. at 95% confidence interval)

Using the above formula the simple size of the study is determined as

$$n = 200 / (1 + 200(0.05)^2) = 133$$

By doing this, samples of 133(66.5%) employee's was selected from a population of 200(N=200) employees in the Eastern Addis Ababa region for this research purposes.

Table One - Stratified Random Sampling Design form

No	Types of the Strata (management and non-management staffs)	Total Population size	Sample Size (66.5% of the population)
1	Management of the region	50	33
2	Non- management /staff/	150	100
	TOTAL	200	133

3.5 Source of Data

Data Collection

The study was employed both primary and secondary sources of data collection.

- i. Primary Sources** in order to realize the target, the study was used well-designed questionnaire as best instrument. These were completed by employees of the selected organization.
- ii. Secondary Sources** secondary data from files, pamphlets, office manuals, circulars and policy papers were used to provide additional information where appropriate. Besides, variety of books, published and/or unpublished government documents, websites, reports and newsletters were reviewed to make the study fruitful.

3.6. Pilot Testing of Questionnaire

Several authors (Saunders et al., 2009; Cooper and Schindler, 2006) have agreed that it is vitally important as a matter of reliability and validity to check the appropriateness of the questionnaire through pilot testing before the final administration. The questionnaire was test-run in a pilot study at the EEU Eastern Addis Ababa Region. The aim was to examine the validity of the questionnaire in order to correct before the final questioners distributed. 20 employees voluntarily offered themselves as respondents.

3.7 Procedure of Data Collection

In conducting the study, both primary and secondary sources were used for data collection. For secondary source, data was collected from articles, journals, websites etc. For the primary data open ended and close ended questionnaires were used as a primary source. The questioners' distributed to the respondents were three parts

1. Personal data of the respondents.
2. Questions related to impact of reward on employee performance by using Likert scale type questions
3. Open ended questions were used. In addition, I was try to analyze documented materials such as collective agreements of the EEU so as to point out how the institution handles the reward issues..

3.8 validity and reliability

Validity is the extent to which the instrument collects data that it is meant to collect. It is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. In this study, ensuring validity of the data collection instrument involved going through the questionnaire in relation to the set objectives and making sure that it contains all the information that can enable answer these objectives. Reliability refers to the stability of the measure used to study the relationships between variables (Ghauri&Grønhaug 2005, 81). Thus, questions in the questionnaire are designed taking into consideration the issues related to the statement of the problem and goals of the study and theories on the subject. It is therefore believed that the responses and results from this study have assured reliability and validity. Because the questionnaire is constructed by the researcher, it is designed on the basis of the researcher's needs in relation to the study topic and so has brought advantages in the sense that it measures exactly what the researcher intends to measure. Thorough literature review, the study area was conducted carefully as much as possible before taking on the research. This enabled theories and the questions in the questionnaire to be identified and theories and themes were supported by the following table findings.

Table 3.1 Cronbach’s Alpha Test Resulted from SPSS

No	Variables Of The Study	No of Respondents	No of Items	Overall Cronbach Alpha
1	Impact of Reward Factors	103	16	.923
2	Employee Performance	103	10	.954
For all item’s			26	.939

As shown in the above table, the reliability of the scale was determined by Cronbach’s alpha method. According to Bryman and Bell (2003) the cronbach’s alpha result of 0.7 and above implies acceptable level of internal reliability. Therefore the result indicated that the questionnaires of the study were internally consistent above 0.7

3.9. Ethical considerations.

Ethical issues are one of an important issue in any research. According to Hart (2005, p. 307) states that “ethics in research, as in everyday life, are a combination of socialization, instinct, discretion and been able to put yourself in the position of others to reflect on and see our actions as others might do”.

A confidentiality agreement were presented prior to each questioners’ were conducted. The researcher has also maintained honesty, integrity, and objectivity throughout the process of this research study. The researcher has acknowledged all previous works that have been include in this research study.

3.10 Data Analysis Methods

The research has applied widely acceptable scientific data presentation and analysis methods and models, the data collected through close – ended items were organized in tables, where as personal data questioners’ were organized in tables and pie charts. At the same time data obtained from through open – ended were summarized and incorporated in the analysis to supplement the data secured through close ended question items.

Thus, in order to analyze the data and report the results, SPSS version 20 was used which is the leading program for managing and analyzing social scientific data. This means those different statistical tests were used to calculate the results of research as Reliability Test, Mean and Standard deviation Analysis, Correlation analysis and Regression analysis.

CHAPTER FOUR
DATA ANALYSIS AND PRESENTATION

Introduction

The main focus of this study was to examine the impact of reward management system on employee performance based on the data gathered through questionnaire, and review of secondary data by the researcher. The data were described, analyzed and presented in tables, percentage, pie charts, frequency distribution, descriptive statistics, correlation and regression analysis with the help of SPSS (Statistical Packages for Social Sciences) version 20 were used.

4.1 Demographic Information of the Respondents

The first part of the questionnaire consists of the general information of the respondents. This part of the questionnaire requested a limited amount of information related to personal and professional characteristics of respondents. Accordingly, the following variables on the respondents were summarized and described in tables below. The variables include: age, sex, educational level, years of service and hierarchal levels in the organization,

Table 4.1.1 Questionnaire distribution and Response rate

EAAR Offices	Questionnaires given	Questionnaires filled	Response rate%
Management	33	33	100%
Non-management	100	70	70%
Total	133	103	77%

One hundred thirty three questionnaires were distributed, out of which 103 were completed and retrieved successfully, representing 77% response rate.

This chapter presents the findings of frequency, descriptive and correlation and regression analysis. The frequency table shows the number of respondents on each five likert scale. The descriptive analysis also indicates mean, percentage and standard deviation, while the correlation analysis shows the relationship between the independent and dependent variable by using or employed ordered logistics regression application software in the STATA statistical package for the analysis of the impact reward management and to identify factors influencing employees 'performance.

4.1.2 Age respondents

Table 4.1.2 - Age Distribution of Respondents

Age category of respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 30	24	23.30	23.30	23.30
	31 - 40	43	41.75	41.75	65.05
	41 – 50	20	19.42	19.42	84.47
	Above 50	16	15.53	15.53	100.0
	Total	103	100.0	100.0	

Analyzing the data obtained from the questionnaire, table 4.1.2 depicts that 24 respondents were below 30 years representing 23.30% of the total respondents. The next respondents were between the age of 31-40 representing 41.75% and they were 43 in number. The third groups of respondents were fallen under the age category of 41-50 that represent 19.42% or 20 employees from the total respondents. The rest 16 respondents, representing 15.53% are above the age of 50

4.1. 3 Gender of respondents

Table 4.1.3 below presents data on gender of respondents. As can be seen from the figure and table, the majority of the sample (n=70) or 67.96% was male, while the remaining 33.04% (n=33) covered of female respondents.

Table 4.1.3 – Gender composition of respondents

Gender category of respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	70	67.96	67.96	67.96
	Female	33	32.04	32.04	100.0
	Total	103	100.0	100.0	

4.1.4 Educational background of respondents

Table 4.1.4 - Educational background of respondents

Educational background of respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	34	33.01	33.01	33.01
	First degree	57	55.34	55.34	88.35
	Second degree	12	11.65	11.65	100
	Total	103	100	100	

Regarding the educational qualification of the respondents majority of the respondents are Bachelor degree holders which are (n=57, 55.34%) where as 33.01% and 11.65% of the respondents are college diploma holders and second degree graduate respectively. no respondent had the degree of masters or PhD. From the above table we understand that all respondents are professionals and we can say the questioners are answered correctly.

4.1.5 Marital status of respondents

Table 4.1.5 marital status of respondents

Marital Status of respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	58	56.31	56.31	56.31
	Single	31	30.09	30.09	86.40
	Divorced	6	5.83	5.83	92.23
	Widow	8	7.77	7.77	100.0
	Total	103	100.0	100.0	

Table 4.1.5 shows 56.31% of the respondents married, 30.09% respondent of single and the remaining 5.83% and 7.77 % of the respondents were divorced and widow respectively. This shows that more than half from a total employees are married

4.1.6 Year of service respondents

Table 4.1.6- service experience of respondents

Service Experience of respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5 yrs	15	14.56	14.56	14.56
	5 to 10 yrs	26	25.24	25.24	39.80
	11 to 20 yrs	34	33.01	33.01	72.81
	Above 20	28	27.19	27.19	100.0
	Total	103	100.0	100.0	

Table 4.1.6 shows the respondent's work experience in the organization of EEU eastern addisababa region office. The results indicates the majority were in the category of 11-20 years represented by 33.1% of the total respondents.27.19% were in the category of above 20 years, and 25.24% and 14.56% in 50 to 10 and below.5 years categories respectively. This shows most of the respondents were experienced workers next to above 20 year experience. It was realized that least of the respondents had worked for not more than 5 years. However, since majority was on experienced on the job, they had relevant information needed for this study as individuals who had stayed in one place

4.1.7 Salary respondents

Tale 4.1.7 salary of respondents

salary of respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1500-3500	8	7.77	7.77	7.77
	3501-5000	24	23.30	23.30	31.07
	5001-7000	33	32.04	32.04	63.11
	7001-10000	25	24.27	24.27	87.38
	>10,000	13	12.62	12.62	100.0
	Total	103	100.0	100.0	

Table 4.1.7 below presents data on salary respondents. As can be seen from the figure and table, the majority of the sample (n=33) or 32.04% respondents salary were between 5001 to 7000, while the remaining 24.27% (n=25), were between 7001 to 10000, 23.30% (n=24) were between 3501 to 5000, 12.62% (n=13) were above 10000 and 7.77%(n=8) were found between 1500 to 3500 salary ranges.

4.1.8 Position of respondents

Table 4.1.8 position of respondents

position of respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Non- mgt	70	67.96	67.96	67.96
	Management	33	32.04	32.04	100.0
	Total	103	100.0	100.0	

Table 4.1.8 above presented data on hierarchic (position level) of respondents. As can be seen from the figure and table, the majority of the sample (n=70) or 67.96% were non-management, while the remaining 33.04% (n=33) covered of management respondents

4.2 Employees' response on the question they were asked

		Valid					
		Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree	Total
Your reward management system is competitive compared with other organizations.	Frequency	20	39	22	15	7	103
	Percent	19.42%	37.86%	21.36%	14.56%	6.8%	100%
Rewards are in accordance with your work experience.	Frequency	26	29	21	15	12	103
	Percent	25.24%	28.16%	20.39%	14.56%	11.65%	100%
I am satisfied with the quality/quantity of the rewards	Frequency	33	30	26	10	4	103
	Percent	32.04%	29.13%	25.24%	9.71%	3.88%	100%
The rewards are distributed rightfully.	Frequency	26	42	22	9	4	103
	Percent	25.24%	40.78%	21.36%	8.74%	3.88%	100%
The rewards match my work effort	Frequency	38	30	19	13	3	103
	Percent	36.89%	29.13%	18.45%	12.62%	2.91%	100%
Over all reward management has an impact on performance.	Frequency	26	40	21	13	3	103
	Percent	25.24%	38.84%	20.39%	12.62%	2.91%	100%
Hard working employees are recognized.	Frequency	22	41	18	18	4	103
	Percent	21.36%	39.81%	17.48%	17.48%	3.88%	100%
Financial reward is more important than non-financial in your organization.	Frequency	24	42	21	11	5	103
	Percent	23.30%	40.78%	20.39%	10.68%	4.85%	100%
You are satisfied with the criteria of your organizations reward system.	Frequency	18	42	27	13	3	103
	Percent	17.48%	40.78%	26.21%	12.62%	2.91%	100%

The reward system of EEU increases motivation.	Frequency	19	41	26	13	4	103
	Percent	18.45%	39.81%	25.24%	12.62%	3.88%	100%
The existing reward system of EEU is encourages Employees.	Frequency	26	31	26	15	5	103
	Percent	25.24%	30.10%	25.24%	14.56%	4.85%	100%
The reward is equitable with what others get doing similar job in your organization.	Frequency	24	40	23	12	4	103
	Percent	23.30%	38.84%	22.33%	11.65%	3.88%	100%
The criterion of EEU reward management system is valid.	Frequency	26	42	20	12	3	103
	Percent	25.24%	40.78%	19.42%	11.65%	2.91%	100%
The criterion of EEU reward management system is reliable.	Frequency	25	38	15	21	4	103
	Percent	24.27%	36.89%	14.56%	20.39%	3.88%	100%
I am ready to increase my work efforts in order to gain the rewards	Frequency	24	27	22	24	6	103
	Percent	23.30%	26.21%	21.36%	23.30%	5.83%	100%
Performance has astrong relation to reward factors	Frequency	8	23	18	30	24	103
	Percent	7.77%	22.33%	17.48%	29.13%	23.30%	100%
I well understand and adhere to the policies and procedures of EEU.	Frequency	10	30	22	26	15	103
	Percent	9.71%	29.13%	21.36%	25.24%	14.56%	100%
I effectively use resources including time and materials.	Frequency	9	18	16	34	26	103
	Percent	8.74%	17.48%	15.53%	33.01%	25.24%	100%
I always do my job effectively and efficiently.	Frequency	5	13	15	43	27	103
	Percent	4.85%	12.62%	14.56%	41.75%	26.21%	100%
I have the information, expertise, skill and knowledge required to perform the job I was hired for proficiently.	Frequency	4	11	14	48	26	103
	Percent	3.88%	10.68%	13.59%	46.60%	25.24%	100%

I actively use or initiate projects for the benefit of EEU.	Frequency	5	12	13	46	27	103
	Percent	4.85%	11.65%	12.62%	44.66%	26.21%	100%
I develop logical and creative solution to problems.	Frequency	6	30	20	27	20	103
	Percent	5.83%	29.13%	19.42%	26.21%	19.42%	100%
I effectively work with other employees.	Frequency	5	14	19	44	21	103
	Percent	4.85%	13.59%	18.45%	42.72%	20.39%	100%
Employee's performance has strong link to the benefits they earned.	Frequency	8	15	14	39	27	103
	Percent	7.77%	14.56%	13.59%	37.86%	26.21%	100%
I am judged by my performance rather than my personality.	Frequency	4	32	16	28	23	103
	Percent	3.88%	31.07%	15.53%	27.18%	22.33%	100%
I am highly satisfied regarding my task accomplishment.	Frequency	5	13	12	44	29	103
	Percent	4.85%	12.62%	11.65%	42.72%	28.16%	100%

As we see from the above frequency summary table majority of the questioners response indicates a dis-agreement.69.23% questioners i.e from a total of 26 close ended questioners 18(69.23%) questioners response were dis-agree, only 8(30.77%) questioners were responded agree. This shows that the dis-agreement response rate was more than twice as the agreements response rate. This implies the respondents were not satisfied the organizations reward management system. These were proved in detail below by the different statistical tools such as descriptive statistics, correlation, and regression analysis.

4.2.1. Reward management competitiveness response

Table 4.2.1 summary of Employees' response

	Your reward management system is competitive compared with other organizations.		I well understand and adhere to policies and procedures of EEU.	
	Count	%	count	%
Strongly Disagree	20	19.42%	16	15.53%
Disagree	39	37.86%	30	29.13%
Neutral	22	21.36%	16	15.53%
Agree	15	14.56%	26	25.24%
Strongly Agree	7	6.8%	15	14.57%
Total	103	100%	103	100%

About competitiveness of the reward management system on employees understand of reward management system policy and procedure

As we can see from the above summary competitiveness compared with other organizations and understanding of employees to the organizations reward policy and procedures indicates that

. about 19.42% (n=20) is strongly dis-agree, 37.86 % (n=39) of the respondents were dis-agreeing and 21.36 % is neutral 14.56 % were agree and 6.8 % were strongly agree. Based on the information collected the reward management system majority of the respondents were dis-agree

this shows that not competitive compared with other organization. For the question regarding whether the employees have well understand and adhere to policies and procedures of EEU or not were the significant number of respondent were also in the range of dis- agreement which is 29.13% (n=30)dis-agree and 15.53% (n=16)strongly dis-agree 15.53% were in neutral,25.24 % of the respondent were agreed and 14.56% strongly agree. This also shows that majority of the respondents were not know the policy and procedure’s properly. (table 4.2.1) shows the summary of the respondents.

Table 4.2.2: Descriptive Statistics of items that measure employees’ attitude towards

EEU’s reward management system is competitive compared with other organizations and Employees understand and adhere to policies and procedures of EEU.

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Your reward management system is competitive compared with other organizations.	103	1.00	5.00	2.5146	1.16201
I well understand and adhere to policies and procedures of EEU	103	1.00	5.00	3.0583	1.23531
Valid N (listwise)	103				

Descriptive Statistics

It tells about the minimum and maximum values of these variables. The standard deviation of any values shows that how much you are deviated from your mean so its low standard deviation value is favorable sign and it should be half of the mean or less than that so all these values in the table are less than mean of these variables that shows data is correct. Descriptive statistics shows that the respondents are satisfied with the importance of rewards management system is competitive compared with other organizations on well understand and adhere to policies and procedures of EEU for employees performance. According to Zedatol (2008) mean score 3.80 is consider high, 3.40-3.79 is moderate and below 3.39 is low satisfaction cited by

OumerMohammed (2012, p. 44). The mean value can be categorized. Based on this the above result table(4:2.2) indicated that the reward management system is competitive compared with other organizations and employees understand and adhere to policies and procedures of EEU average mean (M=2.51 and 3.05) respectively. This shows that having low response category (disagree) as perceived by the sample respondents on their employee performance practices.

Table 4.2.3 to show the relationship between the competitiveness by Correlation analysis

		Your reward management system is competitive compared with other organizations.	I well understand and adhere to policies and procedures of EEU
Your reward management system is competitive compared with other organizations.	Pearson Correlation	1	.915**
	Sig. (2-tailed)		.000
	N	103	103
I well understand and adhere to policies and procedures of EEU	Pearson Correlation	.915**	1
	Sig. (2-tailed)	.000	
	N	103	103

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

a. Dependent Variable: I well understand and adhere to policies and procedures of EEU

b. Predictors: (Constant), Your reward management system is competitive compared with other organizations.

As shown above the results which are drawn from correlation matrix show that the independent variable i.e. reward management system is competitive compared with other organizations are positively related with dependent variable i.e. well understand and adhere to policies and procedures of EEU for employee performance. This indicates that there exists the strongest and highly significant relationship which is 91.5% (0.915). Table 4.2.3

Table 4.2.4**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.915 ^a	.837	.835	.50195

- a. Predictors: (Constant), Your reward management system is competitive compared with other organizations.
- b. I well understand and adhere to policies and procedures of EEU

In regression analysis if significance level is less than 0.05 than the independent variable has significant relationship with dependent variable. According to the study results there exists highly significant relationship between the above two variables. R square value is .837 that indicate our dependent variable is 83.7 % determined by independent variable that are the reward management system is competitive compared with other organizations, while 16.3 % effect is because of other variable that are not included in our study.

The variation of R² (.837) and Adjusted R² (.835): (0.2%) implies that there is insignificant change which in turn tell us that the results can be generalized beyond the sample, i.e., to the population. The most widely accepted rule of thumb, proposed by Cohen (1988): Effect sizes of $d < 0.20$ are interpreted as insignificant; values of d between 0.20 and 0.50 are interpreted as small effects; values of d between 0.50 and 0.80 are interpreted as medium effects; and values of d larger than 0.80 are interpreted as large effects. In other words, the model summary reveals that at 83.7% of the study's population level, in general the impacts of reward management towards the employee performance can be taken as true

Table 4.2.5 ANOVA Regression matrix**ANOVA^a**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	130.203	1	130.203	516.765	.000 ^b
	Residual	25.448	101	.252		
	Total	155.650	102			

- a. Dependent Variable: I well understand and adhere to policies and procedures of EEU
- b. Predictors: (Constant), Your reward management system is competitive compared with other organizations.

In Table: 5 the value of F is 516.765 which indicate that our model is accepted and highly significant. So the above results shows that rewardmanagement system is competitive compared with other organization and well understand and adhere to policies and procedures of EEU has a positive relationship Our finding also tells us the impact of rewards are more useful to increase the employees performance.

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.613	.118		5.181	.000
1 Your reward management system is competitive compared with other organizations.	.972	.043	.915	22.732	.000

- a. Dependent Variable: I well understand and adhere to policies and procedures of EEU
- b. Predictors: (Constant), your reward management system is competitive compared with other organizations

Based on the above analysis regression coefficient result shows ($\beta=.915$, $p<.000$.). This implies that reward management system competitiveness compared with other organizations have proved highly significant of correlation and strong practical impact on the well understand and adhere to policies and procedures of EEU on employees performance. Not only significant relation but also positive relationship between the above statements.

4.3 Response of employees' motivation towards EEU's of reward management to Employee performance

Table 4.3.1 Frequency and percentages of employees' response towards motivation on employee performance

	The reward system of EEU increases motivation.		I effectively use resources including time and materials	
	Count	%	count	%
Strongly Disagree	19	18.45%	9	8.74%
Disagree	41	39.81%	18	17.48%
Neutral	26	25.24%	16	15.53%
Agree	13	12.62%	34	33.01%
Strongly Agree	4	3.88%	26	25.24%
Total	103	100%	103	100%

As illustrated in the above summary above 39.81% of the respondents disagree with the statement 'The reward system of EEU increases motivation and at the same time 18.45 % of the respondents strongly disagree with the statement. Neutral 25.24% but only 12.62% and 3.88% of the respondents replied that they agree and strongly agree with the above statement respectively.

Based on these majority of the respondents which means 58.26% (n=60) response were in disagreement. But for the dependent variable side majority of the respondents (33.01%) agree with the idea that I effectively use resources including time and materials, 25.24% of the respondents strongly agree totally about 58.25% were in the category of agreement 15.53% were neutral,

17.48% and 8.74% dis agree and strongly dis agree respectively From these we can infer that most the respondents are agree with the statement that employees perform their job effectively. In this case even though the reward system of the organization does not increase motivation according to survey response employees effectively use resources. Everybody seeks satisfaction in his or her work being able to perform effectively and efficiently, it is likely to determine employees' motivation with their job (table 4.3.1)

Table 4.3.2 Response of employees' reward system of EEU increases motivation and effectively use resources including time and materials in terms of descriptive statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
The reward system of EEU increases motivation.	103	1.00	5.00	2.4272	1.05349
I effectively use resources including time and materials	103	1.00	5.00	3.4854	1.28234
	103				

Based on the descriptive statistics table 4.3.2 above the mean value of 2.42 the reward system of the organization increases motivation indicates an average response of disagreement among the respondents for the variable. The mean value is below the minimum standard mean value of 3.39. This shows that the reward management system of the company is not increase motivation. On the other hand the mean value of employees effectively use of resources shows a moderate mean level according to the Zedatol (2008) mean score 3.80 is consider high, 3.40-3.79 is moderate and below 3.39 is low satisfaction cited by Oumer Mohammed (2012, p. 44). Which is 3.48 mean value of respondents also shows that respondents were agree with the statement.

Table 4.3.3 Response of employees' reward system of EEU increases motivation andeffectively use resources including time and materials based on correlation

Correlations

		The reward system of EEU increases motivation.	I effectively use resources including time and materials
The reward system of EEU increases motivation.	Pearson Correlation	1	.846**
	Sig. (2-tailed)		.000
	N	103	103
I effectively use resources including time and materials	Pearson Correlation	.846**	1
	Sig. (2-tailed)	.000	
	N	103	103

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

As we have seen from the above table On the basis of statistical test the p-value of spearman correlation between The reward system of EEU increases motivation and employees effectively use resources including time and materials is 0.846 which is the p value of spearman's correlation is greater than 0.05. this shows that there is strong significant relations between the statements described in the above.

4.3.4 Regression analysis

This is analysis that is almost a continuation of correlation the researcher has been used linear regression in which one independent variable used to predict one dependent variable. The result of the regression analysis between the independent variable The reward system of EEU increases motivation. which predict the effectively use resources including time and materials presented as follow:

Table 4.3.4 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.846 ^a	.717	.714	.68612

a. Predictors: (Constant), The reward system of EEU increases motivation.

b. Dependent variable effectively use resources including time and materials

In the above table the needed measure is the R square (model summary) in which it is the measure of the success of the model. It shows how much variance of dependent variable is depend on the independent variable. In this case the R square =0.717 and it can be interpreted as the weighting combination of The reward system of EEU increases motivation explained approximately 71.7 percent of the variance in effectively use resources including time and materials .

Table 4.3.5 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	120.182	1	120.182	255.297	.000 ^b
	Residual	47.546	101	.471		
	Total	167.728	102			

a. Dependent Variable: I effectively use resources including time and materials

b. Predictors: (Constant), The reward system of EEU increases motivation.

In Table: 4.3.5 the value of F is 255.297 which indicate that our model is accepted and significant. So the above results shows that rewardmanagement system is competitive compared with other organization and well understand and adhere to policies and procedures of EEU has a positive relationship.

Table 4.3.6 Response of employees' reward system of EEU increases motivation and effectively use resources including time and materials based on regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.985	.170		5.775	.000
	The reward system of EEU increases motivation.	1.030	.064	.846	15.978	.000

a. Dependent Variable: I effectively use resources including time and materials

b. Predictors: (Constant), The reward system of EEU increases motivation

Based on the regression analysis coefficient result shows ($\beta=.846$, $p<.000$,). This implies that reward management system of EEU increases motivation compared with effectively use resources including time and materials on employees' performance. Since the beta value is positive and p-value is less than 0.05 the relationship between the two variables are significant and the dependent variable as shown from the above table indicates that 84.6 percent determined by the independent variable.

Table4.4.1 Response of employees' satisfaction towards EEU's reward management to Employee performance

	You are satisfied with the criteria of your organizations reward system		I actively use or initiate projects for the benefit of EEU.	
	Count	%	count	%
Strongly Disagree	18	17.48%	5	4.86%
Disagree	42	40.78%	46	44.66%
Neutral	27	26.21%	13	12.62%
Agree	13	12.62%	27	26.21%
Strongly Agree	3	2.91%	12	11.65%
Total	103	100%	103	100%

As illustrated in table 4.4.1 above 40.78% of the respondents disagree with the statement ‘

You are satisfied with the criteria of your organizations reward system and 17.48 % of the respondents strongly disagree with the statement. Yet, only 2.91% and 12.62% of the respondents replied that they strongly agree and agree with the above statement respectively. Whereas 26.21% (n=27) of the respondent became indifferent with the statement. similarly

majority of the respondents (44.66%) also dis-agree with the idea that I actively use or initiate projects for the benefit of EEU. 4.86% of the respondents strongly dis-agree, Yet only 26.21% and 11.65% were disagree and strongly dis agree respectively. Whereas 12.62% of the respondents (n=13) became neutral with the statement

4.4.2 Response of employees’ satisfaction with the criteria of your organizationreward system. towards EEU’s employees actively use or initiate projects for the benefit of EEU in terms of descriptive statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
You are satisfied with the criteria of your organizations reward system.	103	1.00	5.00	2.4272	1.01558
I actively use or initiate projects for the benefit of EEU	103	1.00	5.00	2.9515	1.17472
Valid N (listwise)	103				

As shown from the table above 4.4.2 the mean value of the reward criteria is 2.42 indicates an average response of disagreement among the respondents for the variable. From these we can infer that most the respondents are not satisfied with the criteria of the reward management system. Similarly the respondents of employees’ use of resources for the benefit of the company an average mean value of 2.95 indicates respondent also in dis-agreement among the respondents variable.

Table 4.4.3 Response of employees' satisfaction with the criteria of your organizations reward system. towards EEU's employees actively use or initiate projects based on correlation

		Correlations	
		I actively use or initiate projects for the benefit of EEU	You are satisfied with the criteria of your organizations reward system.
I actively use or initiate projects for the benefit of EEU	Pearson	1	.905**
	Correlation		.000
	Sig. (2-tailed)		103
	N	103	103
You are satisfied with the criteria of your organizations reward system.	Pearson	.905**	1
	Correlation		.000
	Sig. (2-tailed)		103
	N	103	103

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

- a. Independentvariable Dependent variable. I actively use or initiate projects for the benefit of EEU
- b. You are satisfied with the criteria of your organizations reward system.

As we have seen from the above table On the basis of statistical test the p-value of spearman correlation between You are satisfied with the criteria of your organizations reward system and employees effectively use or initiate projects for the benefit of EEU is 0.905 which is the p value of spearman's correlation is greater than 0.05. this shows that there is strong significant relations between the statements described in the above.

4.4.4 Regression analysis

This is analysis that is almost a continuation of correlation the researcher has been used linear regression in which one independent variable used to predict one dependent variable. The result of the regression analysis between the independent variable are satisfied with the criteria of your organizations reward system. which predict the employee actively use or initiate projects for the benefit of EEU as follow

TABLE 4.4.4.1 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.905 ^a	.819	.817	.50206

- a. Predictors: (Constant), you are satisfied with the criteria of your organizations reward system.
- b. Dependent variable I actively use or initiate projects for the benefit of EEU.

In the above table the needed measure is the R square (model summary) in which it is the measure of the success of the model. It shows how much variance of dependent variable is capture. In this case the R square =0.819 and it can be interpreted as the weighting combination actively use or initiate projects explained approximately 81.9 percent of the variance in satisfied with the criteria of your organizations reward system.

TABLE 4.4.4.2 ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	115.299	1	115.299	457.427	.000 ^b
Residual	25.458	101	.252		
Total	140.757	102			

- a. Dependent Variable: I actively use or initiate projects for the benefit of EEU
- b. Predictors: (Constant), You are satisfied with the criteria of your organizations reward system.

b. Predictors: (Constant), You are satisfied with the criteria of your organizations reward system.

The above table revealed the Sig (ANOVA) and it is the significance of the model. .000 means wereached significance. On the other hand the value of F is 235.610 which indicate that our model is accepted and significant. So the above results shows that rewardmanagement system satisfied with the criteria of your organizations reward system with actively use or initiate projects for the benefit of EEU has a positive relationship. Our finding also tells us the impact of rewards are more useful to increase the employees performance.

TABLE 4.4.4.3 Regression Coefficient

Coefficients^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.410	.129		3.190	.002
1 You are satisfied with the criteria of your organizations reward system.	1.047	.049	.905	21.388	.000

a. Dependent Variable: I actively use or initiate projects for the benefit of EEU

a. Dependent Variable: I actively use or initiate projects for the benefit of EEU

b. Predictors: (Constant), You are satisfied with the criteria of your organizations reward system.

Beta coefficient is needed here and the beta value is 0.905 positive that means a higher positive effect of satisfactory reward management leads to actively use or initiates more employees to the benefit of the organization. The result of regression coefficient analysis can be presented as satisfactory reward management system has significantly showed the initiation of employees for better performance.

4.5. Respondents response based on the frequency table below

Table 4.5.1 frequency table

	Criterion of EEU reward management system is reliable		The rewards have a positive impact on the work atmosphere		I am judged by my performance rather than my personality		I develop logical and creative solution to problems	
	count	%	count	%	count	%	Count	%
Strongly Disagree	25	24.27%	24	23.30%	4	3.9%	6	5.82%
Disagree	38	36.89%	30	29.13%	32	31.06%	30	29.13%
Neutral	15	14.56%	18	17.47%	16	15.53%	20	19.42%
Agree	21	20.38%	23	22.33%	28	27.18%	27	26.21%
Strongly agree	4	3.9%	8	7.77%	23	22.33%	20	19.42%
Total	103	100%	103	100%	103	100%	103	100%

Based on the above frequency table(4.5.1) the criteria is reliable or not

the majority of the respondents(n=38) which is 36.89% of the participants were in disagreement, 24.27% were strongly disagreed, 20.38% were in agreement, 3.9% were strongly disagreed and the rest 14.56% were neutral.

For the second question The rewards have a positive impact on the work atmosphere response were 29.13% in disagreement, 23.30% in strongly disagreed, 22.33% in agreement, 7.77% strongly agreed and the rest 17.47% were neutral. (Table 4.5.1) Regarding the third statement the respondent's response were 31.06% dis-agree, 3.9% strongly dis-agree and 27.18% and 22.33% were agree and strongly agree respectively, the rest 15.53% were indifferent. And based on the fourth statement shows 29.13% were dis-agree, 5.82% were strongly-dis agree and 26.21% and 19.42% were agree and strongly agree respectively but the rest of 19.42% were neutral. From the above table we infer that the respondents were in disagreement to the organizations criteria reliability and other cited statements.

Table 4.5.2 respondents response about the reliability and the reward impact based on the Descriptive statistics

Table 4.5.2 respondents response about the reliability and the reward impact based on the Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
The reward management system of EEU brings a positive impact.	103	1.00	5.00	2.2913	1.07221
The criterion of EEU reward management system is reliable.	103	1.00	5.00	2.3301	1.07911
I develop logical and creative solution to problems	103	1.00	5.00	3.2427	1.23245
I am judged by my performance rather than my personality	103	1.00	5.00	3.3301	1.23977
	103				

A. Predictors(constant)criterion of EEU reward management system is reliable.Andreward management system of EEU brings a positive impact.

B Dependent variables I am judged by my performance rather than my personality and I develop logical and creative solution to problems

Based on the above descriptive statics table the highest mean value was 3.33 this shows there is negative reaction of employees to the existing criteria of the company’s reward management system reliability.

4.6. Response of employees' that The reward has a significant relationship to any output and Employee's performance have a strong link to the benefits they earn

Table 4.6.1 frequency and percentage of the above statement

	The reward has a significant relationship to any output		Employee's performances have a strong link to the benefits they earn.	
	count	%	count	%
Strongly Dis-agree	8	7.77%	8	7.77%
Dis- agree	23	22.33%	15	14.56%
Neutral	18	17.47%	14	13.60%
Agree	30	29.13%	39	37.86%
Strongly agree	24	23.30%	27	26.21%
Total	100	100%	100	100%

As illustrated in above 29.13% of the respondents agree with the statement 'The reward has a significant relationship to any output and at the same time 23.30% of the respondents strongly agree with the statement. Yet, only 7.77% and 22.33% of the respondents replied that they strongly dis-agree and dis-agree with the above statement respectively. Whereas 17.47% (n=18) of the respondent became indifferent with the statement. Similarly, majority of the respondents (37.86 %) agree with the idea that Employee's Performances have a strong link to the benefits they earn. While 26.21% of the respondents Agree. Only 7.77% and 14.56% were strongly dis-agreed and dis-agree. Whereas 13.60% Were in different. From these we can infer that most of the respondents can agree by The statements described above which have strong relationship between reward and performance.

Table 4.6.2 Respondents response has shown based on the descriptive statistics below.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
The reward has a significant relationship to any outputs	103	1.00	5.00	3.3786	1.27661
Employees performance have a strong link to the benefits they earned	103	1.00	5.00	3.6019	1.23938
Valid N (listwise)	103				

Based on the descriptive statistics table 4.6.2 above the mean value of 3.38 the reward has a significant relationship to any outputs indicates an average response of low agreement among the total respondents for the variable. The mean value is below the minimum standard mean value of 3.39. This only shows that the average respondents of the response. On the other hand the mean value of 3.60 employees performance have a strong link to the benefits they earned shows a moderate mean level according to the Zedatol (2008) mean score 3.80 is consider high, 3.40-3.79 is moderate and below 3.39 is low satisfaction cited by Oumer Mohammed (2012, p. 44). Which is 3.60 mean value of respondents also shows that respondents average response on the statement.

4.6.3 Response of employees’ the statements of the reward has a significant relationship to any outputs. towards EEU’s employees performance have a strong link to the benefits they earned based on correlation.

Table 4.6.3 Correlations

		The reward has a significant relationship to any outputs	Employees performance have a strong link to the benefits they earned
The reward has a significant relationship to any outputs	Pearson Correlation	1	.945**
	Sig. (2-tailed)		.000
	N	103	103
Employees performance have a strong link to the benefits they earn	Pearson Correlation	.945**	1
	Sig. (2-tailed)	.000	
	N	103	103

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

a .Dependent variable: Employees performance have a strong link to the benefits they earned

b predictors(constant): The reward has a significant relationship to any outputs

As we have seen from the above table On the basis of statistical test the p-value of spearman correlation between the reward and employee performance 0.945 which is the p value of spearman’s correlation is greater than 0.05 therefore, the null hypothesis is rejected that is HA is confirmed since there is a significant positive relationship between the employee Performance and reward management system of EEU.

4.6.4 Regression analysis

This is analysis that is almost a continuation of correlation the researcher has been used linear regression in which one independent variable used to predict one dependent variable. the result of the regression analysis between the independent variable The reward has a significant relationship to any outputs to Employees performance have a strong link to the benefits they earn presented as follow

:

Table 4.6.4 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.945 ^a	.893	.892	.40704

a. Predictors: (Constant), The reward has a significant relationship to any outputs

b. Dependent Variable: Employees performance have a strong link to the benefits they earned

In regression analysis if significance level is less than 0.05 than the independent variable has Significant relationship with dependent variable. According to the study results there exists Highly significant relationship between the above two variables. In the table 4.6.4 above:

R square value is .893 that indicate our dependent variable is 89.3% determined by independent variable that are the reward has a significant relationship to any outputs, while 10.7% effect is because of other variable that are not included in our study.

The variation of R² (.893) and Adjusted R² (.892): (0.1%) implies that there is insignificant change which in turn tells us that the results can be generalized beyond the sample, i.e. to the Population. The most widely accepted rule of thumb, proposed by Cohen (1988): Effect sizes of $d < 0.20$ are interpreted as insignificant; values of d between 0.20 and 0.50 are interpreted as small effects; values of d between 0.50 and 0.80 are interpreted as medium effects; and values of d larger than 0.80 are interpreted as large effects. In other words, the model summary reveals that at 89.3% of the study's population level, in general the impacts of reward management towards the employee performance can be taken as true

Table 4.6.5. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	139.946	1	139.946	844.683	.000 ^b
	Residual	16.734	101	.166		
	Total	156.680	102			

a. Dependent Variable: Employees performance have a strong link to the benefits they earned

b. Predictors: (Constant), The reward has a significant relationship to any outputs

In Table:4.6.5 the value of F is 844.683 which indicate that our model is accepted and highly significant. So the above results shows that reward has a significant relationship to any outputs to Employees performance have a strong link to the benefits they earned of EEU has a positive relationship Therefore H1 is accepted. So H0 is rejected. Our finding also tells us the impact of rewards Are more useful to increase the employee’s performance. On the other hand The above table revealed the Sig (ANOVA) and it is the significance of the model. .000 means were reached significance and can accept hypothesis and reject the null hypothesis and also value of F indicates is highly significant to positive relationship.

Table 4.6.6 Regression Coefficients

Model		Coefficients ^a			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	.502	.114		4.405	.000
	The reward has a significant relationship to any outputs	.918	.032	.945	29.063	.000

a. Dependent Variable: Employees performance have a strong link to the benefits they earned

b. Predictors: (Constant), The reward has a significant relationship to any outputs

Beta coefficient is needed here and the beta value is positive that means a significant relationship to any output on Employees performance. The result of regression analysis shows the above facts. Therefore, the null hypothesis is rejected that is H_A is confirmed since there is a significant positive relationship between the reward management system of EEU to employee performance.

CHAPTER FIVE

FINDINGS, CONCLUSION AND RECOMMENDATION

This final chapter of the thesis deals with the summary of the major findings of the study.

Drawn from these major findings of the study, conclusions are presented, and recommendations which the investigator assumes to be operational are also forwarded

5.1 FINDINGS

- ✓ Based on demographic results as shown in chapter four of this paper some of following findings are presented.

According to age category majority of the respondents were under 31-40 years. This shows that an Average life of the working group. The assumptions on these relatively well understood and matured enough to respond fairly and reasonably to the questions. Regarding educational level as shown in table 4.1.4 majority of the respondents i.e 55.34% have First degree holders. The remaining respondents also are diploma and second degree holders. These shows The respondents are all professionals and I think they respond the questions easily and responsibly. The company also lucky to hold the professionals to accomplish the desired goals. Even though the Reward system of the organization is not fair as they were dis agrees in the questioners they response. Similarly 33.01% of the respondents' year of service was 11 to 20 years. According to this the Company own experienced working forces.

Findings related to close ended and open ended questions are presented as follows:-

- Regarding the organizations reward policy competitiveness shown in table 4.1 majorities of the respondents was not agreed. This indicates that the organizations reward management system is not competitive to similar other organizations. Due to this employees of the company were unsatisfied about the reward system; this may leads to unstable conditions to perform the desired objectives.
- Based on the reward system of EEU increases motivation. Majority of the respondents were not agreeing. They were said that there are no motivational factors in the company. The purpose of the reward is to motivate employees, but the reward system of EEU is not performance based. They said that weather you perform well or not you simply get what others already have got.

Table 4.3.1

- Regarding the satisfaction of reward criteria they were asked, the respondents were disagree, This result implies that the employees of sample respondents in the EEU EAAR office perceived the reward management system criteria is as unfair
- Questions related about reliability of the rewards the respondents were above 60% in disagreement. The rest of the respondents were indifferent and agreements of the statement.
- Regarding questions about hypothesis testing questions majority of the respondents were agree

That the reward has a significant relationship to any outputs and Employees performance has a strong link to the benefits they earn. Apart from the other findings described above the descriptive Statistics mean value become an acceptable value. In addition to this the result from this study examined and determined the relationship between rewards and employees' performances. Based on a result from Pearson Correlation Analysis, it showed that there was a positive relationship between rewards and employees' performance and also showed a highly positive significance in the relationship between reward and employee performance..

5.2 Conclusion

Employees are the basis for an organization to achieve sustainable competitive advantage. Competitiveness is important to retain skill full employees in the organization and achieving the desired goal and it will serve as a benchmark against which the performance of an employee will be compared at the global world. Attracting and retaining competent workforce is a challenging task for every organization. It is illustrious that employee performance can be improved when employees are motivated to achieve their goals. In order to achieve the desired goal and attract and retain their workforce, EEU make improvements in their existing reward system by integrating reward strategy with human resource strategy. The company has to consider reward as a performance motivator and a part of organization's business strategy. The study concludes that reward plays a vital role in employee performance. Considering this fact that management of EEU is the only responsible body to develop competitive reward strategy with the aim of achieving sustainable competitive advantage and good working atmosphere in the organization. The main objective of this research is to identify the relationship between reward and employee performance. The findings it revealed that there is a positive relationship of the reward management system and employee Performance. This implies rewards and

employee performance have a direct positive relationships

5.3 Recommendations

I believe that the findings of this study have practical implications to the EEU, wherein the study is carried out. Thus, the following recommendations pinpointing focal points that would be helpful to the organization.. The world is changing at a very fast pace and it is only prudent that employers respond to this rapid changes organizations should be seen to be responding to the ever changing and sophisticated taste of the modern employee. It will be necessary to do this in order to attract and maintain the best employees for the organization. It is important however to note that this should not be done at the total expense of the employer. The fact that the company is prepared to satisfy the needs of the individual employee does not mean that it is responsible for the entire life of the individual. Rather the individual employee should be responsible for his own life at the end of the day and as a result must work hard to be rewarded. This means that the individual must be motivated intrinsically and the organization will motivate extrinsically.

As we found out from the study, employees should not ask for the unimaginable from employers.

To this end I will recommend as follows:

- To be competitive and achieving the desired goal there must be clear and transparent reward policy and Procedures in the organization. This also should be communicated, consensus sought and a compromise reached at the end of the day between the shareholders .
- After recruitment and selection, employees should be made aware of the reward components in their employment contract. This will ensure that rewards are not taken for granted but as a component worth workingfor Compensation packages should be linked to employee satisfaction. For this, employee opinion surveys shouldbe sought in designing a good reward packagefor the various job classes in the organization.
- The total reward mix should comprise more of a non- monetary and less of monetary rewards. By this intrinsic motivation will be increased and workers will have the feeling that the employer is taking care of his total need. Dissatisfactionwill be greatly reduced.
 - Benefits provide timely for employees due to this unnecessary conflicts are removed and employees focus on their work only and will urge them to give of their best.

- Organizations see employees as a valuable asset rather than expenses. This will promote employees to perform better.
- Rewards are based on employees performance to become increase competitiveness between employees
- EEU has a great responsibility to create good working atmosphere to become profitable and reputable.
- Reward packages should be clear and easily understood, it should have bearing on organizational goals, be fairly administered and aim at ensuring equity among the total workforce.

- The current reward system criteria of the EEU need not to be encouraged in conformity to the purpose desired.

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EEUs policy and procedures

EEUs collective agreement

EEU WEBSITE

APPENDICES

General Instructions

1. You are not required to write your name.
2. All questions are equally important for the completion of the study.
3. The questions are organized in to three parts :-

PART ONE Demographic Characteristic of Respondents

PART TWO: likers scale questioner

Instruction: Please put “X” in the box of your choice.

Open- ended questions are answered by writing on the space provided. If the space is not sufficient, please use the back page of the questionnaire

PART ONE Demographic characteristic of respondents

1. Age group

Below 30 31-40 41-50 above 50

2. Gender

Male Female

3. Marital Status

Married Single Divorced Widowed

4. Qualification

Less than Diploma _____ Diploma _____ First Degree _____

Second Degree

PhD

5. Years of service in EEU

Less than 5 year

5 to10 years

10 to 20 years

More than 20 years

6. Monthly Salary

< 1, 500

1, 500- 3, 500

3, 501- 5, 000

5,001-7, 000

7, 001- 10, 000

Above 10, 000

PART TWO

A. Questions about Reward management system

- Please indicate your responses to each of the following statements regarding reward management. Indicate with an X in the appropriate answer box, according to the following code definitions:

Key Strongly disagree=1, Disagree =2, Uncertain =3, Agree =4, Strongly agree=5

	Statements	1	2	3	4	5
2.1	Your reward management system is competitive compared with other organizations.					
2.2	Rewards are in accordance with your work experience.					
2.3	I am satisfied with the quality/quantity of the rewards					
2.4	The rewards are distributed rightfully.					
2.5.	The rewards match my work effort					
2.6	The reward management system of EEU brings a positive impact.					
2.7	Hard working employees are recognized.					
2.8	Financial reward is more important than non-financial in your organization.					
2.9	You are satisfied with the criteria of your organizations reward system.					
2.10	The reward system of EEU increases motivation.					
2.11	The existing reward system of EEU is encourages Employees.					
2.12	The reward is equitable with what others get doing similar job in your organization.					
2.13	The criterion of EEU reward management system is valid.					
2.14	The criterion of EEU reward management system is reliable.					
2.15	I am ready to increase my work efforts in order to gain the rewards					
2.16	The reward has a significant relationship to any output					

B. Questions related to Employee Performance

. Indicate your response to each of the following statements with regard to employee performance.

Please place an X in the appropriate answer box according to the following code definitions:

Key

Strongly disagree=1, Disagree =2, Uncertain =3, Agree =4, Strongly agree=5

s.no	Statements	1	2	3	4	5
3.1	I well understand and adhere to policies and procedures of EEU.					
3.2	I effectively use resources including time and materials.					
3.3	I always do my job effectively and efficiently.					
3.4	I have the information, expertise, skill and knowledge required to perform the job I was hired for proficiently.					
3.5	I actively use or initiate projects for the benefit of EEU.					
3.6	I develop logical and creative solution to problems					
3.7	I effectively work with other employees					
3.8	Employees performance have a strong link to the benefits they earn.					
3.9	I am judged by my performance rather than my personality					
3.10	I am highly satisfied regarding my task accomplishment.					

A. What recommendation would you offer the management on how best use reward systems to motivate employees?

B. Apart from the above question, How do you describe and understand reward systems in your organizations?
