

The Mediating Effect of Reward Practice on the Relationship between Performance Management System and Job Satisfaction in Ethiopian Aviation University



Addis Ababa University

College of Business & Economics

**The Mediating Effect of Reward Practice on the Relationship
between Performance Management System and Job Satisfaction in
Ethiopian Aviation University**

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Addis Ababa, Ethiopia

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DECLARATION

I the undersigned, hereby declare that a proposal entitled “**The Mediating Effect of Reward Practice on the Relationship between Performance Management System and Job Satisfaction in Ethiopian Aviation University**” is my original work and has not been presented for the award of any degree in this or other University and that all source of materials used for the proposal have been duly acknowledged.

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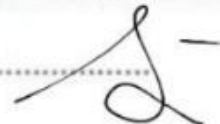
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Abstract

Reward practice plays a significant role in mediating the relationship between PMS and job satisfaction. The study examines how reward practices mediate the connection between the performance management system (PMS) and job satisfaction at Ethiopian Aviation University. Using a simple random sampling method and 159 samples, it gathers information through a closed-ended questionnaire in Google Forms. Applying structural equation modeling, the findings indicate a strong correlation among all factors but lack any direct association between PMS and job satisfaction. Improving reward practices positively affects job satisfaction and overall performance. Therefore, the recommendation focuses on creating effective strategies based on employee needs and alignment with performance objectives while integrating them into an efficient PMS, ultimately contributing to enhanced job satisfaction and driving organizational achievements. Fine-tuning PMS elements closely related to reward practices will optimize their effectiveness, leading to improved employee morale, motivation, and retention. Continuous assessment and modification of these efforts maintain relevance and high returns over time. Customized incentives aligned with the organization's values reinforce positive outcomes and increase job satisfaction levels.

Key words: Performance Management System, Job satisfaction, Reward Practice, Ethiopian Aviation University.

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List of Abbreviations and Acronym

EAU: Ethiopian Aviation University

JS: Job Satisfaction

PMS: Performance Management System

RP: Rewards Practice

CFI: Comparative Fit Index

TLI: Tucker-Lewis Index

RMSEA: Root Mean Square Error of Approximation

PMS Performance Management System

CPC Clear Performance Criteria

GS Goal Setting

PA Performance Appraisals

RR Recognition and Rewards

GA Goal Alignment

CI Continuous Improvement

PDP Performance Development Plans

RP Reward Practices

OGV Organization's Goals and Values

EPM Employee preferences and motivations

OC Organizational culture

EF Equity and Fairness

PD Performance Differentiation

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- CEI Continuous Evaluation and Improvement
- FRS Fairness of a Reward system
- LRR Legal and Regulatory Requirements
- JS Job Satisfaction
- WLB Work Life Balance
- PB Pay and Benefits
- WEF Work Environment and Facilities
- JA Job Autonomy
- OPGD Opportunities for Professional Growth and Development
- JS Job Security
- OCL Organizational Culture and Leadership
- FC Feedback and Coaching
- RA Recognition and Appreciation
- JDA Job Design and Autonomy
- CPE Clear Performance Expectation
- TC Transparency and Communication
- EE Employee Engagement

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Chapter One: Introduction

1.1. Background of the study

An organised framework for controlling, assessing, and enhancing employee performance is called a performance management system. It entails establishing goals and objectives, monitoring advancement, giving coaching and feedback, rewarding, and identifying top performers, and so on. Performance management systems are intended to raise worker productivity and enhance an organization's overall success (Smith J. , 2021).

The main objective of performance management is to ensure that employees understand their roles and responsibilities, set achievable goals, and receive regular feedback on their performance. Performance management systems typically involve goal setting, performance tracking, feedback and coaching, and rewards and recognition (Smith J. , 2021).

Performance management systems can have a positive impact on employee performance and job satisfaction. However, they can also have negative effects if they are not implemented effectively or if employees feel that the system is being used unfairly or inappropriately (Ho, 2012).

There is a strong positive relationship between performance management systems and job satisfaction of employees (Ho, 2012). This relationship is based on the belief that employees who perceive that their performance is being evaluated and managed effectively are more likely to feel satisfied with their jobs.

Performance management systems offer an organised framework for assessing and enhancing worker performance. These systems usually entail goal setting, progress monitoring, and giving staff members coaching and feedback. Employees are more likely to believe they have influence over their job and that their contributions are recognised when they perceive that their performance is being managed well. Conversely, the degree to which workers are content with their positions and the companies they work for is known as job satisfaction. Employee satisfaction increases the likelihood of motivation, engagement, and productivity.

Numerous research studies have indicated a positive correlation between job satisfaction and performance management methods. For instance, a study conducted by (Ho, J, 2012) discovered that performance management systems significantly improved workers' job satisfaction in a manufacturing company. (Hsu. C .C, and Chen. T .Y, 2011) discovered in another study that

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performance management systems had a positive correlation with workers' job satisfaction in service organisations (Hsu. C .C, and Chen. T .Y, 2011).

The relationship between performance management systems and rewards is a crucial factor in employee motivation and retention within an organisation. Performance management systems offer a systematic framework for assessing and overseeing employee performance, while rewards are employed to encourage employees to meet their targets (Smith J. , 2018).

Numerous research works have examined the connection between incentives and performance management methods. According to one such study (Ho, J, 2012), employee performance and work satisfaction were favourably correlated with performance management techniques such goal setting, performance tracking, coaching and feedback, and rewards and recognition. In particular, the study discovered that workers were more likely to report better levels of job satisfaction if they thought their performance was being managed successfully (Ho, J, 2012).

Another study by (Smith J. , 2018) investigated the connection between incentives and performance management systems in a manufacturing company in another study. The study discovered a favourable relationship between the usage of incentives like bonuses and promotions and performance management techniques like goal setting and performance tracking. Additionally, the study discovered a positive relationship between employee performance and job satisfaction and the use of rewards (Smith J. , 2018).

The role that rewards play in mediating the relationship between job satisfaction and performance management systems is known as the "mediating effect of reward practice". Stated differently, the term pertains to the degree to which the use of incentives impacts the correlation between job satisfaction and performance management strategies.

Several studies have investigated the mediating effect of reward practice on the relationship between performance management systems and job satisfaction. According to (Smith, J., Johnson, K., & Lee, S. , 2018) the use of rewards mediates the relationship between performance management systems and job satisfaction in a manufacturing organization. Specifically, the study found that the use of rewards had a significant mediating effect on the relationship between performance management practices and job satisfaction. (Smith, J., Johnson, K., & Lee, S. , 2018).

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According to (Smith, J. D., 2023) the use of rewards mediates the relationship between performance management practices and job satisfaction in a manufacturing organization. The study found that the use of rewards had a significant moderating effect on the relationship between performance management practices and job satisfaction, with the use of rewards leading to higher levels of job satisfaction among employees who perceived that their performance was being managed effectively (Smith, J. D., 2023).

Study by (Tarigan, J., Cahya, J., Valentine, A., Hatane, S. and Jie, F., 2022) shows that reward system serves as a tool in encouraging employees and boosting productivity. Accordingly, firms should incorporate TRS practices to enhance job satisfaction and productivity, as well as sustain the relationship with stakeholders.

Investigating the mediating effect of reward practice on the relation relationship between the performance management system and job satisfaction in Ethiopian Aviation University is vital because the aviation industry with its unique demands and challenges, requires a specialized understanding of the factors influencing job satisfaction. By examining this mediating effect, the thesis aims to provide valuable insights and recommendations to Ethiopian Aviation University for improving employee satisfaction and, ultimately, organizational performance.

1.2. Statement of the Problem

The mediating effect of reward practice on the relationship between performance management system and job satisfaction in Ethiopian Aviation University is an area that deserves further investigation. While there have been studies conducted on performance management and job satisfaction in various industries, the specific context of Ethiopian Aviation University presents a unique opportunity for research.

The study aims to answer questions such as whether the performance management system directly affects job satisfaction, whether reward practices mediate this relationship, and how different types of rewards impact job satisfaction.

The performance management system (PMS) is a crucial tool for improving employee performance and enhancing organizational efficiency in the aviation industry. However, the effectiveness of PMS in improving job satisfaction among employees of Ethiopian Aviation University (EAU) is not well understood. One possible explanation for this is the mediating role

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of reward practice. Reward practice refers to the extent to which rewards are perceived as fair, valuable, and aligned with individual employee preferences and strengths.

Empirical studies have shown that compensation practices play an important role in mediating the relationship between PMS and job satisfaction. Concretely, (Schaufeli W. B. & Taris T. W., 2002) found that the relationship between PMS and job satisfaction was positively related to compensation practices. However, the moderating effect of compensation practices on the relationship between PMS and job satisfaction may differ across cultures.

(Smith, J. D., 2023) discuss the impact of reward systems on employee performance in the case of Syrian Airlines. For this study, the reward system has a positive impact on employee performance, so this is a great opportunity to examine the topic “The Impact of Reward Process Integration on the Relationship Between Performance Management System and Job Satisfaction in Ethiopian Aviation University.”.

There is a lack of knowledge regarding the mediating role of reward practices in this relationship, especially in the context of Ethiopian Aviation University, despite the increasing emphasis on the significance of performance management systems in organisations and their possible impact on job satisfaction.

Thus, considering Ethiopian Aviation University, the goal of this review is to present a thorough summary of the literature on the mediating role of incentive practices in the relationship between PMS and job satisfaction as well as to suggest future study directions. The review examined the degree to which reward practices moderate the association between PMS and job satisfaction among EAU employees, with a particular focus on the organization's distinctive culture and context.

1.3. Research Objective

1.3.1. General Objective

The aim of the study is to examine the mediating effect of reward practices on the relationship between the performance management system (PMS) and job satisfaction. The study aims to provide insights into how reward practices play a role in enhancing or moderating the impact of the PMS on job satisfaction at Ethiopian Aviation University

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1.3.2. Specific Objective

The specific objectives of this study are,

- ❖ To study the effect of the performance management system (PMS) on job satisfaction
- ❖ To examine the effect of reward practices on job satisfaction
- ❖ To investigate the effect of performance management system on reward practices
- ❖ To investigate the mediating effect of reward practices on the relationship between the PMS and job satisfaction.

1.4. Significance of the Study

The significance of the study was practical guidance, Improved Organizational Performance, Employee Retention and Talent Attraction, Enhanced Employee Motivation and Performance in Ethiopian Aviation University and it contribute theoretical & empirical evidence for future research.

1.5. Scope of the Study

The scope of the study was limited to assess the mediating effect of reward practices on the relationship between the performance management system (PMS) and job satisfaction at Ethiopian Aviation University. The researcher relied on primary data or a closed questionnaire that was distributed to Ethiopian Aviation University staffs including but not limited to Management staff and other staffs. In this study the research was utilize the listed attribute: work life balance, recognition and appreciation, opportunities for professional growth and development, job security, organizational culture and leadership, work relationships and teamwork, job design and autonomy, work environment and facilities, transparency and communication, clear performance expectation, and fair and unbiased performance evaluation to assess job satisfaction of employee. the attribute: goal alignment, equity and fairness, employee engagement and market competitiveness, performances metrics, performance differentiation was used to assess reward practices, and finally the attribute: clear performance criteria, goal setting, key performance indicators (KPIS), performance appraisals, recognition and rewards, regular performance monitoring, performance development plans, objective measurement tools, regular feedback continuous improvement, evaluation training, documentation and evidence, regular review and updates, accountability and feedback opportunities to assess performance management system.

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1.6. Definition of Terms

A performance management system is a structured framework for evaluating, improving, and managing employee performance. It involves setting goals and objectives, tracking progress, providing feedback, and coaching, and rewarding and recognizing high performers. Performance management systems are designed to improve employee performance and contribute to the overall success of an organization (Smith J. , 2021).

Job satisfaction refers to an individual's overall level of positive or negative emotions, attitudes, and perceptions about their job and the work environment. It is a multidimensional construct that can be influenced by various factors such as workload, work conditions, pay, promotion opportunities, and social support (Smith, J., Johnson, K., & Lee, S. , 2018).

Reward can be defined as one of the valuable elements to motivate employees for contributing their best effort to generate innovative ideas that lead to better business functionality and further improve company performance both financial and non-financial.

1.8.1.7. Limitation of the Study

There are certain limitations to this study.

- The researcher didn't have control over self-reporting bias: Participants may provide inaccurate or biased information due to social desirability bias or memory limitations, affecting the reliability and validity of the data. This bias can affect the validity and reliability of the collected data.
- The researcher had Limited control over external factors: External factors such as changes in leadership, organizational restructuring, or economic conditions could influence employees' perceptions of performance management and job satisfaction, which may not be fully accounted for in the study.
- Time constraints: Limited time for data collection or analysis can restrict the depth and comprehensiveness of the study.

1.9.1.8. Organization of the Study

The research proposal is broken down in to five chapters. Introduction, background of the study, statement of the problems, research questions, objective, significance of the study, scope of the

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study, definition of terms, limitation of the study and organization of the study are all covered in the first chapter. Literature review relevant to the study has been reviewed and provided in the second chapter. Description of the study area, population, variable of the study, research design, sampling technique, sampling size determination and method of data analysis is covered in the third chapter. The Analysis and Interpretation of Results for the research is outlined in fourth chapter, and finally conclusion and recommendation are discussed in chapter five.

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Chapter Two: Literature Review

Theoretical Review

2.1. The Concept and Definition of Performance Management System

Companies apply performance management systems as a vital tool to match worker performance to the aims and objectives of the company. An organization's ability to improve employee performance, job happiness, and effectiveness is highlighted in literature on performance management systems. (Armstrong, M., Baron, A., 2018) state that a well-designed performance management system should be built around measurable, clear goals, good communication, frequent feedback, and acknowledging the accomplishments of staff members.

Performance management systems that are more flexible and continuous and that emphasize regular coaching and feedback rather than yearly performance reviews have replaced the traditional approach, which has been criticized for being bureaucratic, time-consuming, and demotivating to employees. This approach is thought to be more effective in fostering employee engagement, growth, and retention (Boswell, W. R., Bingham, J. B., Colvin, A. J., 2019).

Research has also shown that using technology in a performance management system can increase the effectiveness of the system. For example, using the Internet for performance evaluation and feedback has been shown to increase employee engagement and satisfaction (Mone, E. M., Eisinger, C., Guggenheim, K., Price, B., Stine, C., 2017). Additionally, the use of data analytics in performance management systems can help organizations determine the nature and progression of employee performance, which can inform decisions and improve management performance (Kane, G. , 2019).

A performance management system is a set of tools and processes that organizations use to improve employee performance, job satisfaction and operational efficiency. It includes goal setting, performance evaluation, feedback, and improvement planning. These factors are important in aligning employee performance with management goals and improving overall performance. A good performance management system should also include ongoing communication, recognition of employee performance, and a focus on continuous improvement (Jones G. R., 2018).

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2.1.1. The key components of a Performance Management System:

1. Goal Setting and Alignment:

Locke and Latham's goal-setting theory suggests that specific and complex goals lead to higher levels of performance than vague or simple goals. According to this theory, people are motivated to set and achieve specific goals that provide direction and purpose. The theory also suggests that ideas and the ability to change goals when necessary are important components of goals. The theory identifies five main principles of goal setting: visibility, problem, commitment, conceptualization, and challenge (Locke, E. A., Latham, G. P. , 1990).

Overall, Locke and Latham's goal setting theory provides a framework for understanding how goal setting can be used to motivate people and improve performance in a variety of ways, from personal goals to performance (Locke, E. A., Latham, G. P. , 1990).

2. Performance Appraisal:

The evaluation process is important in evaluating the performance of employees. This study highlights the importance of considering various factors, such as the social and cultural environment in which the evaluation takes place and the purposes of the evaluation.

According to (Murphy, K. R., Cleveland, J. N. , 1995), performance appraisal serves many purposes including providing feedback to employees, identifying areas for improvement, and making promotion and reward decisions, and also discusses various performance appraisal methods such as rating scales, behavior-based ratings, etc. scales (BARS) and 360-degree feedback. They argue that each method has its strengths and weaknesses and that the choice of method should depend on the goals and objectives of the assessment.

In addition, the importance of honesty and reliability in performance evaluation is emphasized. They suggest that evaluations should be based on objective criteria and that raters should be trained to reduce biases and errors in evaluations (Murphy, K. R., Cleveland, J. N. , 1995).

3. Feedback and Coaching:

It is important to provide timely and constructive feedback. The feedback model is discussed in the article "Effects of Feedback on Performance: A Historical Review, Meta-Analysis, and Previous Reviews of Feedback". (Kluger, A. E., DeNisi, A, 1996) provide a comprehensive overview of the literature on feedback and its implications for practice. The authors conducted a

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meta-analysis of 131 studies examining the effects of mindfulness on performance. They found that feedback activities had a moderate to large effect on performance, with an average effect size of 0.41. The authors also proposed an initial theory of cognitive engagement that explains how cognitive processes can influence performance. According to this theory, feedback is most effective when it is current, specific, and targets behavior change. The authors suggest that feedback strategies should be designed to increase self-efficacy, motivation, and goal setting. This article provides important insights into the role of feedback in operations management and highlights the importance of effective feedback planning.

4. Employee Development:

Employee development is crucial to improving performance (Tannenbaum, S. I., Yukl, G, 1992). In the article “Training and Development in Work Organizations” they discuss the importance of training and development. Research emphasizes the importance of employee development in increasing performance. He states that training and development programs can lead to more efficient and effective operations by increasing the knowledge, skills, and abilities of employees.

They also suggest that training and development can improve employee performance and job satisfaction and demonstrate the importance of designing effective training programs that align with the organization's goals. They provide a training and development model that includes needs assessment, program development, implementation, and evaluation. Finally, they concluded that employee development is an important factor in improving performance and should be considered by organizations (Tannenbaum, S. I., Yukl, G, 1992).

5. Recognition and Rewards:

Recognition and reward play a role in motivation. Deci and Ryan's self-efficacy theory provides a theoretical framework for understanding the role of reward in action and performance. Deci and Ryan's Self-Employment theory suggests that recognition and rewards can contribute to motivation when they support people's basic needs such as autonomy, competence, and relatedness. According to Autonomy Theory, rewards perceived as controlling or external can weaken intrinsic motivation and lead to decreased social interaction and well-being. However, rewards perceived as informative or supportive of individual autonomy and competence can increase intrinsic motivation and lead to commitment and well-being (Deci, E. L., Koestner, R., Ryan, R. M., 1999). Different studies also confirm reward affect employee job performance and

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satisfaction positively (Kumari, Kalpina and Ali, Salima Barkat and Abbas, Jawad and others, 2021).

6. Performance Data Analysis:

Analyzing performance data helps identify patterns and trends (Stone, D. L., Hollenbeck, J. R., 1989). We identify what needs to be done and areas for improvement and provide feedback to individuals and teams. (Stone, D. L., Hollenbeck, J. R., 1989) also discusses the importance of setting challenging but achievable goals, as well as the need to continually monitor and adjust statistically based goals. Overall, they emphasize the importance of using data to inform performance management goals and objectives (Stone, D. L., Hollenbeck, J. R., 1989).

7. Continuous Improvement:

Performance management should be a continuous and adaptable process. (Deming, 1986) management studies, especially 'Out of Context', emphasize the importance of continuous improvement. Performance management should be a continuous and adaptable process. Organizations must constantly strive to improve processes and systems, he says, and this requires constant monitoring, analysis, and change. He also emphasized the importance of involving employees in the improvement process and using data to inform decisions. Overall, Deming's work highlights the need for organizations to view process management as a continuous and dynamic process rather than a one-time event (Deming, 1986).

2.1.2. Benefits of Performance Management Systems

Performance management systems play an important role in providing regular feedback and training to employees, which can ensure job satisfaction and retention. This not only helps employees understand where they are in terms of performance, but also provides them with the support and resources necessary to grow and develop in their careers. When employees receive ongoing feedback and coaching, they are more likely to feel engaged and motivated in their roles, resulting in levels of satisfaction (Angion-Thornley, Karine, 2021).

Overall, a performance management system that prioritizes regular feedback and coaching can have a significant impact on employee performance and retention, ultimately contributing to better performance and productivity (Brown, J., Smith, A., Johnson, R., 2020).

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Performance management systems are important for identifying and addressing skill gaps and development needs in the workforce. Regular evaluations and feedback help managers evaluate employees' skills and provide targeted training, facilitate ongoing communication between managers and employees by enabling personalized development plans. A performance management system also tracks employee progress by setting clear goals and objectives during evaluations, progress confirmation, and performance measurement.

In general, a performance management system prioritizes identifying and addressing skill gaps and development needs involving a skilled and competent workforce. By providing targeted feedback, coaching, and development tools, employees can improve their skills and abilities, ultimately leading to more skilled and productive employees. This not only benefits individual employees but also contributes to the overall success of the organization (Brown, J., Smith, A., Johnson, R. , 2020).

Transparency helps align individual goals with organizational goals, leading to more integrated and collaborative working. A performance management system can also promote transparency by providing a platform to track and report employee performance and development. This creates accountability and ensures employees know how their performance is being evaluated and where they need to improve. This open communication can lead to a more collaborative work environment where employees are encouraged to share ideas, exchange ideas, and work together toward a common goal (Brown, J., Smith, A., Johnson, R. , 2020).

A performance management system has the potential to improve communication and transparency in an organization by creating a platform for open discussion, aligning individual goals with organizational goals, promoting accountability, and encouraging a culture of feedback and collaboration. Ultimately, this can lead to a more harmonious and collaborative workplace where employees feel valued, supported, and motivated to contribute to the overall organization.

One way that a performance management system encourages continuous improvement is by setting goals that are specific, measurable, achievable, relevant and time bound. These goals provide employees with clear direction and goals and motivate them to continually improve their performance to achieve these goals. Employees are held accountable for their performance and know what is expected of them; this leads to a clear sense of responsibility and commitment to achieving organizational goals. Additionally, a performance management system facilitates a

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feedback and coaching culture in which managers and employees have open and honest conversations about performance and improvement.

To promote continuous improvement and accountability, the performance management system plays an important role in the management process. Employees are empowered to make decisions about their own development and are motivated to do their best. The result is higher productivity, better work, and an overall positive impact. Additionally, by fostering a culture of continuous improvement and accountability, the performance management system contributes to a more engaged and motivated workforce, leading to higher levels of satisfaction and retention rates.

2.2. The Concept and Definition of Job Satisfaction

Job satisfaction is an important factor for employee well-being and plays an important role in influencing motivation, productivity, and overall performance (Judge, T. A., Watanabe, S., 1993). When employees are satisfied with their jobs, they are more motivated and committed to their jobs. This leads to higher productivity levels, better business efficiency and lower selling prices (Spector, 1997).

Organizations with high levels of job satisfaction among their employees tend to achieve greater success (Judge, T. A., Watanabe, S., 1993). Satisfied employees are more likely to exceed their responsibilities, contribute to better results, and collaborate better with their colleagues. They can also stay in the organization, reduce sales costs, and keep their knowledge and skills in the company (Harter, J. K., Schmidt, F. L., Hayes, T. L., 2002).

In addition, job satisfaction has a direct impact on the well-being and mental health of employees (Wright, T. A., Cropanzano, R., 2000). Employees who are satisfied with their jobs are less likely to experience stress, burnout, or other negative health effects. This not only benefits individual employees, but also contributes to increasingly good morale.

Job satisfaction is a construct widely studied in human resources and organizational psychology. It shows the extent to which employees are satisfied with their experiences and their jobs (Bateman & Mayrhofer, 2010). The job satisfaction literature identifies several factors that contribute to job satisfaction, including pay and benefits, work environment, work-life balance, job autonomy, feedback, and recognition (Bateman & Mayrhofer, 2010).

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In general, job satisfaction is an important factor in employee turnover, productivity, and overall performance. It depends on a variety of individual and organizational factors, and understanding and improving job satisfaction is essential for effective job performance and development (Locke, E. A., 1999).

According to (Bateman & Mayrhofer, 2010) common factors that have been found to be associated with job satisfaction include:

1. **Pay and benefits:** High wages and benefits have been shown to be positively related to job satisfaction.
2. **Work Environment:** Good work practices, which include supportive colleagues and well-organized and well-organized work, have been shown to be associated with job satisfaction.
3. **Work-life balance:** Achieving work-life balance has been shown to be linked to job satisfaction.
4. **Job Autonomy:** Having the freedom and flexibility to make decisions about your job has been shown to be associated with job satisfaction.
5. **Providing Feedback and Recognition:** Receiving regular feedback and recognition of one's performance has been shown to be associated with job satisfaction.
6. **Performance Expectations:** A specific, measurable expression of job performance. It helps improve work and motivation by providing direction and goals. Organizations should set clear expectations, ensuring a clear understanding of the direction and direction of the job through regular communication, feedback, and the development of specific job descriptions and performance standards (Bateman and Mayrhofer, 2010).
7. **Professional development and development opportunities:** Includes programs, training, and resources for employees to develop their skills and advance their careers. This may include coaching, mentoring, on-the-job training, and formal education. They increase job satisfaction, employee motivation and overall management performance by creating a competent workforce. Organizations should prioritize these opportunities for employee development, retention, and overall performance.
8. **Occupational safety:** A sense of security and job security that is important for employee well-being and satisfaction. Factors that contribute to job security include job security,

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employee performance, and employment opportunities. Organizations must ensure job security through policies such as performance management systems, succession planning, and employee development programs to encourage employee development and satisfaction.

9. Work relationships and teamwork: important work factors that have a significant impact on employee well-being and job satisfaction. While work relationships include formal and informal interactions between employees, teamwork involves effective collaboration to achieve common goals. Organizations need to prioritize these issues through policies and practices that support communication, collaboration, and education. Job security, such as performance management systems and succession planning, can also improve employee well-being and job satisfaction.
10. Leadership and management culture: the key to employee well-being and job satisfaction. Good organizational culture creates a sense of purpose and purpose, while good leadership provides direction, support, and motivation. Prioritizing these factors can improve employee well-being and job satisfaction. This can be achieved through policies and training programs that support a positive culture and develop skills and leadership (Bateman & Mayrhofer, 2010).

2.2.1 Outcomes of Job Satisfaction

According to (Garcia Martinez, 2017), high levels of job satisfaction are associated with good outcomes for employees and organizations. One of the most important benefits of job satisfaction is employee productivity. When employees are satisfied with their jobs, they are more likely to be motivated, committed and invested in their work, which can lead to higher productivity and performance (Leitão, M., Correia, R. J., Teixeira, M. S., & Campos, S., 2022)

Another good solution for job satisfaction is to reduce employee turnover. When employees are satisfied with their jobs, they are more likely to stay with the organization, which can help retain stable and experienced employees (Garcia Martinez, 2017).

In addition to these personal benefits, high levels of job satisfaction can also have a positive impact on our participation. When employees are satisfied with their jobs, they are more likely to feel loyalty and commitment to the organization, which can help improve overall performance. In general, high levels of job satisfaction are associated with many positive outcomes for both

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employees and organizations, and this is an important goal that organizations should prioritize and develop (Garcia Martinez, 2017). It is well documented in the literature that job satisfaction is positively related to individual performance, customer satisfaction, and operational profitability (Garcia Martinez, 2017); (Jones M. , 2018)). Research has shown that employees who are satisfied with their jobs are more likely to be motivated, committed, and invested in their work, which can lead to higher productivity and better performance (Garcia Martinez, 2017). Additionally, higher levels of job satisfaction are linked to better customer service, customer satisfaction and organizational profitability.

When employees are satisfied with their jobs, they are more likely to be committed to the organization, which can help increase the overall performance and profitability of the organization (Garcia Martinez, 2017).

In general, job satisfaction is an important indicator of individual performance, customer satisfaction and organizational profitability, which is an important goal that organizations should prioritize and develop (Garcia Martinez, 2017).

2.2.2 Challenges in Promoting Job Satisfaction

According to (Lee, 2016), organizations face many obstacles and challenges in improving employee performance, including issues related to job equity, job insecurity, lack of recognition and compensation.

One of the biggest challenges in increasing job satisfaction is ensuring that employees have positive work experience. Nowadays, many employees work long hours and may have to juggle multiple tasks, such as childcare responsibilities, which can lead to fatigue and decreased job satisfaction (Lee, 2016). Organizations can solve this problem by offering flexible work arrangements, such as remote work or flexible work arrangements, and providing tools and support to help employees balance their work and home lives.

Another obstacle to increasing job satisfaction is job insecurity. In today's fast-paced business environment, employees may feel insecure about their safety and are more likely to experience problems and experience decreased job satisfaction (Lee, 2016). Organizations can solve this problem by providing open communication and transparency about the company's goals and plans,

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providing employees with opportunities to develop new skills and advance their careers (Lee, 2016).

Finally, lack of recognition and reward can also reduce job satisfaction. When employees feel that their contributions are not recognized or appreciated, they may become less motivated and less committed to their jobs (Lee, 2016). Organizations can solve this problem by offering performance-based rewards and recognition, such as bonuses or promotions, and allowing employees to receive feedback and coaching on how they can improve their performance.

Organizations face challenges and barriers to employee development. By addressing these issues through flexible work processes, open communication, performance-based rewards, and recognition, organizations can help increase job satisfaction and increase employee engagement and productivity (Lee, 2016).

Organizations can use many strategies to overcome challenges in business development and create a good business that effectively develops employees (Wang, L., & Liu, J., 2018). These are the most important steps:

1. **Promote open communication and transparency:** Promote open communication and transparency between employees and management. This can help build trust and increase job satisfaction by making employees feel knowledgeable and valued.
2. **Provide personal and professional development opportunities:** Provide employees with opportunities to develop new skills and advance their careers. This can help increase job satisfaction by giving work purpose and objectives.
3. **Promote work-life balance:** Provide employees with flexible and supportive work arrangements to improve work-life balance. This can reduce stress and burnout, which can contribute to increased workload.
4. **Recognize and reward employee contributions:** Provide performance-based rewards and recognition to recognize and appreciate employee contributions. This can help increase job satisfaction by providing a sense of accomplishment and recognition.

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5. Develop a positive organizational culture: Create a positive organizational culture that values employee well-being and job satisfaction. This may include activities such as wellness programs, social activities, and employee recognition programs.
6. Promote work-life balance: Encourage employees to balance their work and home lives by providing tools and support for balancing work and family responsibilities.
7. Provide mental health support: Provide mental health and well-being support, such as counseling services and problem-solving programs.
8. Create opportunities for employee engagement: Encourage employee engagement and participation in company activities. This can help build a sense of community and increase job satisfaction.

Creating a positive work environment that supports employee job satisfaction and well-being includes encouraging open communication and transparency, providing opportunities for personal and professional development, encouraging work balance and personal life, recognizing, and rewarding employee contributions, corporate incentive, and corporate incentive. It requires a multifaceted approach. cultural excellence, promoting work-life balance, providing mental health support, and providing employee engagement opportunities (Wang, L., & Liu, J., 2018).

2.3. The Concept and Definition of Reward

Rewards can be defined as one of the most important factors that encourage employees to do their best to come up with new ideas that will lead to better business performance and increase the performance of the company both financially and non-financially. (Bratton, J., & Gold, J., 2007) defined rewards as “all monetary, non-monetary, and psychological payments made by the organization in exchange for contributions.”

Wage is a broad concept that is said to represent everything that an employee may value, and that the employer is prepared to give in return for his or her contribution (Chiang, F.F.T. & Birtch, T.A., 2008). Reward refers to all monetary, non-monetary and psychological rewards that an organization gives to its employees for the work they do. Bratton, including special and internal awards (Bratton, J., & Gold, J., 2007).

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In short, rewards are anything, monetary or non-monetary, that attracts and motivates an employee to work. It is the benefit that employees receive from doing work and completing tasks. An award is an award given to an individual for their contribution to the organization. When employees are motivated to work at higher levels of productivity, the organization as a whole will run more efficiently and is more effective at reaching its goals (Noorazem, Nurul Asyiqin and Md Sabri, Sabiroh and Mat Nazir, Eliy Nazira, 2021).

2.3.1 Reward Management

Reward management is about creating and implementing strategies and policies to reward people fairly, equally, and consistently in accordance with the value they provide to the organization. It addresses the development of reward strategies and the planning, implementation, and maintenance of reward programs (reward process, performance, and activities) aimed at meeting the needs of the organization and its stakeholders. Wage can be considered as the basic expression of the employment relationship (Armstrong, 2009).

Reward management refers to the strategies, policies and processes required to ensure that individuals are recognized for their contribution to the organization, both materially and financially. It is concerned with designing, implementing, and maintaining a reward system (reward process, performance, and usage) designed to meet the needs of the organization and its stakeholders. The overall goal is to reward people fairly, equitably, and consistently for the value they bring to the organization to further achieve the organization's goals. Reward management is not just about salaries and benefits. It also refers to non-monetary rewards such as recognition, learning and development opportunities, and increased job responsibilities (Armstrong, 2007).

In general, (Armstrong, 2007) states the purpose of Reward management as follows:

- Reward people according to their merits.
- Align compensation practices with company goals and employees' values and needs.
- Rewards good things that convey the right message about the importance of behavior and results.
- Help attract and retain the high-quality people the organization needs.
- Motivate people and gain commitment and participation.
- Development of high-quality culture.

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Reward Practices: - consists of programs such as grades and pay structure, techniques such as job evaluation, and salary expectations used to implement strategies and policies. For example, wage policy is based on the practice of collecting and analyzing market interest rate data and adjusting wages to reflect increases in market interest rates (Armstrong, 2009).

2.3.2 Factors which affects Reward Practice

Determinants of reward practices can be divided into different categories, both internal and external. Internal factors include the organization's goals, values, and culture, as well as the needs and desires of its employees. External factors include legal and regulatory requirements, industry standards, and economic conditions. ((Deci, E. L., Koestner, R., Ryan, R. M., 1999); (Vroom, V. H., & Jago, A. C., 1988) ; (Vroom, V. H., & Jago, A. C., 1988))

Internal factors that influence reward practices include:

1. **Organizational Goals and Values:** The goals and values of the organization can influence the type of rewards given and the manner in which they are given. For example, a company that values employee development may prioritize non-monetary rewards such as training and development opportunities.
2. **Employee preferences and motivations:** Employee desires and motivations can also change the type of reward given. For example, employees may prefer monetary rewards such as bonuses or salary increases, while others may prefer non-monetary rewards such as recognition or career advancement opportunities.
3. **Organizational culture:** Organizational culture can also influence the type of rewards given. For example, an organization that values a strong sense of community and teamwork may prioritize non-monetary rewards such as team-building activities or community-building opportunities.
4. **Equity and Fairness:** Equity encompasses the concept of equity in terms of the distribution of resources, opportunities and benefits in a way that recognizes and addresses diversity. Fairness, on the other hand, refers to bias and prejudice against individuals or groups in different contexts. Equality emphasizes equal treatment and ensures that people are not disadvantaged based on factors such as race, gender, religion, socio-economic status, or other characteristics that should be irrelevant in determining opportunities, rights, and outcomes.

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5. Performance Differentiation Strategy: Differentiation refers to the process of differentiating a product, service, or company itself from its competitors on the basis of superior quality. It's about highlighting and encouraging the unique qualities, skills or characteristics that set them apart and place them at the top of the performance ladder.

6. Continuous Evaluation and Improvement: Continuous evaluation involves providing real-time feedback and performance updates to employees. Valuation, on the other hand, is a formal evaluation performed at a specific time, such as quarterly or annually. This evaluation provides a comprehensive overview of the employee's performance over a period of time. Typically, this involves creating a score based on a set of criteria that includes self-assessment, peer feedback, and evaluation.

7. Fairness in the reward system: Equity in the reward system is an important factor in a variety of settings, including workplaces, educational institutions, and support programs. It expresses how well the distribution of rewards complies with the principles of equality and justice and whether people receive what they deserve according to their contributions, performance, or achievements.

External factors affecting the payroll process include:

1. Legal Requirements: Legal requirements may affect the type of reward awarded. For example, laws regarding equal pay and non-discrimination may change the types of bonuses given to employees.

2. Industry Standards: Industry standards may also change the types of rewards offered. For example, rewards in a particular industry may depend on the industry's standards and expectations.

3. Economic Conditions: Economic conditions such as inflation, unemployment, and economic growth can affect the type of compensation offered. For example, during an economic downturn, companies may not offer monetary rewards such as bonuses or salary increases and instead focus on non-monetary rewards ((Deci, E. L., Koestner, R., Ryan, R. M., 1999); (Vroom, V. H., & Jago, A. C., 1988) ; (Vroom, V. H., & Jago, A. C., 1988)).

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2.4. The relationship between PMS and Job satisfaction

A performance management system (PMS) is designed to improve employee performance by setting goals and providing feedback and rewards. However, the relationship between PMS and job satisfaction is complex and multifaceted.

Research has shown a positive relationship between PMS and job satisfaction. PMS provides suggestions, goals, and ideas that can motivate employees to improve their performance. ((Battaglia, G. A., & Locke, E. A., 1997) ; (Luthans, F., Youssef, M. M., & Dutton, J. E., 2007)). Additionally, PMS can provide control and autonomy over business operations, which can increase employee satisfaction (Locke, 2000).

However, other studies have shown that PMS can have a negative impact on job satisfaction; especially if the system is perceived as unfair or inflexible ((Bateman, G. D., & Mankins, S. , 1999); (Schaufeli, W. B., & Taris, T. W., 2002)). For example, if PMS goals do not match the expectations or strengths of individual employees, this can lead to frustration and dissatisfaction (Schaufeli, W. B., & Taris, T. W., 2002). Similarly, if rewards are not perceived as appropriate or valuable, they can lead to resentment and decreased motivation (Battaglia, G. A., & Locke, E. A., 1997).

In conclusion, literature shows that the relationship between PMS and job satisfaction is complex and multifaceted, with both positive and negative effects depending on how the system is perceived and implemented. It is important for Ethiopian aviation university organizations to effectively design and implement a PMS that is fair, flexible, and tailored to employees' needs and strengths to positively impact job satisfaction.

2.5. The relationship between PMS and Reward Practice

Research has shown a positive relationship between PMS and reward practice; PMS provides expectations, goals, and ideas that can motivate employees to perform at higher levels level ((Battaglia, G. A., & Locke, E. A., 1997) ; (Luthans, F., Youssef, M. M., & Dutton, J. E., 2007)). Additionally, PMS can provide a sense of control and autonomy over business operations, which can increase employee engagement and performance (Locke, 2000).

However, other studies have shown that PMS can have a negative impact on the reward system, especially if the system is perceived as unfair or inflexible (Bateman, G. D., & Mankins, S. , 1999);

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(Schaufeli, W. B., & Taris, T. W., 2002). For example, if PMS goals do not match employees' needs or strengths, this can lead to frustration and morale, which can negatively impact the reward process (Schaufeli, W. B., & Taris, T. W., 2002). Similarly, if rewards are not perceived as appropriate or valuable, they can lead to turnover and decreased motivation, which can negatively impact performance (Battaglia, G. A., & Locke, E. A., 1997).

Conclusion: literature shows that the relationship between PMS and reward practice is complex and multifaceted, with positive and negative effects depending on how the system is perceived and implemented. It is important for organizations to carefully design and implement a PMS that is fair, flexible, and tailored to employees' needs and efforts to minimize negative impacts on reward practice.

2.6. The relationship between Job satisfaction and Reward practice

The relationship between job satisfaction and reward practice has been the subject of extensive research in the field of human resources. The literature shows that there is a positive relationship between job satisfaction and the reward system, but that this relationship is complex and multifaceted.

One of the most important factors affecting job satisfaction is the right way to reward practice. Research has shown that employees who feel that rewards are given fairly and fairly are more likely to be satisfied with their jobs. In addition, rewards related to specific performance targets and deemed important for improving performance are obtained (Hofstede, 2001) ; (Schaufeli W. B. & Taris T. W., 2002) ; (Sutton, R. S., & Dye, T. F., 1997)).

Another factor that has been found to affect job satisfaction is the level of autonomy and flexibility that employees have in their jobs. Employees who have autonomy and flexibility in their work are likely to be more satisfied with their jobs, and this may be facilitated by rewards that allow for flexibility or autonomy (Sutton, R. S., & Dye, T. F., 1997).

Additionally, research has shown that the social status and recognition employees receive can also affect job performance. Rewards that provide social support and recognition, such as awards or prizes, can improve job performance and satisfaction (Schaufeli W. B. & Taris T. W., 2002).

On the other hand, the relationship between job satisfaction and wage is not always positive. For example, if rewards are perceived as meaningless or unrelated to performance goals, they may not

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be meaningful or motivating to employees, which can lead to lower levels of job satisfaction).((Hofstede, 2001) ; (Schaufeli W. B. & Taris T. W., 2002) ; (Sutton, R. S., & Dye, T. F., 1997)).Additionally, if rewards are deemed inappropriate or biased or discriminatory, they may lead to unfairness or inequity and low levels of job satisfaction.((Hofstede, 2001) ; (Schaufeli W. B. & Taris T. W., 2002) ; (Sutton, R. S., & Dye, T. F., 1997)).

As a result, it can be said that the relationship between job satisfaction and reward practice is complex and multifaceted. Although rewards that are perceived as appropriate and valuable and are related to performance goals can increase job satisfaction, the relationship is not always positive and intangible rewards can lead to low levels of job satisfaction.

2.7. The mediating effect of Reward Practice on the relationship between Performance Management System and Job Satisfaction

Research has shown that there is a positive relationship between PMS and job satisfaction, but this relationship can be regulated by the reward practice (Trevino, L. K., Hartman, S. J., & Kishor, N., 2015). Rewards that are perceived as fair and valuable and related to performance goals can increase job satisfaction and reduce the negative effects of PMS on job satisfaction.

This is evident from a study by (Trevino, L. K., Hartman, S. J., & Kishor, N., 2015) found that the relationship between PMS and job satisfaction was positive, but this relationship was strongly related to the level of perceived fairness. Employees who perceived the reward practice as good reported higher job satisfaction, regardless of the level of PMS they experienced.

Another study by (Schaufeli, W. B., & Taris, T. W., 2002) found that the relationship between PMS and job satisfaction was positive, but this relationship was strongly associated with social status and recognition by the reward practice. Employees who received social support through the rewards program reported greater job satisfaction, regardless of the level of PMS they experienced.

In conclusion, literature suggests that reward practices play an important role in mediating the relationship between PMS and job satisfaction. Rewards that are perceived as appropriate and valuable and are related to performance goals can improve performance and reduce the negative effects of PMS on job satisfaction. However, such non-material rewards may lead to lower levels of job satisfaction and increase the negative effects of PMS on job satisfaction.

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Empirical Review

The relationship between job performance (PMS) and job satisfaction is an interesting topic in organizational behavior research. However, the literature on this relationship is mixed; some studies find a positive relationship, while others find no relationship or a negative relationship.

One possible explanation for these observed discrepancies is the role of reward coordination. Compensation practices reflect the extent to which rewards are viewed as appropriate, valuable, and aligned with employees' individual needs and efforts.

Empirical research has shown that compensation practices play an important role in mediating the relationship between PMS and job satisfaction. Concretely, (Schaufeli, W. B., Taris, T. W., & Wiersma, B., 2004) found that the relationship between PMS and job satisfaction was positively related to compensation practices. This means that the relationship between PMS and job satisfaction is strong when reward practices are high.

Research has also shown that integrated reward systems are more effective for employees who are highly engaged. This suggests that employees who are more focused on their work are more likely to perceive the fairness and value of rewards, and these feelings can affect their overall performance (Schaufeli, W. B., Taris, T. W., & Wiersma, B., 2004).

Overall, this study provides evidence of the importance of rewarding learning in understanding the relationship between PMS and job satisfaction. Organizations looking to improve employee performance should consider designing and implementing a PMS that is effective, promotes valuable and aligned rewards, and considers employees' interests and strengths.

2.8. Research Gap

The mediating effect of reward practice on the relationship between performance management system and job satisfaction in Ethiopian Aviation University is an area that deserves further investigation. While there have been studies conducted on performance management and job satisfaction in various industries, the specific context of Ethiopian Aviation University presents a unique opportunity for research.

First, examining the relationship between a performance management system and job satisfaction is crucial in understanding how the evaluation and feedback process impacts employee perceptions. Performance management systems encompass activities such as goal setting,

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performance evaluation, feedback, and recognition, all of which can influence individuals' job satisfaction levels. By understanding this relationship, organizations can develop effective strategies to enhance job satisfaction and subsequently employee productivity.

Secondly, the mediating role of reward practices in this relationship should be explored. Rewards play a significant role in motivating employees and influencing their job satisfaction. It is essential to investigate how the design and implementation of reward practices within the performance management system affect job satisfaction. Understanding the mediating effect of rewards can offer insights into whether and how these practices help bridge the gap between performance management and job satisfaction.

Moreover, the Ethiopian Aviation University provides a specific context that adds to the relevance of studying this relationship. The aviation industry is unique and highly regulated, with distinct demands and challenges. The impact of performance management systems and reward practices on job satisfaction within this industry may differ from other sectors. Factors such as workplace safety, adherence to regulations, and customer satisfaction play a crucial role in the aviation industry, making it imperative to examine the specific implications for job satisfaction.

Additionally, studying the mediating effect of reward practices on the performance management-job satisfaction relationship can inform the development of effective HR practices and policies tailored to the Ethiopian Aviation University context. It can contribute to the creation of employee-centric performance management systems that utilize rewards strategically to enhance job satisfaction and overall organizational performance.

In conclusion, there is a research gap in understanding the mediating effect of reward practice on the relationship between performance management system and job satisfaction in Ethiopian Aviation University. Exploring this area can provide valuable insights into optimizing performance management systems and developing effective reward practices in the aviation industry. Future studies in this field can contribute to the existing body of knowledge, guide human resource management strategies, and enhance employee satisfaction and organizational performance.

2.9. Conceptual Framework

The variables in this study were classified into three classes. Job satisfaction in Ethiopian

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Aviation University is the dependent variable and performance management system of Ethiopian Aviation University is independent variable. Also reward practices in Ethiopian Aviation University is the mediating variable. The conceptual model of the survey is displayed in Figure 2-1.

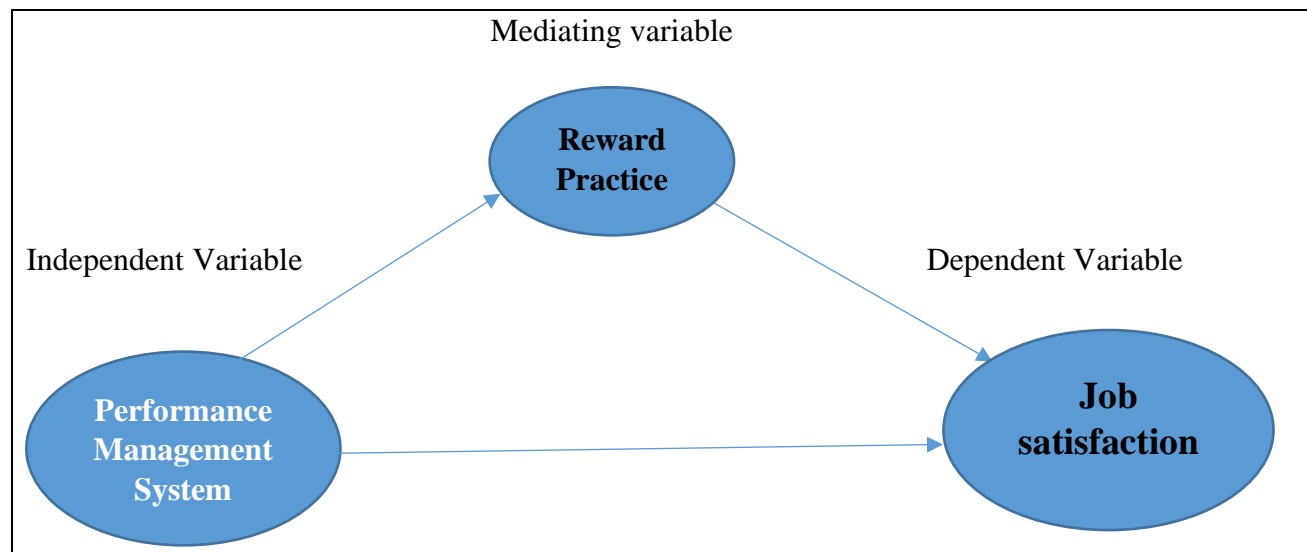


Figure 2.01 Conceptual Model

Table 2.01 Variable Lists with respective Dimensions

	Performance Management System	Reward practices	Job satisfaction
1	Clear Performance Criteria	Organization's Goals and Values (Deci, E. L., Koestner, R., Ryan, R. M., 1999):	Work Life Balance (Bateman & Mayrhofer, 2010)
2	Goal Setting (Locke, E. A., Latham, G. P., 1990)	Employee preferences and motivations (Vroom, V. H., & Jago, A. C., 1988)	Pay and Benefits (Bateman & Mayrhofer, 2010)
3	Performance Appraisals (Murphy, K. R., Cleveland, J. N., 1995)	Organizational culture (Deci, E. L., Koestner, R., Ryan, R. M., 1999)	Work Environment and Facilities
4	Recognition and Rewards (Deci, E. L., Koestner, R., Ryan, R. M., 1999)	Equity and Fairness (Deci, E. L., Koestner, R., Ryan, R. M., 1999)	Job Autonomy (Bateman & Mayrhofer, 2010)

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5	Goal Alignment (Locke, E. A., Latham, G. P., 1990)	Performance Differentiation (Deci, E. L., Koestner, R., Ryan, R. M., 1999)	Opportunities for Professional Growth and Development (Bateman & Mayrhofer, 2010)
6	Continuous Improvement (Deming, 1986)	Continuous Evaluation and Improvement (Deci, E. L., Koestner, R., Ryan, R. M., 1999)	Job Security (Bateman & Mayrhofer, 2010)
7	Performance Development Plans. (Tannenbaum, S. I., Yukl, G, 1992)	Fairness of a Reward system (Vroom, V. H., & Jago, A. C., 1988)	Organizational Culture and Leadership (Bateman & Mayrhofer, 2010)
8		Legal and Regulatory Requirements. (Vroom, V. H., & Jago, A. C., 1988)	Feedback and Coaching (Kluger, A. E., DeNisi, A, 1996)
9			Recognition and Appreciation (Bateman & Mayrhofer, 2010)
10			Job Design and Autonomy (Bateman & Mayrhofer, 2010)
11			Clear Performance Expectation (Bateman & Mayrhofer, 2010)
12			Transparency and Communication (Bateman & Mayrhofer, 2010)
13			Employee Engagement (Bateman & Mayrhofer, 2010)

Note: Please refer to the Appendix part to get the dimension of each variable.

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2.10. Research Hypothesis

A research hypothesis is a learned and testable hypothesis regarding the answer to a research question and is used to explain a phenomenon of interest (Marczyk, 2005). The following four research hypotheses were proposed and tested in this study.

1. Hypothesis 1: Performance Management System have positive influence on Job Satisfaction among employees in the Ethiopian Aviation University.
2. Hypothesis 2: Reward practices have a positive impact on job satisfaction levels of employees, with higher rewards leading to increased job satisfaction.
3. Hypothesis 3: There is a positive relationship between the performance management system (PMS) and reward practices.
4. Hypothesis 4: Reward practices mediate the relationship between the performance management system (PMS) and job satisfaction

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Chapter Three: Research Methodology

3.1. Description of the Study Area

For more than 75 years, Ethiopian Airlines (Ethiopian) has been a prominent aviation organisation in Africa, bringing state-of-the-art aviation techniques and technology. Ethiopian Airlines began operations with five C-47 aircraft in 1946 and has since expanded quickly, operating over 144 modern aircraft, and ordering 31 ultramodern aircraft. The airline operates daily and numerous flights with a minimum layover in Addis to 131 worldwide destinations, including 63 locations in Africa. Ethiopian has outlined a more ambitious strategic roadmap called Vision 2035 to further support its continuous growth after meeting its 15-year strategic plan, Vision 2025, ahead of schedule. Ethiopian joined Star Alliance in 2011 and has won multiple awards for excellence, including featuring Skytrax's five-year run as the Best Airline in Africa and its Four-Star Airline Certification. The seven years preceding the COVID-19 epidemic saw an average growth rate of 25% for Ethiopia. Out of seven strategic groups, the largest and most advanced aviation academy in Africa, Ethiopian Aviation Academy/University (EAA/U) is acknowledged as the ICAO regional training centre of excellence. Along with workshops and virtual maintenance trainers, the academy provides training that meets industry standards for pilots, aircraft mechanics, cabin attendants, and ground services personnel.

Ethiopian Aviation Academy /University (EAA/U) is Africa's largest and most modern aviation academy, recognized as an ICAO Regional Training Centre of Excellence. EAA/U trainee's aviation professionals from classroom to classroom, providing industry-leading pre- and post-training for pilots, flight technicians, cabin crew and ground crew. The Leadership and Professional Development Institute also trains thousands of people in management and leadership skills.

Our real-time cabin crew training and practice flights are for emergency training and skills development. Our training school uses light aircraft for basic training and simulators. The school also has an aerial training facility. Flight simulators are available for all types of Ethiopian training ships. Virtual Maintenance Trainers (VMTs) are a variety of training courses that demonstrate aircraft maintenance. The school also regularly organizes training courses, including e-learning and classroom training. Coaching services include a coaching cafeteria, dormitories, an

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administration building and a new auditorium. The academy /university plans to accept 4,000 students per year into training programs.

These are the most technologically advanced aircraft as a sign of the company's commitment to leading Africa's aviation industry. We have simulators for all the aircraft we fly; A350, B787, B777, B767/B757, B737, and Q400 (corporate.ethiopianairlines.com, 2023).

Ethiopian Airlines University/airline uses balanced scorecard (BSC) as a strategic and communication tool to measure and monitor its performance. BSC aligns the organization's vision and strategy with the overall business process and ensures that all employees are aware of performance expectations. BSC maps the airline's objectives to four areas: financial, internal processes, customers, and learning and growth compared to past and future performance. Specific metrics are assigned to each aspect, allowing stakeholders to evaluate financial and non-financial objectives. At the annual meeting, the CEO of the Airline communicates his strategic goals to all employees, from the vice president to various levels. While executive employees work with their managers to develop BSCs and agree on goals and measurements, non-managerial employees have individual key performance indicators. The BSC serves as a monitoring system that helps the airline evaluate and evaluate program implementation and make improvements if targets are not met.

3.2. Study Population

For this research paper, the study was conducted on Ethiopian Airlines Group Aviation University employees and management.

3.3. Target population

The target population for this study was Ethiopian Aviation University Management staff and other employees at Ethiopian Aviation University which are depicted below.

Table 3.1 Ethiopian Aviation University Employees

No.	Positions in EAU	Ethiopian Aviation University Staffs in Number
1.	Ethiopian Aviation University President	1
2.	Vice Presidents	2
3.	Deans	2
4.	Heads	7

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5.	Chief instructors	13
6.	Other staffs	240
Total		263

Source: From Human Capital Management of Ethiopian Airlines Group, 2023

3.4. Variable of the study

Job satisfaction as the **dependent variable** whereas Performance Management System as an **independent variable**, and Reward as **mediating variable**.

3.5. Research Design

A cross-sectional research design was adopted in this study. Furthermore, the well-prepared and well-organized closed-ended questionnaire was distributed to Ethiopian Aviation University staff.

3.6. Sampling Technique

Sampling technique is a method of selecting a sample from a large population to obtain information about that population through statistical analysis of research results. Because there is heterogeneity within each strategic subunit or division, stratified random sampling is the optimum technique. Each division is considered a stratum and proportion allocation was used for each stratum.

3.7. Sampling Size Determination

The sample size determination formula for stratified random sampling is.

$$n = \frac{N}{1 + Ne^2} \quad \dots \text{ (Cochran, 1963)}$$

n = sample size

e = marginal error (0.05)

N = total number of the target population (263)

$$n = \frac{263}{1 + 263 * (0.05)^2} = \frac{263}{1 + 1.6575} \approx 159$$

Therefore, the total sample size for our study was n = **159**

Since the sample standard deviation(s) is not known, the best method is to use proportional stratified sampling technique.

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$$n_i = N_i \times \frac{n}{N} \quad \text{where } n_i = \text{the sample size of } i^{\text{th}} \text{ strata}$$

$$N_i \text{ is the total target population of } i^{\text{th}} \text{ strata}$$

$$N = \text{total number of target population}$$

$$n = \text{total sample size for the population}$$

Accordingly, the sample size with strata level is depicted below.

$$n_1 = N_1 \times \frac{n}{N} \quad , \quad n_1 = 1 \times \frac{159}{263} \quad n_1 = 0.605 \approx 1$$

$$n_2 = N_2 \times \frac{n}{N} \quad , \quad n_2 = 2 \times \frac{159}{263} \quad n_2 = 1.21 \approx 1$$

$$n_3 = N_3 \times \frac{n}{N} \quad , \quad n_3 = 2 \times \frac{159}{263} \quad n_3 = 1.21 \approx 1$$

$$n_4 = N_4 \times \frac{n}{N} \quad , \quad n_4 = 7 \times \frac{159}{263} \quad n_4 = 4.23 \approx 4$$

$$n_5 = N_5 \times \frac{n}{N} \quad , \quad n_5 = 13 \times \frac{159}{263} \quad n_5 = 7.859 \approx 8$$

$$n_6 = N_6 \times \frac{n}{N} \quad , \quad n_6 = 240 \times \frac{159}{263} \quad n_6 = 145.095 \approx 145$$

Table 3.2 Sample Size of Ethiopian Aviation University

No.	Positions in EAU	Ethiopian Aviation University Staff in Number
1.	Ethiopian Aviation University President	1
2.	Vice Presidents	1
3.	Deans	1
4.	Heads	4
5.	Chief instructors	8
6.	Other staffs	145
Total sample size per strata level		159

3.8. Method of Data Collection

This study was conducted by utilizing primary data that was collected via a closed-ended questionnaire in Google form for Ethiopian Aviation University management and non-management staff.

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3.9. Method of data analysis

In this study, descriptive and inferential statistics was applied to observe the general features of performance management system in Ethiopian Aviation University.

3.9.1. Descriptive Analysis

The researcher used bar charts and graphs and compute the arithmetic mean for describing the data.

3.9.2. Inferential Analysis

Here are guidelines to inference about population. Structural equation modelling was used to achieve the objectives.

By analyzing the connections between observable and latent variables, structural equation modelling is a statistical method for testing and estimating causal links between variables. a method for examining connections between (many) manifest (observed) variables or indicators and latent (unobserved) variables or constructs that are measured; Among behavioral scientists, structural equation modelling (SEM) is one of the most used statistical methods for identifying linear relationships in multivariate data.

The multivariate technique known as structural equation modelling (SEM) is incredibly strong and versatile. It captures intricate and dynamic relationships within a web of observable and unobserved variables using a conceptual model, path diagram, and system of connected regression-style equations. Both endogenous and exogenous variables are included in SEM models. In the SEM equations, exogenous variables are always independent variables ((Kowalski J, 2007); (KA, 1989)).

The causal links among endogenous variables as well as the causal ties between endogenous and exogenous factors are both modelled by SEM equations. A path diagram is made up of arrows that indicate the relationships between the nodes, which stand in for the variables. Conventionally, a rectangle or square represents seen variables in a path diagram, and an ellipse or circle represents latent variables.

Arrows are generally used to represent relationships among the variables. A single straight arrow indicates a causal relation from the base of the arrow to the head of the arrow. Two straight single-

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headed arrows in opposing directions connecting two variables indicate a reciprocal causal relationship. A curved two-headed arrow indicates there may be some association between (Kowalski J, 2007); (KA, 1989)).

In mediation, we consider an intermediate variable, called the mediator, that helps explain how or why an independent variable influences an outcome. The direct effect is the pathway from the exogenous variable to the outcome while controlling for the mediator. The indirect effect describes the pathway from the exogenous variable to the outcome through the mediator. Finally, the total effect is the sum of the direct and indirect effects of the exogenous variable on the outcome (Baron RM, Kenny DA., 1986).

Maximum likelihood (ML) is one of the best (and easiest) methods for dealing with missing data. It has several advantages over multiple imputation:

Because multiple imputation introduces random variation into the imputation process, you get a different result every time you use it. ML always produces the same result.

Multiple imputation is a rather complex and “messy” method that requires a lot of attention to detail. With ML, you just specify one option.

Multiple imputation requires two separate models, an imputation model, and an analysis model. If they’re not compatible you may get incorrect results. With ML, there’s only one model, so no danger of incompatibility.

ML is fully efficient, in the statistical sense. Multiple imputation is close to fully efficient but doesn’t quite get there.

Assumptions

- ML assume that the data are missing at random (MAR): roughly, the probability that a variable has missing data does not depend on the value of that variable once other variables are controlled.
- This would be violated, for example, if people with higher incomes were less likely to report their incomes.
- ML (and some versions of multiple imputation) assumes that variables with missing data have a multivariate normal distribution (Schumacker, R. E., & Lomax, R. G., 2016).

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- **Linearity:** There must be a linear relationship between the outcome variable and the independent variables. Scatterplots can show whether there is a linear or curvilinear relationship.
- **Full rank or No Multicollinearity:** There is no exact linear relationship among any of the independent variables in the model, or Multiple regression assumes that the independent variables are not highly correlated with each other.
- **Normal distribution:** The disturbances are normally distributed. Once again, this is a convenience that we will dispense with after some analysis of its implications **Invalid source specified..**

3.9.3. Model adequacy checking

The adequacy of the model needs to be assessed before the model has been fitted to the observed data. Many model checking procedures are based on the quantify known as residual which check the assumptions of the model.

Testing of or detecting of Multicollinearity

The hypothesis was tested.

H_0 : There is no Multicollinearity (there is no perfect or imperfect r/ship b/n explanatory variables) in the Model.

H_1 : There is Multicollinearity (there is perfect or imperfect r/ship b/n explanatory variables) in the Model.

Decision rule: used $VIF = 10$

Conclusion: If VIF is less than 10 don't reject H_0 and conclude that there is no Multicollinearity (there is no perfect or imperfect r/ship b/n explanatory variables) in the model

Testing of Normality of the Residual: Shapiro-Wilk W test

The hypothesis was tested.

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H₀: residuals are normally distributed.

H₁: residuals are not normally distributed.

Decision rule: used $\alpha = 0.05$ significance level for the tests.

Conclusion: If p-value is greater than $\alpha = 0.05$ don't reject H₀ and conclude that the residuals are normally distributed. (Shapiro, 1965)

Path Analysis of Observed Variables

In the SEM literature, it's common to represent a linear model by a path diagram. A diagrammatic method for representing a system of linear equations. There are precise rules so that you can write down equations from looking at the diagram.

$$y = B_0 + B_1X_1 + B_2X_2 + e_1$$

$$X_2 = a_0 + a_1x_1 + e_2$$

- The direct effect of X₁ is B₁.
- The indirect effect of X₁ is a₁B₂.
- The total effect of X₁ is $\beta_1 + a_1B_2$ (Pituch, K. A., & Stevens, J. P., 2016)

Goodness of fit for the Overall Structural Equation Model

The **coefficient of determination** or R squared method is the proportion of the variance in the dependent variable that is predicted from the independent variable. It indicates the level of variation in the given data set.

- The coefficient of determination is the square of the correlation(r), thus it ranges from 0 to 1.
- The coefficient of determination is equal to the square of the correlation between the x and y variables.
- If R² is equal to 0, then the dependent variable cannot be predicted from the independent variable.
- If R² is equal to 1, then the dependent variable can be predicted from the independent variable without any error.

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If R^2 is between 0 and 1, then it indicates the extent that the dependent variable can be predictable. If R^2 of 0.10 means, it is 10 percent of the variance in the y variable is predicted from the x variable. If 0.20 means, 20 percent of the variance in the y variable is predicted from the x variable, and so on (BYJU'S., 2021)

Root Mean Square Error of Approximation (RMSEA) in the context of statistical analysis and model fit evaluation.

When assessing how well a given model fits the observed covariance matrix in structural equation modelling (SEM) and confirmatory factor analysis (CFA), the Root Mean Square Error of Approximation (RMSEA) is a useful metric. After taking into consideration the complexity of the model, it gives an estimate of the difference between the actual population covariance and the proposed model. Compared to other absolute fit indices, such as chi-square statistics, the RMSEA is more informative since it simultaneously takes into account parsimony and goodness-of-fit.

Some features of RMSEA include:

- Values range from 0 to 1+; lower values indicate better performance. In general, values below 0.05 indicate a nearly accurate prediction, while values up to 0.08 indicate reasonable prediction errors. above 0. Figure 10 shows the negatives, but reduction percentages may vary depending on the field and application.
- RMSEA calculates the sample size by considering the degrees of freedom. In other words, a model with fewer parameters has a smaller penalty associated with poor performance because a more complex model typically provides a better fit due to its greater flexibility. This makes RMSEA suitable for comparing the effects and effects of differences in complexity.
- The range between the mean RMSEA allows the uncertainty about the model to be evaluated. When evaluating competing models, smaller CIs provide better estimates. Additionally, overlapping CIs indicate that there is no statistically significant difference between the two methods.
- RMSEA can also be tested against a null hypothesis using a Chi-square distribution. A p-value above 0.05 suggests good fit relative to the model's complexity. However, this traditional approach overlooks measurement error inherent in data collection processes.

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Therefore, researchers often prefer alternative methods like confidence interval construction or bootstrapping techniques. (Pituch, K. A., & Stevens, J. P., 2016.)

The Comparative Fit Index (CFI) and the Tucker-Lewis Index (TLI) belong to the categories of quantitative indicators used in structural equation modelling (SEM) and confirmatory factor analysis (CFA):

Comparative Fit Index (CFI):

CFI measures the improvement of a model in terms of fit when a given model is compared to a base model, which is usually an independent model in which all variables are uncorrelated. Its main purpose is to estimate the relative reduction in residuals obtained during the transition from the baseline to the sample. CFI values generally range from 0 to 1, with higher scores indicating a better model. General guidelines indicate that $CFI > 0.90$ is accepted, while $CFI > 0$ is accepted. 95 is clearly visible. However, these sites may vary depending on the field or research problem. One advantage of the CFI over other measures such as RMSEA is that it is insensitive to sample size. Therefore, CFI comparisons remain valid across studies regardless of participants (Schumacker, R. E., & Lomax, R. G., 2016).

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Chapter Four: Analysis and Interpretation of Results

4.1. Descriptive Analysis

Important literature relevant to the issue that provide sufficient comprehension of the subject matter and can be utilized to discover knowledge gaps in the field were discussed in the prior chapters. The research design employed for this study was also addressed in the prior chapter to accomplish the research objective and answer the investigate questions. The findings of the analysis and the discussion of the results to meet the research objectives are discussed in this chapter. The current chapter begins with an introduction and discussion of the descriptive statistics of the data, as well as tests for the assumptions of the classical liner regression model, before moving on to model selection and regression results. Finally, the regression analysis' results were thoroughly examined.

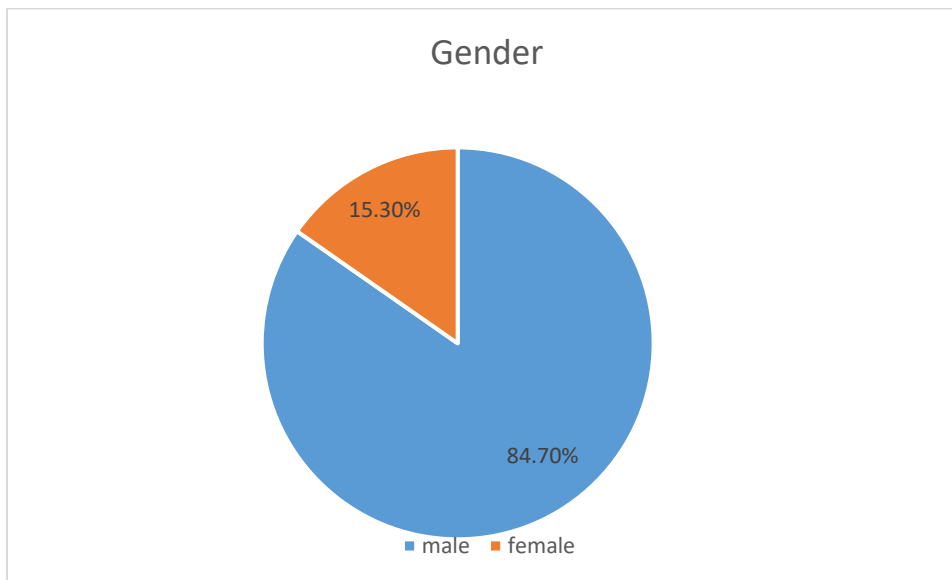


Figure 4.1 Pie Chart for Participant Gender Distribution

- Based on the above Pie chart 84.7% of participant are male and 15.3% are female.

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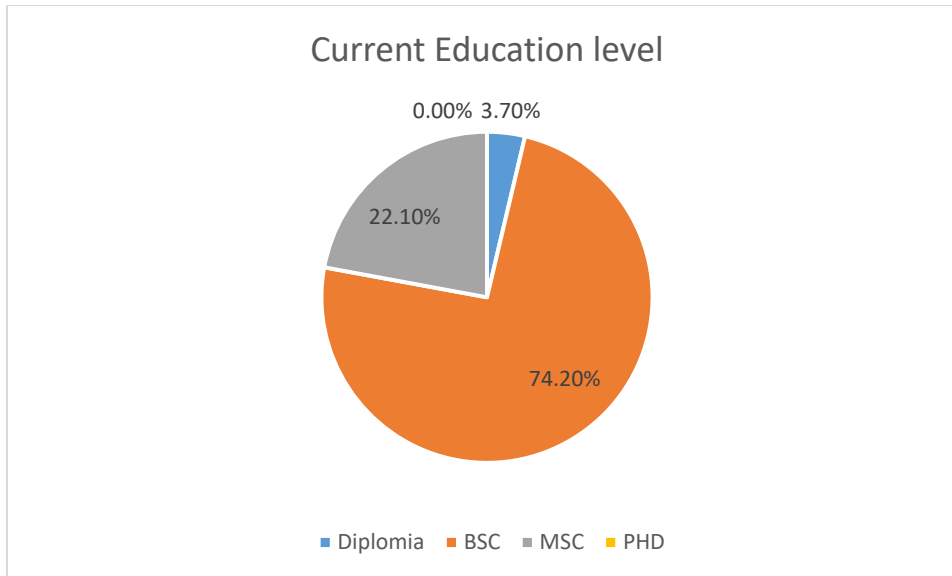


Figure 4.2 Pie chart for Participant Current Educational Level

- According to the above pie chart, the participants' current educational levels are 3.7%, 74.2%, and 22.1%, respectively, holding diplomas, BSC degrees, and MSC degrees.

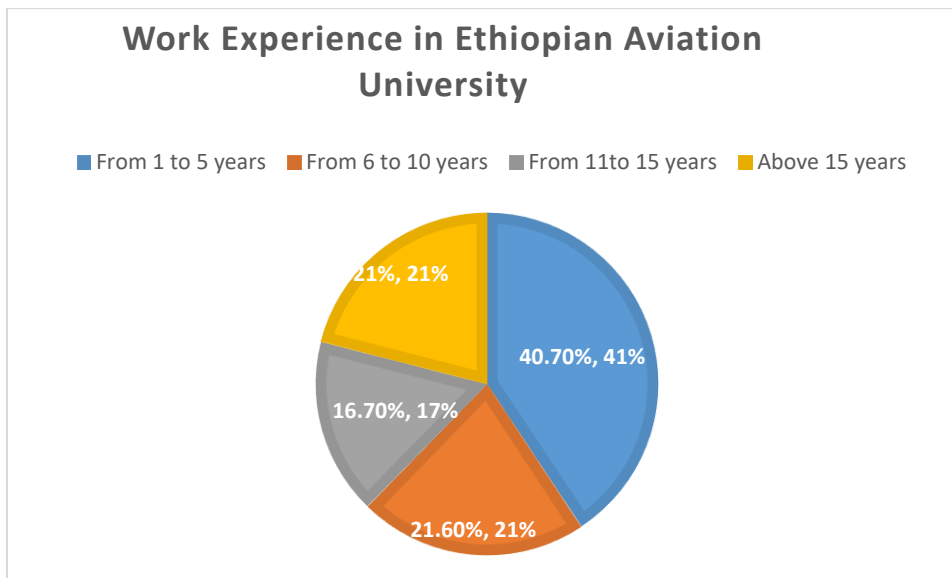


Figure 4.3 Pie chart for Participant work experience in Ethiopian Aviation University

- 40.7% of the respondent have 1 to 5 years work experience in Ethiopian in Ethiopian aviation university.

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- 21.6% of the respondent have 6 to 10 years work experience in Ethiopian aviation university.
- 21% of the respondent have more than 15 years' work experience in Ethiopian aviation university

4.2. Inferential analysis

The researchers tested major assumptions like normality, Multicollinearity, Linearity, and others; and the diagnosis result showed that none of the assumptions are violated as shown in Annex one.

Model 1: Estimation with Maximum likelihood for Performance Management System have positive influence on Job Satisfaction among employees in the Ethiopian Aviation University

Where the dependent variable is Job Satisfaction

The independent variable is Performance Management System

Table 4.1 Stata Output 1: Parameter Estimation

		OIM				
		Coef.	Std. Err.	z	P> z	[95% Conf. Interval]
-----+-----						
Structural						
	JS					
	PMS	.8983918	.0633415	14.18	0.000	.7742448 1.022539

Based on the above maximum likelihood estimation, there is significant relation between job satisfaction with performances management system.

- **At 5% level of significance, increasing performances management system by one unit, job satisfaction will increase by 0 .8983918 unit**

Table 4.2 Stata Output 2: Equation-level goodness of fit

Equation-level goodness of fit							
-----+-----							
		Variance					
	depvars	fitted	predicted	residual	R-squared	mc	mc2
-----+-----							
latent							
	JS	.5984548	.4906943	.1077605	.8199355	.9055029	.8199355

The Mediating Effect of Reward Practice on the Relationship between Performance Management System and Job Satisfaction in Ethiopian Aviation University

81.99355 % of the Performances Management System is explained the dependent variable (Job Satisfaction in Ethiopian Aviation University).

Table 4.3 Stata Output 3: overall goodness of fit the Model

Fit statistic	Value	Description
-----+-----		
Likelihood ratio		
chi2_ms(169)	549.818	model vs. saturated
p > chi2	0.02	
chi2_bs(190)	4077.740	baseline vs. saturated
p > chi2	0.000	
-----+-----		
Population error		
RMSEA	0.119	Root mean squared error of approximation
90% CI, lower bound	0.108	
upper bound	0.131	
pclose	0.03	Probability RMSEA <= 0.05
-----+-----		
Baseline comparison		
CFI	0.902	Comparative fit index
TLI	0.901	Tucker-Lewis index
-----+-----		
Size of residuals		
SRMR	0.45	Standardized root mean squared residual
CD	0.977	Coefficient of determination
-----+-----		

- We find that the chi-square goodness of fit test is significant, $\chi^2(169) = 549.818, p > .001$, suggesting good fit of the model to the data.
- We see that the RMSEA value (0.119) is quite large (<.08) and the pclose test is insignificant ($p > .001$). Both findings indicate Good model fit to the data.

The Mediating Effect of Reward Practice on the Relationship between Performance Management System and Job Satisfaction in Ethiopian Aviation University

- We see that the CFI (.902) and TLI (.901) values are very higher than (both < .90), whereas the SRMR (.174) was high (i.e., > .10), relative to conventional thresholds for acceptable model fit or the model good.

Model 2: Estimation with Maximum likelihood for Reward practices has a positive impact on job satisfaction levels of employees in the Ethiopian Aviation University

Where the dependent variable is Job Satisfaction

The independent variable is Reward practices

Table 4.4 Stata Output 4: Parameter Estimation

		OIM				
		Coef.	Std. Err.	z	P> z	[95% Conf. Interval]
Structural						
	JS					
	RP	1.14302	.0904173	12.64	0.000	.9658049 1.320234

Reward practices have a significant impact on job satisfaction levels of employees, with higher rewards leads to increase job satisfaction.

- At 5% level of significance, increasing reward practices by one unit, job satisfaction will increase by 1.14302 unit.

Table 4.5 Stata Output 5: Equation-level goodness of fit

		Variance					
depvars		fitted	predicted	residual	R-squared	mc	mc2
latent							
	JS	.611468	.5524196	.0590484	.9034317	.9504902	.9034317

90.34317 % of the Reward Practice is explained the dependent variable (Job Satisfaction in Ethiopian Aviation University).

The Mediating Effect of Reward Practice on the Relationship between Performance Management System and Job Satisfaction in Ethiopian Aviation University

Table 4.6 Stata Output 6: overall goodness of fit the Model

```

-----
Fit statistic      |      Value  Description
-----+-----
Likelihood ratio  |
    chi2_ms(169) |    581.626  model vs. saturated
      p > chi2   |      0.03
    chi2_bs(190) |   3959.684  baseline vs. saturated
      p > chi2   |      0.000
-----+-----
Population error  |
      RMSEA     |      0.124  Root mean squared error of approximation
90% CI, lower bound |      0.113
      upper bound |      0.135
      pclose    |      0.05   Probability RMSEA <= 0.05
-----+-----
Baseline comparison |
      CFI       |      0.913  Comparative fit index
      TLI       |      0.908  Tucker-Lewis index
-----+-----
Size of residuals  |
      SRMR     |      0.53   Standardized root mean squared residual
      CD       |      0.977  Coefficient of determination
-----

```

- We find that the chi-square goodness of fit test is significant, $\chi^2 (169) = 581.626, p > .001$, suggesting good fit of the model to the data.
- We see that the RMSEA value (0.124) is quite large (<.08) and the pclose test is insignificant ($p > .001$). Both findings indicate Good model fit to the data.
- We see that the CFI (.913) and TLI (.908) values are very higher than (both < .90), whereas the SRMR (.53) was high (i.e., > .10), relative to conventional thresholds for acceptable model fit or the model good.

Model 3: Estimation with Maximum likelihood for performance management system has a positive impact on reward practices levels of employees in the Ethiopian Aviation University

The Mediating Effect of Reward Practice on the Relationship between Performance Management System and Job Satisfaction in Ethiopian Aviation University

- Where the dependent variable is Reward practices
- The independent variable is performance management system

Table 4.7 Stata Output 7: Parameter Estimation

		OIM				
		Coef.	Std. Err.	z	P> z	[95% Conf. Interval]
Structural						
	RP					
	PMS	.8023747	.0569279	14.09	0.000	.6907981 .9139514

There is a significant relationship between the performance management system (PMS) and reward practices, where a well-functioning PMS leads to better reward practices within the Ethiopian Aviation University

- At 5% level of significance, increasing performance management system (PMS) by one unit, reward practices will increase by 0.8023747 unit.

Table 4.8 Stata Output 8: Equation level goodness of fit the Model

		Variance					
depvars		fitted	predicted	residual	R-squared	mc	mc2
latent							
	RP	.4466644	.406652	.0400124	.9104195	.9541591	.9104195

- 91.04195 % of the Performances Management System is explained the dependent variable (Reward Practice in Ethiopian Aviation University).

Table 4.9 Stata Output 9: overall goodness of fit the Model

Fit statistic	Value	Description

The Mediating Effect of Reward Practice on the Relationship between Performance Management System and Job Satisfaction in Ethiopian Aviation University

Likelihood ratio			
chi2_ms(89)		414.661	model vs. saturated
p > chi2		0.02	
chi2_bs(105)		3563.436	baseline vs. saturated
p > chi2		0.000	
-----+-----			
Population error			
RMSEA		0.152	Root mean squared error of approximation
90% CI, lower bound		0.138	
upper bound		0.167	
pclose		0.02	Probability RMSEA <= 0.05
-----+-----			
Baseline comparison			
CFI		0.906	Comparative fit index
TLI		0.901	Tucker-Lewis index
-----+-----			
Size of residuals			
SRMR		0.39	Standardized root mean squared residual
CD		0.979	Coefficient of determination
-----+-----			

- *We find that the chi-square goodness of fit test is significant, $\chi^2(89) = 414.661, p > .001$, suggesting good fit of the model to the data.*
- *We see that the RMSEA value (0.1524) is quite large (<.08) and the pclose test is insignificant ($p > .001$). Both findings indicate Good model fit to the data.*
- *We see that the CFI (.906) and TLI (.901) values are very higher than (both < .90), whereas the SRMR (.39) was high (i.e., > .10), relative to conventional thresholds for acceptable model fit or the model good.*

Model 4: Reward practices mediate the relationship between the performance management system (PMS) and job satisfaction.

The Mediating Effect of Reward Practice on the Relationship between Performance Management System and Job Satisfaction in Ethiopian Aviation University

Structural Equation Model with STATA 15 software

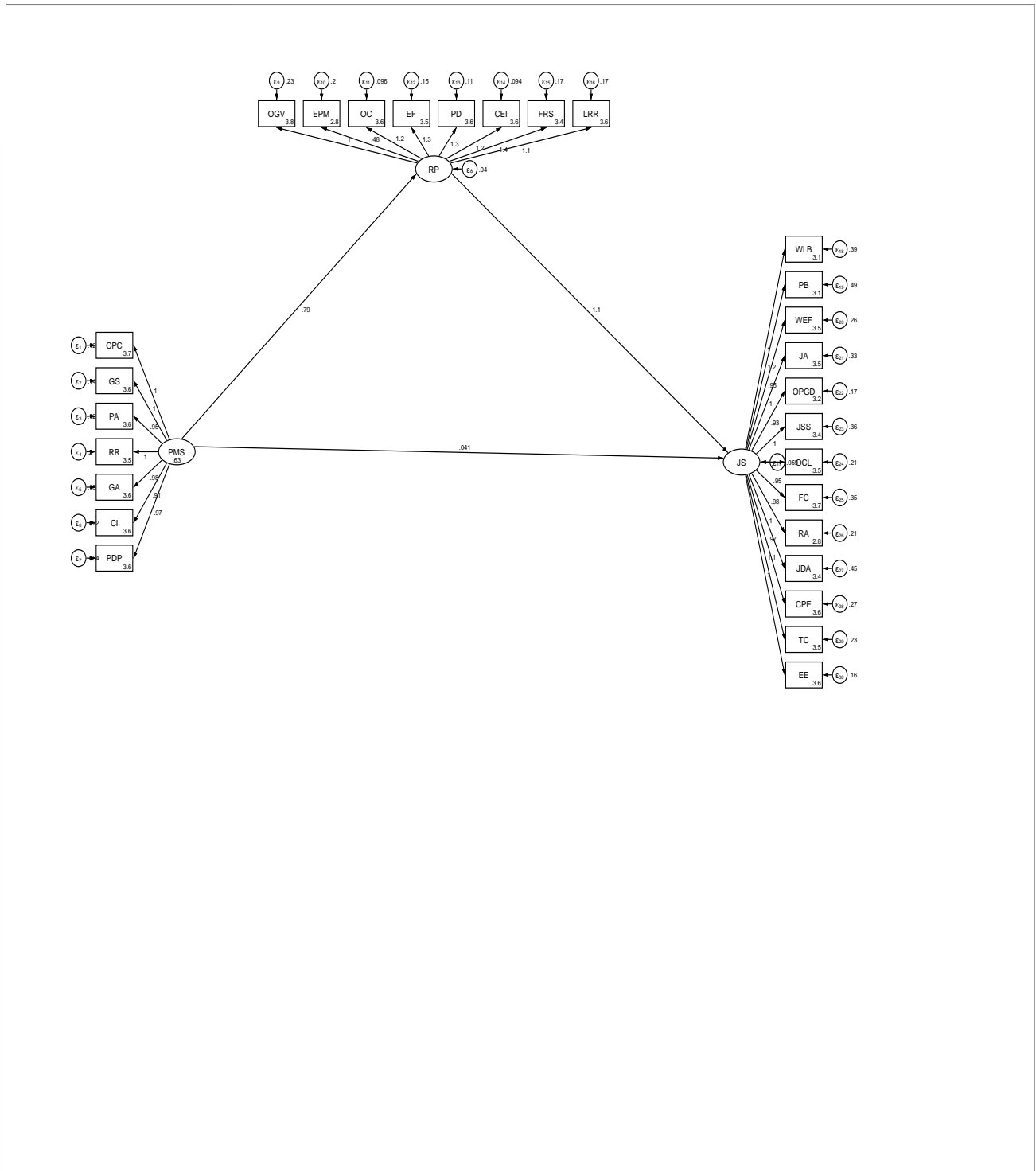


Figure 4.4 Structural Equation (Path diagram) Model

The Mediating Effect of Reward Practice on the Relationship between Performance Management System and Job Satisfaction in Ethiopian Aviation University

Estimation with Maximum likelihood with Stata 15 Output

Endogenous variables

Measurement: CPC GS PA RR GA CI PDP OGV EPM OC EF PD CEI FRS LRR WLB PB WEF
 JA OPGD JSS OCL FC RA JDA CPE TC EE
 Latent: RP JS

Exogenous variables

Latent: PMS

Table 4.10 Stata Output 10: Parameter Estimation with SEM

		OIM						
		Coef.	Std. Err.	z	P> z	[95% Conf. Interval]		
Structural								
RP								
	PMS	.7938968	.0579524	13.70	0.000	.6803121	.9074815	
JS								
	RP	1.074241	.1822236	5.90	0.000	.7170899	1.431393	
	PMS	.0413955	.1315747	0.31	0.753	-.2164863	.2992773	

Based on the above maximum likelihood estimation, there is significant relation between job satisfaction with reward practice, reward practice with performances management system.

- At 5% level of significance, increasing performances management system by one unit, reward practice will increase by 0.7938968 unit
- At 5% level of significance, increasing reward practice by one unit, job satisfaction will increase by 1.074241 unit

The Mediating Effect of Reward Practice on the Relationship between Performance Management System and Job Satisfaction in Ethiopian Aviation University

Table 4.11 Stata Output 11: Equation-level goodness of fit

	Variance			R-squared	mc	mc2
	depvars	fitted	predicted			
latent						
RP	.4359235	.3956923	.0402312	.9077105	.9527384	.9077105
JS	.6072582	.5484573	.0588009	.9031698	.9503525	.9031698
overall				.978824		

mc = correlation between depvar and its prediction

mc2 = mc^2 is the Bentler-Raykov squared multiple correlation coefficient

- ❖ 97.8824% of the independent variables are explained the dependent variable (Job Satisfaction in Ethiopian Aviation University).
- ❖ 90.32% of the Performances Management System is explained the dependent variable (Job Satisfaction in Ethiopian Aviation University).
- ❖ 90.774% of the Reward practice is explained the dependent variable (Job Satisfaction in Ethiopian Aviation University).

Table 4.12 Stata Output 12: overall goodness of fit the Model

Fit statistic	Value	Description
Likelihood ratio		
chi2_ms(347)	1083.186	model vs. saturated
p > chi2	0.0721	
chi2_bs(378)	6403.590	baseline vs. saturated
p > chi2	0.0721	
Population error		
RMSEA	0.0616	Root mean squared error of approximation

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```

90% CI, lower bound |      0.0608
                    |
                    |      upper bound |      0.0624
                    |
                    |      pclose |      0.02   Probability RMSEA <= 0.05

```

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-----+-----
Baseline comparison |
                    |      CFI |      0.978   Comparative fit index
                    |      TLI |      0.967   Tucker-Lewis index

```

```

-----+-----
Size of residuals   |
                    |      SRMR |      0.147   Standardized root mean squared residual
                    |      CD   |      0.979   Coefficient of determination

```

- We find that the chi-square goodness of fit test is significant, $\chi^2 (347) = 1083.186, p > .001$, suggesting good fit of the model to the data.
- We see that the RMSEA value (0.0616) is quite large ($< .08$) and the pclose test is insignificant ($p > .001$). Both findings indicate Good model fit to the data.
- We see that the CFI (.978) and TLI (.967) values are very higher than (both $< .90$), whereas the SRMR (.174) was high (i.e., $> .10$), relative to conventional thresholds for acceptable model fit or the model good.

Estimation of the model Direct, Indirect and Total effects

Direct effects

Table 4.13 Stata Output 13: Estimation of the model Direct

```

-----+-----
                    |              OIM
                    |      Coef.   Std. Err.      z    P>|z|    [95% Conf. Interval]
-----+-----
Structural         |
  RP               |
    PMS            |   .7938968   .0579524    13.70  0.000   .6803121   .9074815
-----+-----
  JS               |
    RP            |   1.074241   .1822236     5.90  0.000   .7170899   1.431393
    PMS           |   .0413955   .1315747     0.31  0.753  - .2164863   .2992773

```

The Mediating Effect of Reward Practice on the Relationship between Performance Management System and Job Satisfaction in Ethiopian Aviation University

There is significant and direct relation between job satisfaction with reward practice, and reward practice with performances management system, and there is no direct and significant relationship between Job satisfaction and Performances management systems.

- *At 5% level of significance, increasing performances management system in Ethiopian Aviation university by one unit, the reward practice will increase by 0 .7938968 unit*
- *At 5% level of significance, increasing reward practice in Ethiopian Aviation university by one unit, job satisfaction of employees in Ethiopian Aviation university will increase by 1.074241 unit*

Indirect effects

Table 4.14 Stata Output 14: Estimation of the model Indirect effects

		OIM				
		Coef.	Std. Err.	z	P> z	[95% Conf. Interval]

Structural						
	RP					
	PMS	0	(no path)			

	JS					
	RP	0	(no path)			
	PMS	.8528369	.141331	6.03	0.000	.5758332 1.129841

There is significant and indirect relation between job satisfaction with performances management system; however, there is no indirect relation between and reward practice with performances management system, and job satisfaction.

- *At 5% level of significance, increasing performances management system in Ethiopian Aviation university by one unit, the job satisfaction will indirectly increase by .8528369 unit because the P value is less than .05.*

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Total effects

Table 4.15 Stata Output 15: Estimation Total effects of the model

		OIM				
		Coef.	Std. Err.	z	P> z	[95% Conf. Interval]
Structural						
	RP					
	PMS	.7938968	.0579524	13.70	0.000	.6803121 .9074815
	JS					
	RP	1.074241	.1822236	5.90	0.000	.7170899 1.431393
	PMS	.8942324	.074052	12.08	0.000	.7490931 1.039372

- Totally, there is significant relation between job satisfaction with reward practice and performances management system.
- Totally, there is significant relation between reward practice with performances management system.
- At 5% level of significance, increasing the total performances management system in Ethiopian Aviation university by one unit, the total job satisfaction of employee will increase by .8942324 units because the P value is less than .05.
- At 5% level of significance, increasing the total reward practices in Ethiopian Aviation university by one unit, the total job satisfaction of employee will increase by 1.074241 units because the P value is less than .05.
- At 5% level of significance, increasing the total performances management system in Ethiopian Aviation university by one unit, the total reward practice will increase by 0 .7938968 unit

4.3. Hypotheses Testing

In this study, four hypotheses were formulated. The four hypotheses were tested based on maximum likelihood estimation with structural equation model with coefficients and statistical significance values.

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Hypothesis one: *Performance Management System have positive influence on Job Satisfaction among employees in the Ethiopian Aviation University.* From Stata Output 1: Parameter Estimation indicates that: performances management system significantly ($p < 0.05$) and positively (beta value is positive) affects employees' job satisfaction ($b = 0.8983918$, $p = 0.000$). Thus, we accept the hypothesis that performances management system has a significant positive effect on employees' job satisfaction.

Hypothesis Two: *Reward practices has a positive impact on job satisfaction levels of employees, with higher rewards leading to increased job satisfaction.* Stata Output 4: Parameter Estimation indicates that: employees' *Reward practices* has significant and positively affects *job satisfaction* ($b = 1.14302$, $p = 0.000$). Therefore, we accept this hypothesis that, Reward practices has a significant impact on job satisfaction levels of employees, with higher rewards leads to increase job satisfaction.

Hypothesis Three: *There is a positive relationship between the performance management system (PMS) and reward practices.* Stata Output 4: Parameter Estimation indicates that: *performance management system (PMS)* significantly and positively affects *reward practices* ($b = .8023747$ and $p = 0.000$). This indicates that we have to accept this hypothesis.

Hypothesis Four: *Reward practices mediate the relationship between the performance management system (PMS) and job satisfaction*

Stata Output 13: Estimation of the model direct effects indicates that: There is significant and direct relation between job satisfaction with reward practice, and reward practice with performances management system, and there is no direct and significant relationship between Job satisfaction and Performances management systems.

Stata Output 14: Estimation of the model Indirect effects indicates that: There is significant and indirect relation between job satisfaction with performances management system; however, there is no indirect relation between and reward practice with performances management system, and job satisfaction.

Stata Output 14: Stata Output 15: Estimation Total effects of the model, and Stata Output 12: Estimation of the model direct effects indicates that Estimation of the model Indirect effects indicates that the result of the mediation analysis indicates that the coefficient of direct effect for

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Performances Management system (0.0413955) is less than that of indirect effect (0.8942324) mediation has occurred. Which means Reward practices mediate the relationship between the performance management system (PMS) and job satisfaction. This indicates that we have to accept this hypothesis.

Table 4.16 Summary of the hypotheses test

No	Research Hypothesis	Tests Used	Test Statistics Value
1	<i>Performance Management System have positive influence on Job Satisfaction among employees in the Ethiopian Aviation University</i>	<i>Structural equation Model with Stata 15 software with Maximum likelihood estimation</i>	<i>(b = .8983918, p = .000)</i> <i>Accepted since p < 5% & β is positive</i>
2	<i>Reward practices has a positive impact on job satisfaction levels of employees, with higher rewards leading to increased job satisfaction</i>		<i>(b = .114302, p = .000)</i> <i>Accepted since p < 5% & β is positive</i>
3	<i>There is a positive relationship between the performance management system (PMS) and reward practices</i>		<i>(b = .8023747, p = .000)</i> <i>Accepted since p < 5% & β is positive</i>
4	<i>Reward practices mediate the relationship between the performance management system (PMS) and job satisfaction</i>		<i>Direct effect of PMS 0.0413955 is less than that of indirect effect (0.8942324),</i> <i>Accepted since p < 5%</i>

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Chapter Five: Conclusion and Recommendation

5.1. Conclusion

The purpose of the study was to investigate the mediating role of reward practice on the relationship between performance management system and job satisfaction in Ethiopian Aviation University. The research tried to examine whether the direct effect of performance management affects job satisfaction more than the indirect effect (when it is mediated by reward practice). Results have indicated that reward practice is important for improved job satisfaction in Ethiopian Aviation University. This final chapter presents the conclusions and contributions from the research findings and direction for future research are also discussed.

Considering the total effect, there is a significant relationship between job satisfaction with reward practice and performances management system. There is a significant and indirect relation between job satisfaction with performances management system. However, there is no direct and significant relationship between Job satisfaction and Performances management systems which means performances management system affects the job satisfaction if the performances management system is mediated of reward practices. This means that the indirect effect is greater and more significant that the direct effect.

There is significant and direct relation between job satisfaction with reward practice; however, there is no indirect relation between and reward practice with job satisfaction, which means reward practice effect the job satisfaction directly no need to add other variables, this means that the direct effect is greater and significant that the indirect effect.

Considering the total effect, there is significant relation between reward practice and performance management system which means there is significant and direct relation between reward practice with performances management system; however, there is no indirect relation between and reward practice with performances management system, and job satisfaction. This means that the direct effect is greater and significant than the indirect effect.

5.2. Recommendation

The researcher outlined the below recommendation, based on the result of Structural Equation Model.

The Mediating Effect of Reward Practice on the Relationship between Performance Management System and Job Satisfaction in Ethiopian Aviation University

Ethiopian Aviation University should prioritize the enhancement of its reward practices to foster job satisfaction and improve overall organizational performance. By implementing effective reward strategies that are aligned with employee needs and performance goals, the university can create a more motivated and engaged workforce. Additionally, integrating these reward practices with a robust performance management system can further enhance employee satisfaction and drive organizational success. It is essential for the university to regularly review and adjust its reward practices to ensure they remain relevant and impactful in supporting employee motivation and performance. By focusing on optimizing reward practices, Ethiopian Aviation University can create a positive work environment that promotes job satisfaction, engagement, and productivity among its employees.

Ethiopian Aviation University should continue emphasizing performance management systems and reward practices to ensure employee job satisfaction and overall organizational success. These practices have a positive impact on job satisfaction. It contributes to overall organizational success by attracting and retaining top talent, maintaining a competitive advantage in the industry, and fostering a positive organizational culture. Recognizing and rewarding employees' hard work fosters a sense of fairness and justice, boosting morale and motivation. Therefore, Ethiopian Aviation University should prioritize these practices to create a positive and successful work environment for all employees.

Ethiopian Aviation university should continue emphasizing performance management systems and reward practices, given their significant impact on employee job satisfaction. Consider maintaining current practices since they positively affect employees' feelings towards their jobs and contribute to overall organizational success and Ethiopian Aviation university should evaluate mediation effects thoroughly. Specifically, examine whether improving performances management systems yields substantial rewards practice improvements. If so, Ethiopian aviation university focus on fine-tuning those aspects of the performance management system that strongly influence rewards practices, thus maximizing return on investment while enhancing job satisfaction through reinforced positive behaviors and outcomes.

Ethiopian Aviation university should directly target job satisfaction via carefully designed reward practices seems most effective, yielding a strong correlation compared to the connection between job satisfaction and performances management systems alone. Develop tailored reward programs

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that align with the organization's mission, vision, and goals to enhance employee engagement and motivation, ultimately contributing to higher levels of job satisfaction.

Ethiopian Aviation university should analyze potential areas where improvements could be made concerning performances management systems, even though they currently show stronger connections when paired with reinforcement strategies such as reward practices. Investigate possible modifications, training, or support mechanisms that may optimize the direct linkages between the performance management system and employees' sense of achievement, empowerment, and fulfillment. Improving communication channels and transparency, setting clear expectations, providing regular feedback, nurturing autonomy, and promoting work-life balance are examples that might foster healthier work environments conducive to increased productivity and sustainable growth. ongoing assessment and adaptation of such tools will enable organizations to maintain competitive advantages and stay relevant in today's rapidly changing landscape.

In conclusion, the researcher suggests Ethiopian Aviation University to develop and foster the below practices.

1. Enhance Reward Practices:

- **Ample Reward Programs:** Develop and implement comprehensive reward programs that recognize both financial and non-financial contributions of employees which may include bonuses, salary increments, recognition awards, and career development opportunities.
- **Equitable Reward Distribution:** Ensuring that reward practices are fair and transparent which will help in fostering a sense of equity and motivate employees to perform better, knowing that their efforts will be fairly recognized and rewarded.

2. Integrate Reward Practices with PMS:

- **Alignment with Performance Metrics:** Align reward practices with the performance metrics defined in the performance management system. Clearly communicate how rewards are linked to specific performance outcomes, making the process transparent and encouraging for employees.

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- **Regular Feedback and Recognition:** Establish a system of regular feedback and recognition as part of the performance management process. Immediate and specific feedback, coupled with appropriate rewards, can significantly boost job satisfaction and performance.

3. Training and Development:

- **Management Training:** Provide training for managers and supervisors on effective performance management and reward strategies. This will ensure that they are equipped to implement the PMS and reward practices effectively. This will be helpful for managers to set and organize objective targets.
- **Employee Development Programs:** Invest in employee development programs that are linked to performance and reward systems. Opportunities for skill enhancement and career progression can act as significant motivators for employees.

4. Continuous Evaluation and Improvement:

- **Regular Review of PMS and Reward Practices:** Establish a framework for the continuous evaluation and improvement of both performance management systems and reward practices. Request feedback from employees to identify areas for improvement and make necessary adjustments to the systems.
- **Data-Driven Decisions:** Utilize data from performance management and reward systems to make informed decisions. Analysing trends and outcomes can help in refining strategies to enhance their effectiveness.

5. Foster a Positive Organizational Culture:

- **Inclusive and Supportive Environment:** Create an inclusive and supportive work environment that values employee contributions which will motivate and encourage employees. Encouraging open communication and participation of employees in decision-making can enhance job satisfaction.
- **Recognition of Team Efforts:** In addition to individual rewards, recognize team efforts and foster a culture of collaboration and mutual support among employees.

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Appendix



Addis Ababa University

College of Business and Economics

Master of Business Administration

Questionnaire to be filled by Ethiopian Aviation University Staffs

Dear Respondent,

Warm Greetings!!

My name is Yohannes Fekadu, I am a graduate program student at Addis Ababa University, College of Business and Economics, department of Management and I am conducting final research on “The Mediating Effect of Reward Practice on the Relationship between Performance Management System and Job Satisfaction in Ethiopian Aviation University”.

The purpose of this questioner is to collect primary data to conduct the study for the partial fulfilment of Master of Business Administration. This is purely for academic purposes, and any information you submit will be kept private and utilized exclusively for that purpose. Since your truthful answers are what make the study successful, kindly supply your honest answers for each and every question on the questionnaires. Note that answering this questionnaire is entirely voluntary.

The questionnaire has four parts. Please do not write your name or address on the questionnaire and put a tick mark (✓) in the appropriate box of your answer.

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If you have any doubt, please do not hesitate to contact me through the following address.

Tel: +2511911697341

E-mail: Yohannesfekadu4@gmail.com

Part I: General Information

Please use a tick mark (✓) to answer the questions below

1. Gender

Female Male

2. Age group

From 18 to 30 years old From 31 to 45 years old

From 46 to 60 years old above 61 years' old

3. Current education level?

Diploma BSc

Msc PhD

4. Work experience in Ethiopian Aviation University?

From 1 to 5 years From 6 to 10 years

From 11to 15 years above 15 years

5. Current position?

Higher Executive Management Chief instructors

Heads Other staffs

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Part II: Job Satisfaction Survey of Ethiopian Aviation University

The following statements describe the Thirteen dimensions of Job satisfactions (Work Life Balance, Pay and Benefits, Work Environment and Facilities, Job Autonomy, Opportunities for Professional Growth and Development, Job Security, Organizational Culture and Leadership, Feedback and Coaching, Recognition and Appreciation, Job Design and Autonomy, Clear Performance Expectation, Transparency and Communication, and Employee Engagement). There are five response options beside each statement. Thus, please indicate your degree of level of agreement/disagreement to each statement by putting tick mark (‘√’) to the response option that best reflect your opinion using the following five-point Likert scale. Your answer of choice is ranges from 5 (strongly agree) to 1 (strongly disagree), rate 5 for strongly agree, 4 for agree, 3 for neutral, 2 for disagree and 1 for Strongly disagree.

Key

5 = *Strongly Agree*

3 = *Neutral*

1 = *Strongly Disagree*

4 = *Agree*

2 = *Disagree*

5 = *Very satisfied*

3 = *Neutral*

1 = *Very dissatisfied*

4 = *Satisfied*

2 = *Dissatisfied*

5 = *Always*

3 = *Sometimes*

1 = *Never*

4 = *Often*

2 = *Rarely*

Work Life Balance	Response				
	1	2	3	4	5
<i>How many hours per week on average you spend at work? (1: Less than 40 hours, 2: 40-50 hours 3: 50-60 hours 4: More than 60 hours)</i>					
<i>How often does your workload make you feel stressed? (1: Rarely 2: Occasionally 3: Frequently 4: Almost always)</i>					

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<i>How often do you carry your stress from work into your personal life? (1: Never 2: Rarely,3: Sometimes,4: Often, 5; always)</i>					
<i>During your free time, are you able to avoid thinking about work? (1: Never 2: Rarely 3: Sometimes 4: Yes, most of the time 5: Yes, always)</i>					
<i>Can you balance your personal health with your professional responsibilities? (1: Never,2: Rarely,3: Sometimes,4: Often, 5; always)</i>					
<i>Does your supervisor regularly check in with you to discuss their workload, progress, and any challenges they may be facing? (1: Never,2: Rarely,3: Sometimes,4: Often, 5; always)</i>					
<i>Does your section Implement employee assistance programs that can offer support to employees in managing work-related stress, personal problems, and maintaining a healthy work-life balance? (1: Never,2: Rarely,3: Sometimes,4: Often, 5; always)</i>					
Pay and Benefits	1	2	3	4	5
<i>Do you think the salary pay is competitive with industry standards? (1: Very dissatisfied 2: Dissatisfied 3: Neutral 4: Satisfied 5: Very satisfied)</i>					
<i>Are you satisfied the health insurance of Ethiopian Aviation University? (1: Very dissatisfied 2: Dissatisfied 3: Neutral 4: Satisfied 5: Very satisfied)</i>					
<i>Are satisfied with the overall benefits package provided by your Ethiopian Aviation University? (1: Very dissatisfied 2: Dissatisfied 3: Neutral 4: Satisfied 5:Very satisfied)</i>					
Work Environment and Facilities	1	2	3	4	5
<i>I believe the work facilities of Ethiopian Aviation University is well-maintained and in good condition 1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					

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<i>I believe that there is adequate resources and equipment available for employees at Ethiopian Aviation University to perform their tasks effectively (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I believe that the workspaces at Ethiopian Aviation University comfortable and ergonomically designed (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I believe that the work facilities at Ethiopian Aviation University equipped with modern technology and tools (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I believe that the work environment at Ethiopian Aviation University clean, neat and organized (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
Job Autonomy	1	2	3	4	5
<i>Are you satisfied with the level of autonomy you have in your job? (1: Very dissatisfied 2: Dissatisfied 3: Neutral 4: Satisfied, 5: Very satisfied)</i>					
<i>Do you feel that you have the independence to make decisions regarding your work? (1: Very dissatisfied ,2: Dissatisfied ,3: Neutral 4: Satisfied, 5: Very satisfied)</i>					
<i>Do you believe that having less autonomy would negatively impact your job satisfaction? (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
Opportunities for Professional Growth and Development	1	2	3	4	5
<i>Did you know the professional development programs that are offered by Ethiopian Aviation University? (1: No,5: Yes)</i>					

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<i>How satisfied are you with Ethiopian Aviation University's set of professional development opportunities or training? (1: Very dissatisfied ,2: Dissatisfied 3: Neutral 4: Satisfied, 5: Very satisfied)</i>					
<i>Do you believe that Ethiopian Aviation University's professional development programs are suitable for your preferred career path? (1: Strongly disagree 2: Disagree 3: Neutral,4: Agree 5: Strongly agree)</i>					
<i>How likely are you to recommend others about Ethiopian Aviation University as a place where they can advance professionally? (1: Very unlikely, 2: unlikely 3: Neutral 4: Likely 5:Very Likely)</i>					
<i>In general, how would you evaluate Ethiopian Aviation University's opportunities for professional development and growth? (1: Very poor,2: poor,3:Averge ,4:Good,5: Excellent)</i>					
Job Security	1	2	3	4	5
<i>Do you feel job insecure in your current position? (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>How do you rate the job security level in Ethiopian aviation university? (1: Very poor,2: poor,3:Averge ,4:Good,5: Excellent)</i>					
Organizational Culture and Leadership	1	2	3	4	5
<i>I believe the organizational culture at Ethiopian Aviation University is very strong. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I'm satisfied with Ethiopian Aviation University's leadership style and procedures. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					

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<i>I'm believe that Ethiopian Aviation University promotes a collaborative work environment. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>Do you think Ethiopian Aviation University encourages teamwork in the workplace? (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I received a clear message about organizational objectives and expectations from Ethiopian Aviation University's leadership. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I fully understand initiatives are taken by the leadership of Ethiopian Aviation University to promote diversity and inclusion? (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
Feedback and Coaching	1	2	3	4	5
<i>Do you believe that the feedback provided helpful in improving your performance? (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>Did you feel that the coaching session was effective in addressing your areas of improvement? (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>Did you feel that the coach listened to your concerns and provided helpful solutions during the coaching session? (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
Recognition and Appreciation	1	2	3	4	5
<i>How frequently do you feel appreciated for what you've for extraordinary achievement at work? (1: Never,2: Rarely,3: Sometimes,4: Often, 5; always)</i>					

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<i>Is there clear criteria or guidelines for recognizing and appreciating employees' efforts Ethiopian Aviation University? (1: No 5: Yes)</i>					
<i>How satisfied are you with the effectiveness of the existing recognition programs or initiatives? (1: Very dissatisfied ,2: Dissatisfied 3: Neutral 4: Satisfied, 5: Very satisfied)</i>					
<i>Do you believe your superiors and colleague at Ethiopian Aviation University have given adequate recognition for your contributions and efforts? (1: Never,2: Rarely,3: Sometimes,4: Yes, most of the time, 5; Yes, always)</i>					
<i>In general, how satisfied are you with the level of recognition and appreciation that you receive at work? (1: Very dissatisfied ,2: Dissatisfied ,3: Neutral ,4: Satisfied, 5: Very satisfied)</i>					
Job Design and Autonomy	1	2	3	4	5
<i>I believe Ethiopian aviation university's employees have an opportunity to determine their own work schedules. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I believe that the job design at Ethiopian aviation university allow employees to choose the methods and techniques to complete their duties. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I believe that job design at that Ethiopian aviation university aimed in providing employees with a high level of autonomy in their work. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
Clear Performance Expectation	1	2	3	4	5
<i>I believe that performance expectations are clearly communicated to employees at Ethiopian Aviation University. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					

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<i>I clearly understand what is expected in terms of performance. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I believe performance goals and targets are clearly defined for every employee. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I believe there is specific metrics or criteria to measure their performance. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I believe that performance expectations at Ethiopian Aviation University regularly reviewed and updated. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I believe that aware of the consequences of not meeting performance expectations. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I believe that performance expectations of Ethiopian Aviation University aligned with the overall goals and objectives of Ethiopian airlines Group. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I believe that employees at Ethiopian Aviation University provided with regular feedback on their performance. (1 : Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
Transparency and Communication	1	2	3	4	5
<i>I believe that there is transparency in the communication channels at Ethiopian Aviation University. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I believe that Employees provided with clear and timely information about policies and decisions in Ethiopian aviation university. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					

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<i>I believe that Employees informed about any changes or updates happening within the university in a timely manner. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I believe that there is open and transparent communication between the university administration and Employees. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
Employee Engagement	1	2	3	4	5
<i>Do you feel satisfied with your current job role? (1: Very dissatisfied ,2: Dissatisfied ,3: Neutral ,4: Satisfied, 5: Very satisfied)</i>					
<i>Do you feel that there are opportunities for growth and development within the company? (1: Very dissatisfied ,2: Dissatisfied ,3: Neutral ,4: Satisfied, 5: Very satisfied)</i>					
<i>Are you satisfied with the communication channels within the organization? (1: Very dissatisfied 2: Dissatisfied ,3: Neutral 4: Satisfied, 5: Very satisfied)</i>					
<i>Do you feel that your work is aligned with the overall goals of the company? (1: Very dissatisfied 2: Dissatisfied 3: Neutral 4: Satisfied, 5: Very satisfied)</i>					
<i>Are you satisfied with the benefits and compensation package offered by the company? (1: Very dissatisfied 2: Dissatisfied 3: Neutral 4: Satisfied 5: Very satisfied)</i>					

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Part III: Reward Practice Survey of in Ethiopian Aviation University

The following statements describe the eight dimensions of Reward Practice (Organization's Goals and Values, Employee preferences and motivations, Organizational culture, Equity and Fairness, Performance Differentiation, Continuous Evaluation and Improvement, Fairness of a Reward system, and Legal and Regulatory Requirements) in Ethiopian Aviation University. There are five response options beside each statement. Thus, please indicate your degree of level of agreement/disagreement to each statement by putting tick mark ('√') to the response option that best reflect your opinion using the following five-point Likert scale. Your answer of choice is ranges from 5 (strongly agree) to 1 (strongly disagree), rate 5 for strongly agree, 4 for agree, 3 for neutral, 2 for disagree and 1 for Strongly disagree.

Key

5 = Strongly Agree

3 = Neutral

1 = Strongly Disagree

4 = Agree

2 = Disagree

Organization's Goals and Values	Responses				
	1	2	3	4	5
<i>I believe that I am familiar with the goals and values of our organization</i>					
<i>Do you believe that the goals and values of our organization align with your personal beliefs and values?</i>					
<i>Do you believe that the organization's goals and values are reflected in the day-to-day operations and decision-making processes</i>					
<i>Do you feel that the organization's goals and values contribute to a positive work environment?</i>					
<i>Do you think that the organization's goals and values are realistic and achievable?</i>					

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Employee preferences and motivations	1	2	3	4	5
<i>Do you believe that financial incentives or recognition will motivate your work?</i>					
<i>I believe that motivation by a positive work culture and supportive colleagues.</i>					
<i>I prefer a structured work environment or one with more flexibility.</i>					
<i>Are you motivated by opportunities for career advancement or personal development?</i>					
Organizational culture	1	2	3	4	5
<i>I believe the organizational culture at Ethiopian Aviation University is very strong.</i>					
<i>I believe that employees encouraged to take risks and be innovative in their work.</i>					
<i>I believe that there is a clear chain of command and hierarchy within Ethiopian Aviation University</i>					
<i>I believe that Ethiopian Aviation University prioritize diversity and inclusivity in its hiring and promotion practices?</i>					
<i>I believe that there a strong sense of teamwork and collaboration within Ethiopian Aviation University.</i>					
<i>I believe that Ethiopian Aviation University prioritize open communication and transparency among employees and leadership</i>					
Equity and Fairness	1	2	3	4	5
<i>I believe that all employees at Ethiopian Aviation University treated equally regardless of their background or circumstances</i>					

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<i>I believe that their mechanisms in place at Ethiopian Aviation University to address and resolve issues of discrimination or bias.</i>					
<i>I believe that there a fair and consistent evaluation system for grading and assessing all employees performance at Ethiopian Aviation University</i>					
<i>I believe that there are support services available at Ethiopian Aviation University to assist employees who may face barriers to equity and fairness.</i>					
Performance Differentiation	1	2	3	4	5
<i>I believe that performance differentiation practiced among the Employees at Ethiopian Aviation University</i>					
<i>I believe that performance criteria used to differentiate the performance of Employees at Ethiopian Aviation University.)</i>					
<i>I believe that performance ratings used to differentiate the performance of Employees at Ethiopian Aviation University</i>					
<i>I believe that performance differentiation used to determine promotions or career advancement opportunities at Ethiopian Aviation University</i>					
<i>I believe that the rewards or incentives associated with performance differentiation at Ethiopian Aviation University.</i>					
Continuous Evaluation and Improvement	1	2	3	4	5
<i>I believe that a formal process in place for continuous evaluation of staff performance at Ethiopian Aviation University</i>					
<i>I believe that employees regularly provided with feedback on their performance at Ethiopian Aviation University.</i>					
<i>I believe that employees provided with opportunities for self-assessment and reflection on their performance at Ethiopian Aviation University</i>					

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<i>There are mechanisms in place to identify areas of improvement for employees at Ethiopian Aviation University</i>					
<i>Employees provided with support and resources to address their areas of improvement at Ethiopian Aviation University.</i>					
Fairness of a Reward system	1	2	3	4	5
<i>I believe that the reward system in Ethiopian Aviation Academy is fair</i>					
<i>I believe that the way rewards are distributed in Ethiopian Aviation Academy is fair.</i>					
<i>I believe that rewards are given to employees based on their performance and contributions</i>					
<i>I believe that the criteria for receiving rewards in our organization are clearly defined and communicated.</i>					
<i>I believe that the reward system in our organization is transparent and easy to understand.</i>					
Legal and Regulatory Requirements	1	2	3	4	5
<i>I believe that Employee will receive training or education on legal and regulatory requirements relevant to their role.</i>					
<i>I believe that Ethiopian airlines Group takes legal and regulatory requirements seriously.</i>					
<i>I believe that employees will report a potential legal or regulatory violation to management.</i>					
<i>I believe that Ethiopian Airlines Group has adequate resources to ensure compliance with legal and regulatory requirements</i>					

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Industry standards	1	2	3	4	5
<i>I believe that employees receive training or education on industry standards relevant to their role?</i>					
<i>I believe that Ethiopian airlines group takes industry standards seriously</i>					
<i>I believe that Ethiopian Airlines Group has adequate resources to meet industry standard.</i>					

Part Iv: Performance Management System Survey of in Ethiopian Aviation University.

The following statements describe the seven dimensions of Performance Management System (Clear Performance Criteria, Goal Setting Performance Appraisals, Recognition and Rewards, Goal Alignment, Continuous Improvement, and Performance Development Plans) in Ethiopian Aviation University. There are five response options beside each statement. Thus, please indicate your degree of level of agreement/disagreement to each statement by putting tick mark (‘√’) to the response option that best reflect your opinion using the following five-point Likert scale. Your answer of choice is ranges from 5 (strongly agree) to 1 (strongly disagree), rate 5 for strongly agree, 4 for agree, 3 for neutral, 2 for disagree and 1 for Strongly disagree.

Clear Performance Criteria	Response				
	1	2	3	4	5
<i>I believe that performance criteria clearly communicated to employees at Ethiopian Aviation University</i>					
<i>I believe that performance criteria for employees at Ethiopian Aviation University specific and measurable</i>					
<i>I believe that performance criteria for employees at Ethiopian Aviation University aligned with the university's goals and objectives.</i>					

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<i>I believe that performance criteria for employees at Ethiopian Aviation University used to evaluate individual performance</i>					
<i>I believe that performance criteria for employees at Ethiopian Aviation University transparent and easily understandable.</i>					
<i>I believe that performance criteria for employees at Ethiopian Aviation University linked to performance appraisal and rewards systems.</i>					
Goal Setting	1	2	3	4	5
<i>I believe that goals for employees at Ethiopian Aviation University specific and measurable</i>					
<i>I believe that the goals for employees at Ethiopian Aviation University regularly reviewed and updated.</i>					
<i>I believe that the goals for employees at Ethiopian Aviation University communicated clearly and effectively.</i>					
<i>I believe that the goals for employees at Ethiopian Aviation University linked to performance evaluation and recognition</i>					
Performance Appraisals	1	2	3	4	5
<i>I believe that performance appraisals conducted regularly at Ethiopian Aviation University</i>					
<i>I believe that performance appraisals at Ethiopian Aviation University used to identify high-performing employees.</i>					
<i>I believe that performance appraisals at Ethiopian Aviation University used to identify low-performing employees</i>					

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<i>I believe that Performance appraisals at Ethiopian Aviation University used to support decisions on promotions or rewards.</i>					
<i>I believe that performance appraisals at Ethiopian Aviation University properly documented and recorded</i>					
Recognition and Rewards	1	2	3	4	5
<i>I believe that regular performance-based rewards given to employees at Ethiopian Aviation University</i>					
<i>I believe that recognition and rewards at Ethiopian Aviation University tied to specific criteria or metrics.</i>					
<i>I believe that recognition and rewards at Ethiopian Aviation University based on individual performance.</i>					
<i>I believe that financial incentives and non-monetary certifications and public recognition offered by Ethiopian Aviation University as a part of their recognition and rewards program)</i>					
<i>I believe that recognition and rewards provided at Ethiopian Aviation University for both short-term and long-term achievements.</i>					
Goal Alignment	1	2	3	4	5
<i>I believe that the goals of Ethiopian Aviation University clearly communicated to all employees.</i>					
<i>I believe that employees at Ethiopian Aviation University understand how their individual goals align with the overall goals of the university.</i>					
<i>I believe that employees at Ethiopian Aviation University given the necessary resources and support to achieve their goals in alignment with the university's objectives</i>					

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<i>I believe that goal alignment considered a priority at Ethiopian Aviation University in order to drive organizational success of Ethiopian airlines Group.</i>					
Performance Development Plans	1	2	3	4	5
<i>I believe that Performance development plans are created and implemented properly at Ethiopian Aviation University.</i>					
<i>I believe that performance development plans at Ethiopian Aviation University tailored to meet the individual needs and goals of employees.</i>					
<i>I believe that performance development plans at Ethiopian Aviation University aligned with the Ethiopian airlines groups s overall objectives and strategies.</i>					
<i>I believe that performance development plans reviewed and updated on a regular basis at Ethiopian Aviation University</i>					
Continuous Improvement	1	2	3	4	5
<i>I believe that employees at Ethiopian Aviation University actively encouraged to contribute ideas and suggestions for continuous improvement</i>					
<i>I believe that there a designated team or department responsible for overseeing continuous improvement initiatives at Ethiopian Airlines Group at cooperate level.</i>					
<i>I believe that their specific metrics or performance indicators used to track the progress of continuous improvement efforts of employees. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I believe that continuous improvement integrated into the strategic planning process at Ethiopian Airlines Group. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					

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<i>I believe that Ethiopian aviation University meet its revenue targets for the quarter. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I believe that Ethiopian aviation University achieve its customer satisfaction goals for the year. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I believe that Ethiopian aviation University reduce its operating expenses as planned. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I believe that Ethiopian aviation University meet its production targets for the month. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					
<i>I believe that Ethiopian Aviation University achieve its employee retention goals for the quarter. (1: Strongly Disagree, 2: Disagree, 3: Neutral, 4: Agree, 5: Strongly Agree)</i>					

Thank You Very Much for Your Time!

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Annex One

Shapiro-Wilk test is performed to check the normality of the data.

Table 0.1 Shapiro-Wilk W test for Normal Data

Variable	Obs	W	V	z	Prob>z
CPC	158	0.99326	0.825	-0.437	0.66911
GS	159	0.98643	1.669	1.165	0.12196
PA	159	0.99122	1.080	0.175	0.43049
RR	159	0.99368	0.777	-0.574	0.71703
GA	159	0.99566	0.533	-1.429	0.92356
CI	159	0.99201	0.983	-0.039	0.51575
PDP	159	0.98979	1.256	0.518	0.30224
OGV	159	0.98799	1.477	0.887	0.18753
EPM	159	0.99415	0.720	-0.747	0.77253
OC	158	0.98282	2.101	1.688	0.08566
EF	159	0.98985	1.248	0.504	0.30707
PD	159	0.98291	2.102	1.689	0.06558
CEI	159	0.99405	0.731	-0.712	0.76176
FRS	159	0.99336	0.817	-0.460	0.67716
LRR	159	0.99165	1.027	0.061	0.47558
WLB	159	0.99008	1.219	0.451	0.32591
PB	159	0.99301	0.859	-0.345	0.63507
WEF	159	0.98222	2.187	1.780	0.06757
JA	159	0.99560	0.541	-1.397	0.91881
OPGD	159	0.99493	0.624	-1.074	0.85864
JSS	159	0.99517	0.595	-1.183	0.88158
OCL	159	0.98913	1.337	0.661	0.25426
FC	159	0.99208	0.974	-0.059	0.52358
RA	159	0.98792	1.485	0.900	0.18418
JDA	159	0.99316	0.841	-0.394	0.65337
CPE	159	0.99036	1.185	0.386	0.34972
TC	159	0.98865	1.396	0.759	0.22403
EE	159	0.99082	1.129	0.276	0.39120

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PMS	159	0.98746	1.543	0.986	0.16204
RP	159	0.99475	0.646	-0.995	0.84024
JS	159	0.99032	1.191	0.397	0.34550

Based on the above Stata output the data is normally distributed, hence the p-value is greater than 0.05 means the data is normally distributed.

Table 0.2 Multicollinearity of the data

Variable	VIF	1/VIF
OGV	1.40	0.713977
OC	1.36	0.736593
PDP	1.35	0.738512
OCL	1.33	0.753006
JDA	1.32	0.759163
RA	1.31	0.763667
JA	1.31	0.764548
CEI	1.30	0.771748
RR	1.28	0.778461
EE	1.27	0.788456
WEF	1.26	0.791775
EPM	1.26	0.792142
CI	1.26	0.793435
FC	1.24	0.804901
CPE	1.24	0.809596
LRR	1.23	0.810832
EF	1.21	0.823570
TC	1.21	0.826002
OPGD	1.21	0.826736

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FRS	1.21	0.827802
PA	1.21	0.827864
GA	1.20	0.833475
PB	1.20	0.834515
JSS	1.19	0.837041
WLB	1.19	0.838182
CPC	1.18	0.844059
PD	1.16	0.862910
GS	1.15	0.870843

-----+-----
 Mean VIF | 1.25

Variable	VIF	1/VIF
----------	-----	-------

PMS	1.01	0.993073
RP	1.01	0.993073

-----+-----
 Mean VIF | 1.01

Conclusion: The fact that the overall mean vif and vif b/n each independent variable is both less than 10, indicates that, the Model does not contain any perfect or imperfect r/ship b/n independent variables.

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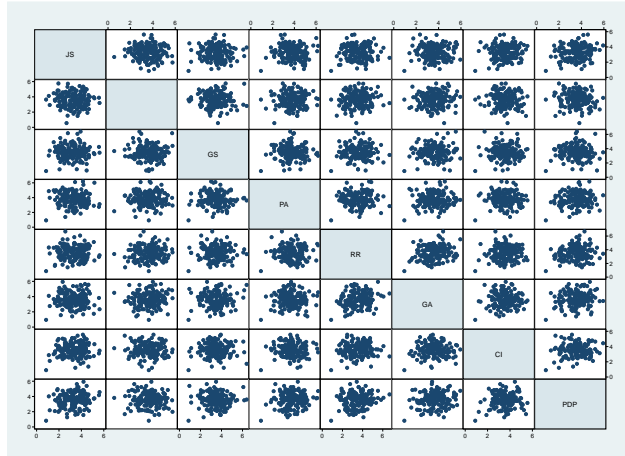
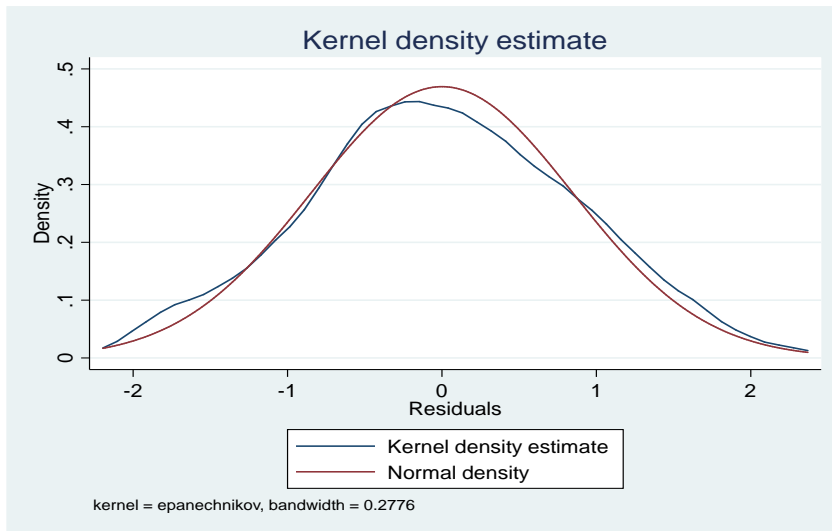


Figure 0.1 linearity of relationship between independent variable and dependent variables.

Based on the above Stata output of graph matrix, the dependent variable with are linearity in parameter with the independent variable.



The kdensity of the graph depicts the residual follow normal and liner in parameter.

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