

**ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE**



**THE EFFECT OF FINANCIAL AND NON-FINANCIAL REWARD ON
EMPLOYEE PERFORMANCE: THE CASE OF EAST AFRICA
HOLDINGS, LION BRANDS PLC**

*Thesis Submitted to the Office of Graduate Studies of Addis Ababa University
School of Commerce in Partial Fulfillment of the Requirements for the Degree of
Master of Arts in Human Resource Management*

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Declaration

I, the undersigned, declare that this study entitled “The Effect Financial and Non-financial Reward on Employees Performance the Case of East Africa Holdings: Lion Brands PLC.” is my original work and has not been presented for a masters degree in any other university, and that all sources of materials used for the study have been duly acknowledged.

Declared by: Eyerusalem Assefa

Signature _____

Date _____

Certificate

This is to certify that the Thesis entitled “The effect of financial and non-financial incentives on employee performance: The case of East Africa Holdings, Lion Brands Plc” submitted to Addis Ababa University, School of Commerce for the award of Masters of Human Resources and is a record of research work carried out by Miss. Eyerusalem Assefa under our guidance and supervision. Therefore, we hereby declare that no part of this Thesis has been submitted to any other university or institutions for the award of any degree or diploma.

Research Advisor: Abeba Beyene. (PhD)

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Date _____

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE

MHRM PROGRAM

**The Effect of Financial and Non-Financial Reward on Employee
performance: the case of East Africa Lion Brands PLC**

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Abstract

The purpose of this study was to assess The Effect of Financial and Non-Financial Reward on Employees Performance in East Africa Lion Brands Plc.. The study adopted an explanatory research design. Out of 270 target population a sample size of 162 was taken using Yemani's statistical formula and responses of 151 employees were analyzed. Data was collected using structured questionnaires and using Statistical Package for Social Sciences (SPSS) Version 20 the data were analyzed . Different Statistical tools were used; Pearson product-moment correlation and multiple regression were used to examine the relationship and effect of Financial and Non-Financial Reward on Employee Performance . Descriptive statistics frequency tables were used to provide data on the variables. The validity of the instrument was checked and internal consistency of the instrument was measured using Cronbach Alpha. Hypotheses were established to verify the effect of all the independent variables (base pay, Variable pay, recognition and training and development) on the dependent variable (Employees' Performance). The findings indicated that variable pay, recognition and training and development have significant relationship with employee performance. The results prove that Financial and Non-Financial reward are important predictor that have an effect on employee performance. The company must be able to improve and pay more attention to the provision of reward consisting the variables in a fair manner in accordance with employee performance contributions in order to improve, employee performance .

Key words: Performance, Financial Reward, Non-Financial Reward, Base pay, Variable Pay, Recognition, Training and Development

CHAPTER ONE

INTRODUCTION

This chapter provides the background of the study and introduces the research problem and the associated research objectives of the study, significance, delimitation, limitation and definition of terms.

1.1 Background of the Study

Reward Management deals with company strategies, policies and processes to make sure that the value and role of employees in achieving to a organizational, departmental and team goals is acknowledged and rewarded. Managing performance demands an organized action to advance organizational, group and individual performance. It enables performance expectations to be defined and creates the basis for developing organizational and individual capability. For individuals, performance management processes are associated with both financial and non-financial rewards (Armstrong,2009).

One of the several methods used to increase the motivation of employees is the incentive application. It is very common at such premises that there are often financial and non-financial incentive applications in order to award the employees with a high performance level and to encourage the ones with lower performance levels for higher performance. The main purpose of such application is to establish a fair management structure within the premise, to contribute to the motivations of employees as a social being and therefore to increase

their productivity and efficacy by enhancing their job satisfaction levels (Erbasi&Arat,2012).

Reward and staff motivation is a very important issue that many organizations are looking forward to ensuring it succeeds. Employees has to be maintained in an organization because of various reasons. Employees who stay longer in an organization gain experience and thus improve their efficiency, reduce cost of training and workshops, minimized time wastage. This has made it imperative for the management of an organization to guarantee that employees are retained and reduce turnover (Josephine, 2105).

In order to remain competitive, companies need to develop reward packages that satisfy people. These reward packages commonly known as total rewards include all the financial and non-financial rewards provided by a company to attract, motivate, and retain employees. The success of a pay system depends on linking organizational objectives and strategies to compensation so that individuals are encouraged to work in a manner that benefits the company and its stakeholders (Mathis & Jackson, 2010).

Financial rewards comprise all rewards that have a monetary value and add up to total remuneration – base pay, pay contingent on performance, contribution, competency or skill, pay related to service, financial recognition schemes, and benefits such as pensions, sick pay and health insurance. Non-financial rewards are those that focus on the needs people have to varying degrees for recognition, achievement, responsibility, autonomy, influence and personal growth (Armstrong & Brown, 2006). Relational rewards is concerned with non-financial reward which includes quality of working life , recognition, the work itself ,

learning and development, work life balance and performance management. non-financial reward could be extrinsic like recognition or intrinsic which are linked with challenge and the merit of the work. (Armstrong,2010) .

1.2 Background of the Organization

East Africa Holding ,a leading industrial conglomerate in Ethiopia, is playing a prominent role in industrialization of the country during the last decade. The enterprise was established before 20 years by Dr. Buzuayehu Bizenu as an umbrella company comprising of sister (subsidiary) companies which operate in a variety of sectors such as manufacturing of fast moving consumer goods (FMCG), agriculture, agro processing, printing and packaging, transport, real estate, cement production and coal mining. East Africa Holding is also involved in the export of various types of washed Ethiopian coffee and has a coffee roasting and packing facility to supply the local market. While engaged in such diverse economic activities, East Africa Holding is continuously evolving and strengthening its position as a major contributor in the development of the private sector in Ethiopia (www.EastAfricaHoldings.com)

As one of the largest employers in the country, the company currently employs over 6,000 personnel. East Africa Holdings produces over 100 types of products and provides distribution and logistics services to sister companies and external customers.

East Africa Distribution House is an organization which produces and distributes fast moving consumer goods. Lion Brands PLC is one of the sister companies in East Africa Holding. It has a plant in Dukem which manufactures Fast Moving Consumer goods like soap, Detergents, Cosmetics, etc. It has a total of 350 employees which are located in Addis Ababa and Dukem.

Currently, the East Africa Lion Brands Plc has financial and non-financial reward package for the employees. The financial reward packages are salary, bonus, commission and allowances (mobile and transportation). Bonus and commissions is given only for commercial, sales and warehouse departments. Limited medical allowance which is up to ETB20,000(twenty thousand birr) per year is given for every employees. Other non-financial reward like training and development is included as an employee benefit package.

1.3 Research Problem

Organizations practice reward management strategies in order to enhance organizational performance by putting an effective reward system that helps them to attract, retain and engage employees. According to Gurbuz (2009), employees turnover occur when there is dissatisfaction with compensation and job opportunities. A good reward system motivates employees in constructing positive emotional response towards the job and to higher and better performance of employees.

Based on the 2010 E.C data collected from Human Resources Department of East Africa Lion Brands , employees performance result had shown a steady decline in the past few years. Meaning employees did not achieve the targeted performance. In addition , informal interviews with several employees had indicated their dissatisfaction about the reward system of the company. It is very important for the organization to determine to what extent these reward affect the performance of employees.

If employee motivation is not given a serious attention, it influences creativity; leads to low productivity and absenteeism and the organization might have low competitive advantage. All these might culminate in low staff productivity and invariably poor

organizational performance. Hence, the study on the effect of financial and non-financial reward on employee performance has become imperative, with East Africa lion Brand PLC the case organization.

1.4 Research Questions

The following research questions will be answered by this study

1. To what extent does base pay affect performance of employees in East Africa Lion Brands PLC?
2. To what extent variable pay affect the performance of employees in East Africa Lion Brands PLC?
3. To what extent does recognition affect the performance of employees in Lion Brands PLC?
4. To what extent does training and development affect the performance of employees in Lion Brands Plc?

1.5 Research Objectives

1.5.1 General Research Objective

The general objective is to discover the effect of financial and non-financial reward on employee performance of East Africa Lion Brand Industries PLC.

1.5.2 Specific Research Objective

The specific objectives of this research are

- To identify the effect of base pay on performance in East Africa Lion Brands Plc.

- To identify the effect of variable pay on performance in East Africa Lion Brand Plc .
- To identify the effect of recognition on performance in East Africa Lion Brand Plc.
- To identify the effect of training and development on performance in East Africa Lion Brand Plc.

1.6 Significance of the Study

This study brings to light the effect of financial and non-financial reward on employees performance in East Africa Lion Brand PLC in area of policy formulations in regard to staff reward schemes and remuneration. The study might serve as an input for the organization to support in identifying key variables that make employees motivate to perform at their maximum effort.

This study also contribute as an input to other researchers on the effect of financial and non-financial reward on employees performance in FMCG sector.

1.7 Delimitation of the Study

This study is conceptually delimited to the effect of financial rewards (base pay, variable pay) and Non-financial rewards(recognition and training and development) on employees' performance to see if there is a relationship between reward and employee's performance.

The selected variables will make the study manageable in terms of cost and time. Quantitative research method was used in this study. covering all branches is not possible because of financial and geographical limitation, as a result only Addis Ababa Branches were selected for the study . The result cannot be generalized with other Fast Moving Consumer Goods companies.

1.8 Limitation of the Study

The research focused on employees in selected branches which are located in Addis Ababa. Due to time and cost constraint the research could not include all branches. The generalization of the result of this research is doubtful as the research focused only Addis Ababa branches.

1.9 Definition of Terms

Financial Reward: -It is a payment which has monetary value. To mention some , for example, salary, additional benefit, paid sick leaves, discounts , profit sharing, salaried vacations and subsidized retirement plan by the employer (Decenzo& Robbins, 2010).

Non-Financial Reward: -It is a non-monetary reward given in recognition for high achievements . These may not put in to the employee's financial state, but rather draw to life on the job (Decenzo& Robbins, 2010).

Performance: - Is a behavior that accomplishes results (Armstrong & Taylor, 2010).

Motivation: - Is the force that energizes, directs and sustains behavior. It provides the personal and dynamic element in the concept of engagement(Armstrong, 2009).

Base Pay:-It is the foundation of an individual's reward package, itis expressed as an annual, weekly or hourly rate (Armstrong,2009)

Variable Pay:-is a cash payments given to employees that is related to the performance of their organization, their team or themselves, or a combination of two or more of these (Armstrong,2010).

Training and Development:-it is given for employees to increase job satisfaction, enhance performance, and helps for professional development.

Recognition:-it can be categorized into formal or informal, cash or noncash, and individual or collective (Shields,2010).It stress employee appreciation for the effort they are putting to achieve to achieve organizations goal.

1.10 Organization of the Study

The study is presented in five chapters. The first chapter deals with the introduction to research area by way of background of the study, statement of the problem, objectives of the study, significance of the study, scope of the study, limitations of the study, ethical consideration and definition of key terms. The second chapter deals with a review of related literature where findings of related study area were presented. Chapter three contains the research methodology focused on data collection techniques and method of analysis. Chapter four discusses the findings of the study and analysis. The fifth chapter provides findings, conclusions together with recommendations drawn from the research findings.

CHAPTER TWO

LITREATURE REVIEW

This chapter covers literature review related to the study. It includes a review of the various studies conducted by researchers on theoretical foundation, the financial and non-financial rewards and the influence it has on performance of employees.

2.1. Theoretical Literature Review

2.1.1 Concept of Performance

Performance means both behaviors and results. Behavior begin from the performer and it changes performance from idea to action. It is not just the tool for results, it is also the outcome of mental and physical effort and can be evaluated separately from results (Armstrong et al, 2006). Performance is a function of skills, abilities, motivation, and the opportunity to perform. As Guest (1997) argues, ‘The distinctive feature of HRM is its assumption that improved performance is achieved through the people in the organization.’ If, therefore, appropriate HR policies and processes are introduced, it can also be assumed that HRM will make a substantial impact on firm performance.

Performance is indeed often regarded as simply the outcomes achieved: a record of a person’s accomplishments. Kane (1996) argued that performance ‘is something that the person leaves behind and that exists apart from the purpose.’ Bernardin (1995) believe that ‘Performance should be defined as the outcomes of work because they provide the strongest linkage to the strategic goals of the organization, customer satisfaction, and economic contributions.’

2.1.2 Concept of Reward Management

Paying employees for efficiency has been the foundation of business development for centuries. Constantly financial reward has been important in administering employee's performance, also other elements of reimbursement have developed to provide employers with more scope to reward, and thus, motivate employees.

One of the strategies used by human resources managers to attract and keep appropriate employees is reward management. It helps in facilitating improvement on their performance through motivation and to comply with employment legislation and regulation. Because of these pressures, HR managers seek to design reward formation that facilitate the organizations strategic goals and the goals of individual employees (Maund, 2001). Reward management influences performance by recognizing and rewarding good performance and by providing incentives to improve it.

Reward is essential to the employment relationship. Many people not for the money they earn and most people work because they need to sustain themselves and their families. How much they got paid and in what form is therefore an issue which matters hugely to them (Torrington., 2011).

In order to implement effective reward system organizations must focus on the positive reinforcement. Positive reinforcement inspires the desired performance in organizations. This boosts employees to take positive actions leading to rewards. Reward plans should be properly designed in the organization so as to reinforce positive behavior which leads to performance.

The right kind of rewards program will assist employees to grow and add value to organization. Both 'variable and base' pay, are key to ensuring the value of employees, especially high performers according to a report on salary surveys (Zingheim, 2010, p. 9).

2.1.3 Theories Related to Reward

2.1.3.1 Expectancy Theory

The expectancy theory suggests that employees are more likely to be motivated to perform when they perceive that there is a strong link between their performance and the reward they receive (Mendonca, 2002). According to Robbins (2003), expectancy theory refers to the strength and attractiveness of individual's expectation of the outcome produced by performance. The attractiveness of expected reward for given input will determine one's motivational soundness according to this theory and whether that reward respond individual's personal goals. Robbins (2003) explained that there are three relationships; effort – performance, performance – reward and rewards – personal goals which will direct one's behavior. Expectancy theory predicts one's level of motivation depends on the attractiveness of the rewards sought and the probability of obtaining those rewards (Bohlander & Snell, 2004). If employees perceive that they may get valued rewards from the organization, they tend to put greater effort into work. Expectancy theory includes three dimensions, say, expectancy, instrumentality and valence, the level of all of which must be high if desired behaviors are looked forward to in employees work. Expectancy theory of motivation explains the link between motivation and performance. The theory proposes that performance at individual level depends on high motivation, possession of the necessary skills and abilities and an appropriate role and understanding of that role (Savaneviciene & Stankeviciute, 2010).

It is a short step to specify the human resource management practices that encourage high skills and abilities, for example careful selection and high investment in training; high motivation, for example employee involvement and performance-related pay; and an appropriate role structure and role perception, for example job design and extensive communication and feedback.

According to Vroom (1964) “the effects of motivation on performance are dependent on the level of ability of the worker, and the relationship of ability to performance is dependent on the motivation of the worker.” The effects of ability and motivation on performance are not additive but interactive.

If an employee believes that the effort given will lead to performance which is acknowledged by the management they will try to put their best efforts into practice. This leads to the expectancy that great effort will lead to performance which is noticed and rewarded. Instrumentality is used to explain the suitability of the rewards to performance. If the outcome (rewards) is corresponding to individual’s personal goals a positive emotional attitude towards the outcomes (rewards) will be developed (Waal and Jansen, 2011).

Ramlall (2004) explained that an individual estimates an outcome to be positively valence once the outcome is considered wanted in other words once the reward matches one’s personal goals. Robbins (2003) said that the expectancy theory gives good explanation why employees are not motivated; they might feel that the excellent performance is not acknowledged in the organization due to several reasons. If the organization’s performance appraisal system is created to evaluate non-performance related factors such as tenure, an individual may feel that no matter how much they work they will not be rewarded. Employees may also feel that the supervisor doesn’t like them and therefore they are not given fair appraisals. Employees may think that they don’t have the needed competencies to gain high performance levels which will be rewarded. The most pessimistic view is that the great performance will never be acknowledged in the organizational context.

2.1.3.2 Equity Theory

Equity theory deals strongly with the aspects of organizational justice, whether the individuals feel that they are treated fairly at work or not. The felt equity or inequity will impact their level of effort given in the work environment (Arnold, 2010). Ramlall (2004) points that an individual on employee- employer relationship evaluates not only the benefits and rewards he or she receives and whether the input given to the organization is in balance with the output but also the relevance of inputs given and outputs received by other employees inside or outside the employing organization.

Individual inputs can be education, effort, experience, and competence in comparison to outputs such as salary, recognition and salary increases. If an individual notices an imbalance on the input - outcome ratio according to his or her own experiences and in comparison to the others, tension is accumulated.

Arnold et al., (2010) noted that individuals who feel under rewarded will have stronger, negative feelings than the ones who are over rewarded. If inequity is met in the employee-employer relationship individuals are likely to change their inputs to correspond the outcomes i.e lower the work effort to equal the outcomes, change the referent to which they are comparing the felt inequity or distort perceptions of self or others.

2.1.4 Goals of Reward Management

According to Goshal and Bartlett(1995), the aim of reward management must be to add value to employees . It is not only about adding value to them. More specifically, there are different aims which are to provide support to the achievement of business goals through high performance, supporting the organizations culture development. It has also a significant role in attracting and retaining the high quality people the organization needs, aligning reward practice with employee needs, helps in defining what is important in terms of behaviors and outcomes, and win the commitment of people.

The aim of rewarding employees for the work they have done is to motivate, commit, develop employees and attract new employees. Rewarding practices are not out of context; those are linked to the internal organizational culture, wider culture outside of the organization referring to the pay levels and benefits offered by the other companies, and the emphasis management is putting on reward practices (Armstrong, 2009).

2.1.5 Components of a Reward System

According to Mathis and Jackson (2010) rewards can be either intrinsic or extrinsic. Intrinsic rewards possibly will hold honor for outstanding performance or finishing a project. Compensations like psychological and social forms reflect intrinsic type of rewards. Extrinsic rewards are tangible and take both monetary and nonmonetary forms. One tangible component of a compensation program is direct compensation, where by the employer provides monetary rewards for work done and performance results achieved. Base pay and variable pay are the common type of direct compensation. Mainly, the most common indirect compensation is employee benefits.

2.1.6.1 Intrinsic Reward

Intrinsic rewards are the job inherent, intangible, non-financial rewards included in the job itself such as job tasks, challenging and interesting job and training possibilities offered to the employees. Nelson (2004) noted that praise and recognition are the most efficient intrinsic rewards an employee wants to hear as employees want to feel that they are making a contribution at their workplaces. He quoted Elisabeth Kanter on his article who said that “Compensation is a right; recognition is a gift.” He has also added that recognition, especially if showed in public in front of the other employees sends favorable signals to the other employees of which kind of behavior is favored and desirable by the management.

According to Jensen(2007) it is the intangible rewards which determine why an employee would choose one company over another when tangible rewards are given the same. This is a way how companies can really stand out of the crowd by the use of the attractive rewards.

The main stream among the researchers believe that intrinsic rewards are more efficient while not neglecting the extrinsic rewards which are usually always present in organizational context. For example, Mottaz(1988) emphasized the importance of intrinsic rewards but captured the significance of extrinsic rewards as follows: “- - few, if any, workers would continue to work on a job for very long if extrinsic rewards were completely inadequate.” Also Buckman(1991) argued that the monetary rewards act on the background but what really makes difference in employee’s organizational behavior is the intrinsic rewards.

2.1.6.2 Extrinsic Rewards

Extrinsic rewards are the non-job related rewards such as pay, salary and work conditions. Gupta and Shaw (1998) concluded in their research that financial incentives are indeed effective. They took the point of view that not all the jobs are interesting and challenging in nature, if we would live in an ideal world everyone would be intrinsically motivated and rewarded, but in many work places this is not the reality. They concluded that money matters to most of us and it motivates us because of the symbolic and instrumental value it bears. Symbolic value of money recaps what we ourselves and what others think about it, instrumental value of money means the ends we can get for exchanging it.

When money is used to recognize the employees for the good work done according to Nelson(2004) this sends wrong signals to the employees; the emphasis put on monetary rewards drives employees to reach for individual gains and reduces team work. Shaw (1998) also acknowledged the signals monetary rewards send to the employees but they appealed humans to be 'cognitive processors' who understand the signals management is sending by rewards; rewarding shows employees what kind of behavior is valued.

Armstrong et al. (2010) said that the short-term solutions provided to solve the reward management programs might result in long-term problems referring to the use of extrinsic rewards when trying to motivate employees.

Kohn (1993) stated that monetary rewards are at their best creating temporary compliance meaning that money motivates us as long as we get another pay increase. Temporary compliance refers to the short sighted value it manages to add in individual's motivation. Once a pay

increase is received it motivates for a short period of time until motivation is again declined and employees start to wait for another pay increase. He said that: “promising a reward to someone who appears unmotivated is a bit like offering salt water to someone who is thirsty.” The criticism he presented against using money as a motivator is that money do motivate employees – to get more money.

2.1.7 Total Rewards

The concept of total rewards describes an approach to reward management which emphasizes the need to consider all aspects of the work experience of value to employees, not just a few such as pay and employee benefits. It aims to blend the financial and non-financial elements of reward into a cohesive whole. A total rewards approach identifies that it is essential to get financial rewards (pay and benefits) correctly. It stresses that providing employees with rewarding experiences which come up from the work , work environment, how they are managed and the opportunity to develop their skills and careers. It contributes to the production of an employee value proposition which provides a clear, compelling reason why talented people should work for a company(Armstrong, 2007) .

Total rewards are referring to both extrinsic (financial) and intrinsic (nonfinancial) rewards as a total an individual receives (Armstrong et.al, 2009) Armstrong continued that “essentially, the notion of total reward says that there is more to rewarding people than throwing money at them.” It is a general view of reward which looks at the overall reward system in order to determine how its elements should be integrated so that they provide mutual supporting contributing to the overall effectiveness of the system.

Reliance cannot be positioned in one or two reward method; instead, every employees story is taken of every way so as to they can be rewarded and obtain satisfaction through their

work. The whole is greater than the sum of its parts. The plan is to maximize the impact of a reward program on motivation, commitment and job engagement.

Aligning this reward system design with the overall strategy of the organization so as it's not perceived to be ad-hoc is considered to be a key factor(Stredwick,2000).

2.1.8 Financial Reward

Financial reward consists of rewards that have monetary value . It includes salary, monetary appreciation system , payment related to function, different benefits like, sick pay, pension, insurances are among the major elements of financial reward.

Financial rewards consist of job-based pay, which provides base pay related to the value of the job, and person-based pay, which provides rewards which recognize the individual's performance, contribution, competence or skill. Rewards can also be non-financial: for example, recognition. Valuable and attainable rewards acts as a motivator to employees when they have a know how. Incentives are intended to encourage people to work harder and achieve more. They are supposed to provide direct motivation: 'Do this and we will make it worth your while' (Millmore et al, 2007) .

Incentives are generally financial but they can promise non-financial rewards such as promotion or a particularly interesting assignment. If this distinction is not made it may be assumed that financial rewards only exist to provide an incentive. They might do this or, as the nay-sayers contend, they might not. But financial rewards can be justified because they are a form of tangible recognition – they are a means of informing people that they have done well, and they accord with the reasonable and generally accepted belief that people who do better should be

valued more highly. However, the use of financial rewards in the shape of contingent pay has aroused strong feelings amongst those who support and those who oppose them. The two main financial rewards will be reviewed below (Mossbarger and Eddington, 2003).

2.1.8.1 Base Pay

The basic compensation employee receives, usually as a wage or a salary, is called base pay. Salary and hourly pay are the two mainly used base pay by many organizations which are identified according to the way pay is distributed and the nature of the jobs. Hourly pay is the standard means which is based on time. Payments which is calculated based on the worked time is a wage. In contrast, people paid salaries receive the same payment each period regardless of the number of hours worked. Being paid a salary has typically carried higher status for employees than has being paid a wage. However, overtime may have to be paid to certain salaried employees as well as most wage earners as defined by federal and state laws (Armstrong, 2012).

2.1.8.2. Variable Pay

Variable pay is a compensation directly related to individual, team, or organizational performance. Bonuses and incentive payments are the most common types of variable pay. Longer-term rewards are given for executives such as stock options. There is reason to believe that performance-based policies for rewarding top managers that link equity-based incentives to performance are effective.

However, variable pay does not look the same in every organization, and the way it is structured and operates is heavily dependent upon the organization's culture and the relationships between it and other elements of the reward programs (Armstrong and murlis. 2005) . Thus, variable pay

comes in several forms: Individual performance-related pay -increases in base pay or cash bonuses are determined by performance assessment and rating .Organizational performance pays which links performance to its highest levels, with increased emphasis in better aligning with the business strategy as well as performance metrics. The most popular kinds of such are profit sharing and stock sharing.

Bonuses

When employees reach certain standards and quotas to achieve the objectives of certain organization they are given bonuses. A bonus is an additional compensation given to an employee above his/her normal wage. A bonus can be used as a reward for achieving specific goals set by the company, or for dedication to the company Saira. Et.al (2014).

Allowances

Allowances are costs by the employers to their employees in order to cover some cost of employees this may include transportation allowance, mobile allowance, house allowance etc (federal negarit gazeta, 2008).

Profit- Pay

Profit-related pay is a type of group performance-related pay scheme where a part of the employee's remuneration is linked to the profits of the organization. If the company's profits hit a pre-determined threshold, a bonus will be paid to all members of the scheme. Typically the bonus will be a percentage of the basic pay. The bonus may be paid during the year in question; for example, quarterly, or it may be deferred until some later date, such as the retirement of the staff. Bratton and Gold, (2007)

2.1.9 Non-Financial Reward

Non-financial rewards are the non-monetary gains that influence people through non-material rewards like; giving more responsibility, promotion, praise and recognition in public (Musaazi, 2002). Maicibi (2007) in his definition of the same includes indirect financial rewards arising from work itself, such as; achievement and autonomy. Such non-monetary rewards are believed in one way or the other to affect job commitment either negatively or positively. Non-financial rewards tend to attract highly qualified and competent people who are likely to be highly committed to the achievement of organizational goals. According to Armstrong (2009) talking on the role of non-financial rewards in enhancing employees' commitment and performance on the job observed that "essentially the notion of total reward says that there is more to rewarding people than throwing money at them". Non-financial rewards can make workers more comfortable on the job. It encourages them to contribute extra effort by developing a deal that addresses a broad of issues.

Armstrong (2009) adds that creating a fun, challenging and empowered work environment in which individuals are able to use their abilities to do meaningful jobs for which they are shown appreciation is likely to be a more certain way to enhance motivation, commitment and performance. Maicibi (2003) identified three main types of non monetary rewards that is, the need for power, need for affiliation and need for achievement. If an organization is to make its employees committed on the job the need to give them power in form of promotions and too they should be accepted on the job through recognition, Musaazi (2002) observes that absence of effective reward strategy that considers the needs of employees and their aspirations demoralizes them leading to low job performance.

La Belle (2005) posit that different individuals have different perceptions of rewards and believes that such factors are the main driving force of satisfaction and that they help boost the employee to work harder and better, due to the motivation that it brings about. Some specific non-financial rewards are reviewed below.

2.1.9.1 Training & Development Opportunities

Employee training provides opportunities to employees to widen their knowledge and abilities for more efficient teamwork and achieve individual development (Jun, 2006). When workers receive self-development training, the level of their job satisfaction is higher than those without such training. According to Kerka (1998) career development is an organized approach used to achieve employee goals with the business needs of the agency workforce development initiatives. According to the author, the purpose of career development is to; enhance each employee's current job performance, enable individuals to take advantage of future job opportunities and fulfill agencies goals for a dynamic and effective workforce. According to Cole (2005),the benefits of employee development to an organization include: increasing the employees morale since training will improve the employees confidence and motivation; lowering cost of production through better and economical use of material and equipment thereby reducing and avoiding waste.

In addition, he observed that training of employees leads to a low turnover that comes as result of improved security in the workplace. Training helps improve change management by increasing the understanding and involvement of employees in change management process.

2.1.9.2. Recognition

Recognition is the demonstration of appreciation for a level of performance, an achievement or a contribution to an objective. It can be confidential or public, casual or formal. It is always in addition to pay (Pitts, 2005). In addition to reward, employees also need recognition. Individuals like to share their achievements with others and have it recognized and celebrated. When this need is satisfied, it works as an excellent motivator. If employers rely on reward alone to recognize contribution and achievement it is most possible that the employees objective will become modified to secure the pay and nothing more and this in turn will lead to a degraded culture of the organization. When used correctly recognition is a cost-effective way of enhancing achievements and enable people to feel involved in the company culture (Pitts et al , 2005).

2.2 Empirical Review

Many authors did research on the effects of financial and non-financial reward system on employees' performance. In this subsection the researcher presented the most recent findings from different sources.

2.2.1 Base Pay and Performance

Lasko(2012) conducted a study on The impact of Financial and Non-Financial Rewards on Motivation and the researcher analyzed the rewards which were affecting employee motivation the most are salary, meaningful and valuable job. He also mentioned that salary was also cited to be a reason to quit working and this is in line with the conclusions drawn from the questions considering the recognizing of excellent efforts (pay for performance).

In another study Saria, M. S. and A. (2014) conducted on impact of financial and non financial rewards on employee performance, findings indicate that salary is the most

motivating financial reward as it enables them to live their lives with dignity and stability . It is also considered as a symbol of status and is required to create belongingness.

A study conducted by Shiferaw (2017) to investigate the effect of financial rewards on employee's performance, the outcome indicates that there is an important association between financial reward and employee performance.

The payment systems that employee view as being fair and proportionate with their skills and expectations is called pay. Pay must be closely linked to the performance according to high achievers. Money is ranked at the top for creating motivation because people require money to fulfill the basic necessities of life so it motivates the employees more than the incentives (Rynes,Barry& Kathleen , 2004)

HI: Base pay has significant relationship with employees performance.

2.2.2 Variable Pay and Performance

According to Suzanne and Luthans (2006, vol9) conducted a study on found out that although both financial and non-financial incentive had a significant impact, the financial incentive was found to have a greater initial impact than the nonfinancial incentive. Money is readily perceived as having a high instrumental value that makes putting forth extra effort worthwhile. Also, the monetary incentive may have a long-run effect in terms of staying or leaving (i.e., turnover rates) because of comparative value for alternative employment.

Bonuses and commission motivates the employees to put in all activities and efforts during the year to achieve more than a satisfactory appraisal that increases the chance of earning several salaries as a lump sum (Lin, 2007).

Suzane and Fred (2006), conducted a study on The impact of financial and non financial incentive on business –unit outcomes overtime and found out that the financial incentive found to have a greater initial impact than non-financial incentive.

According to Gerhat and Rynes (2003) increase in financial incentives such as promotion, and bonuses enhanced employee loyalty which increases the employees performance and reduce turnover.

H2:Variable pay has significant relationship with employee performance.

2.2.3 Recognition and Performance

Dorren k., (2014) conducted a study on effect of employee commitment at kenya Tea Development Agency and analyzed that non- financial rewards package matters a lot and should be a concern of both the employers and employees .

Non-financial incentive programs and reward program's structured to motivate positive behavior change through the means other than money motivate and retain employees ; a motivated employee will achieve a great deal. Non-financial reward helps to build feelings of confidence and satisfaction in employees and can be very important for their long term effect on performance (Armstrong , & Brown,2016).

Orga, Mbah and Ekechukwu (2018) conducted a study on investigating the effect of non-financial rewards on employee performance, and they found out that non-financial reward and employee performance impacted on the industrial harmony, job productivity, commitment to task and efficiency. It also indicate that non financial rewards would encourage hard work, self reliance and improved productivity.

According to Shore and shore (2005), employees who are able to experience and receive recognition for their work are also able to have a better perception of their work, their work place and the people they work for. Nelson (2004) notes that praise and recognition are the most efficient intrinsic reward that enhance employee performance.

According to Muhmmad and Azhar (2013) study on the impact of non-financial incentives on employees the result shows that very few number of employees are receiving some sort of recognition mostly from immediate colleagues.

H3:There is significant relationship between recognition and employees' performance.

2.2.4 Training and Development and Performance.

According to Neelam, Uzma, Almas (2013) study on impact of non-financial rewards on employee attitude and performance in the work place, the result indicated that feedback to employees, career development plan and learning programs have positive effect on employees performance.

According to Amir and Amen (2013) study on effect of training on employee performance, the researchers found that managers does not recognize about the importance of training and its effect on employee performance or they believe they believe that training increases the company cost. The research affirm that training has positive impact on employee performance.

Training programs not only develops employees but also help an organization to make best use of their human resource in favor of gaining competitive advantage. Therefore, it seems mandatory by the firm to plan for such a training programs for its employees to

enhance their abilities and competencies that are needed at the workplace (Jie and Roger, 2005)

H4: There is significant relationship between training and development and employee's performance.

2.2.5 Hypothesis

For the purpose of analyzing the relationship between financial and non-financial reward variables and employees' performance have been proposed.

H1: There is significant relationship between base pay and employees' performance.

H0: There is no significant relationship between base pay and employees performance.

H2: There is significant relationship between variable pay and employees' performance.

H0: There is no significant relationship between variable pay and employees' performance.

H3: There is significant relationship between recognition and employees' performance.

H0: There is no significant relationship between recognition and employees' performance.

H4: There is significant relationship between training and development and employee's performance.

H0: There is no significant relationship between training and development and employee's performance

2.3 Conceptual Framework

The following diagram shows the key concepts used in the study and how they are linked one another. The model framed to demonstrate association of employee performance and reward program. The model displays reward as independent variables and performance as dependent variables. In this study the independent variable financial reward encompasses two

dimensions, which are Base Pay and variable Pay and the non-financial reward dimensions are Recognition and Training and development. The dependent variable employees' performance encompasses one dimension which is task performance. The following conceptual frame work has been adopted with some adjustment referring Michael Armstrong's (2009) components of total reward and after reviewing different literatures

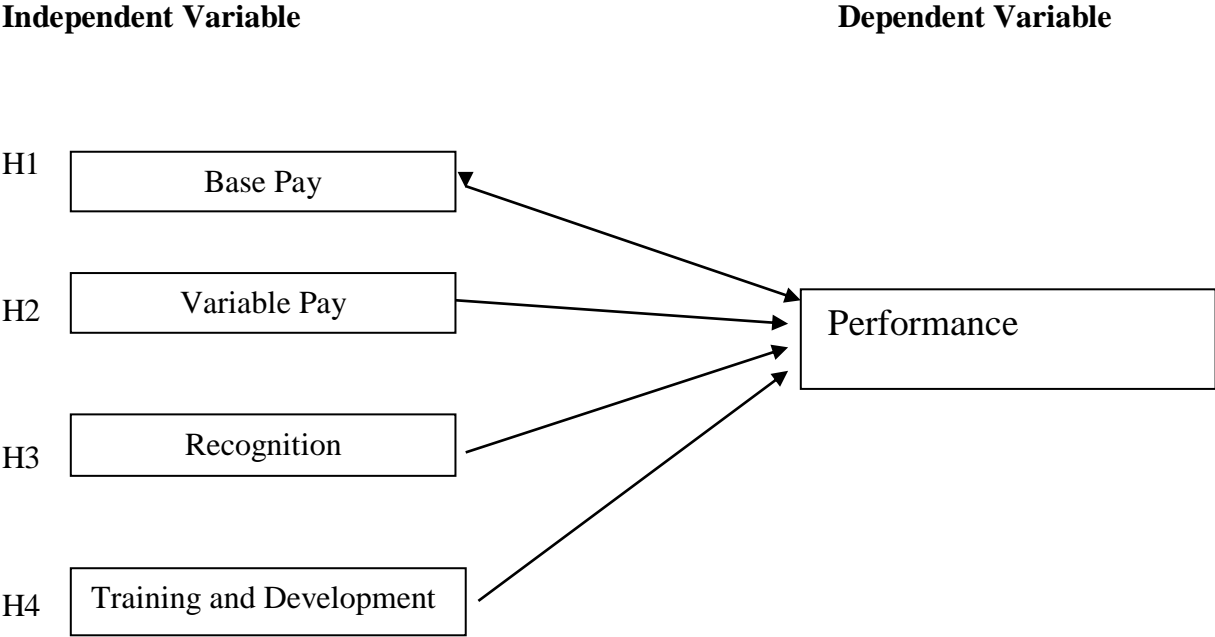


Figure 2.1

Source: Own Source

CHAPTER THREE

RESEARCH METHODOLOGY

The purpose of this research is to collect information needed to measure the role of Financial and Non-financial reward on employees' performance. To realize the objectives and answer the basic research questions, the following research design and methodology has been used.

3.1 Research Setting

Primary data was collected from Addis Ababa Branches. The head office of East Africa Lion Brand is located at WeloSefer, other branches are located in Bole Medhanealem and Mercato.

3.2 Research Approach

Quantitative research approach was used in this research because quantitative approach helps us to explore, present, describe and examine relationships and trends within our data (Saunders, 2009). The quantitative data helps in analyzing the relationship between Financial and non-financial reward and performance.

3.3 Research Design

This study uses cross-sectional quantitative survey which is applied to show the relationship between financial and non-financial reward and employee performance. Cross-sectional quantitative survey is used to collect information at a single point in time and this method tries to determine the relationship between two factors.

The study was conducted in the form of survey to show the effect of financial and non-financial reward, on employees' performance taking the case of selected branches in East Africa Lion Brands Plc. In line with these quantitative method was implemented so as to include numerical data.

The research conducted an explanatory research design. According to, Creswell (2009) explanatory research is used to explain and interpret the relationship between two variables. So in this research the relationship between the independent and dependent variables were explained and interpreted using explanatory research design

3.4 Population and Sample

In this research the population of the study are employees of East Africa Lion Brands Plc employees who are working in Addis Ababa.

3.4.1 Population of the Study

The target population for the study consists of the whole staff of Lion Brands Industries located in Addis Ababa. Due to time and cost constraint the researcher took samples from Addis Ababa Branches.

3.4.2 Sample Size Determination

As stated earlier only Addis Ababa branches will be included in the sample. Bole Medhnealem, Merkato and Head office branches are where the population is stratified. From the total number of employees located in Addis Ababa which is 270, 162 was taken as a sample frame. In order to determine the sample size of the population the researcher uses Yemane's formula (1967). This formula is reliable to 95% and less than 5% deviation factor.

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

Indicates that

n = is the required sample size

N = is the target population size

e = deviation of sampling

$$N = \frac{270}{1 + 270 * (0.05)^2} = 162$$

Thus, 162 is the sample size.

3.4.3 Sampling Design

The sampling design is probability sampling method as the elements in the population have some known, non-zero chance of being selected as sample subjects. It is used when the representatives of the sample is of importance in the interest of wider generalizability (Uma and Roger, 2009).

3.4.4 Sampling Technique

Stratified random sampling technique was used. It ensures that all parts of populations are represented in the sample in order to increase the efficiency of the study and it is helpful for administrative convenience and may produce gain in precision of the estimates of the characteristics of the whole population (Kothari, 2004).

3.4.5 Sample Distribution Plan

Tabel 3.1 sample size

| No | Branch | Population | Sample | % |
|-------|--------------------|------------|--------|-----|
| 1 | Head office | 124 | 84 | 46 |
| 2 | Bole Medhanealm | 81 | 51 | 30 |
| 3 | Mercato | 65 | 27 | 24 |
| Total | | 270 | 162 | 100 |

Source : Researcher survey : May 2020

3.5 Data Collection Instrument

In this study Primary and secondary data were collected. Primary data is the main source, which is the opinions of employees (respondents) concerning the effect of financial and non-financial reward on employee performance. The instrument used to collect data was structured questionnaire which was standard and tested. As Kothari (2004) states that, structured questionnaires are simple to administer and relatively inexpensive to analyze. The structured questionnaires were reliable that everyone in the sample was asked the same question and answers exactly the same way .Secondary data were gathered from the company HR Manual and documents.

The designed questions includes six parts: the first part included the demography of the respondents. Part two contains a close ended questions with five point likert scale choice related with base pay, Part three contains a close ended questions with five point likert scale choice related with variable pay, part four contains a close ended questions with five point likert scale choice related with recognition, part five contains a

close ended questions with five point likert scale choice related with training and development and part six contains a close ended questions with five point likert scale choice related with employee performance.

Relevant standard question were developed to measure financial reward from previous study Shiferaw (2017) The Effect of Financial Reward on Employees performance and the non-financial reward measurement was taken from Bazezew (2017) The Effect of Non-Financial Reward on Employee retention . The researchers has proved that the questionnaires are consistent and precise to measure, also different research that is similar to this research were considered. Additionally standard questions were derived from (Renzel and Matzler ,2006).

The questionnaires were developed in English and simple language was used so that each respondent can understand the questions.

3.6. Data Distribution and Collection Procedure

The data collection instrument here in this study was a survey questionnaire which was designed using the variables identified as important for meeting the research objectives. This instrument was chosen for data collection because of its appropriateness in having plenty time for the respondents to fill the form.

The researcher went personally to distribute the questionnaire to all branches and gave it to supervisors and voluntary employees that are willing to take responsibilities to collect and distribute. After the questionnaires were filled by the respondents , the researcher collect it from the responsible employees.

3.7 Scale Reliability and Validity

3.7.1 Reliability Test

Reliability test is carried out to find out the reliability level of the research, the instrument is reliable if it grants consistent results. As stated by Sekaran (2003), Cronbach's Alpha is a reliability coefficient that indicated how well the items are positively correlated each other, which the closer Cronbach's Alpha is to 1. To ensure the reliability the Alpha value was tested using SPSS version 20.

Table 3.2: Cronbach's Alpha Summary of Measures

| Reliability Statistics | |
|------------------------|------------|
| Cronbach's Alpha | N of Items |
| .748 | 33 |

Source: Researcher Survey May 2020

Table 3.2 indicates that the result of Cronbach's Alpha is 0.748 (74.8%). The value shows consistency and acceptable value which is closer to 1. As a result, the research instrument is consistent and the findings are up to standard.

3.7.2 Validity Test

As stated by Khotari (2004), validity is the extent to which an instrument measures what is supposed to measure and performs as it is designed to perform. In this study the validity of the questionnaire was tested by different literature's, feedbacks and opinions of classmates and advisor. Amendments were made according to the mention. Prior to distributing

the questionnaires , there was a pilot test on 20 respondents and all questionnaires have been returned. The pilot test indicates that the questionnaire was able to answer the research question.

3.8 Ethical Considerations

The confidentiality of the data that would have to be provided and the anonymity of the respondent is a big concern in research thesis. To overcome such concern assurance about the confidentiality of data and anonymity of respondents are explicitly stated in the questionnaires distributed to be filled out by the respondents. In addition to this, respondents were informed about the purpose of the data collection.

The researcher intend to disclose in full the reasons for the study, their consent for using the findings as part of this study and to clarify that all individual feedback would be kept confidential. A confidentiality agreement was also presented in the questionnaire. The researcher has also maintained honesty, integrity, and objectivity throughout the process of this research study. The researcher also used proper citation when collecting data.

3.9 Method of Data Analysis

The methods of data analysis brings structure and meaning to the collected data. After the data were collected, it was edited, coded and analyzed and checked consistency. The questionnaires were analyzed using Statistical Package for Social Studies (SPSS) version 20.

Descriptive statistics analyzes the frequency, percentages, mean and standard deviation. Inferential statistics was computed and used to come up with conclusion showing the relationship between independent and dependent variable using Pearson Correlation and regression analysis. Regression analysis is used to test the hypothesis about the

relationship between dependent variable which is performance and independent variables financial and non-financial reward. Regression analysis was used to foresee the relationship between the variables in the study. The collected data were cautiously analyzed, summarized and interpreted by using descriptive and inferential statistics.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

This chapter deals with the demographic characteristics of the respondents and the research findings. It analyzes the data systematically focusing on the objective of the study that is the effect of financial and nonfinancial reward on employee performance. The collected data were described and analyzed using statistical tools: descriptive and inferential statistics including multiple regression using SPSS version 20 software. It also presents the relationship between the dependent and independent variables.

4.1 Response Rate

Out of the 162 questionnaires distributed, 151 were returned, this makes the response rate 93.2% which is believed to be suitable for further analysis.

4.2 Demographic Characterizes of Respondents

Respondents demographic profile of sample respondents is presented and analyzed below. The demographic information of respondents gathered for this study were gender, age, education level, work experience, branch, current position and salary range.

Table 4.1

Demographic Profile of Respondents

| No | Item | Description | Frequency | Percent |
|----|--------|-------------|-----------|---------|
| 1 | Gender | Female | 41 | 27.2 |
| | | Male | 110 | 72.8 |
| 2 | Age | 18-25 | 40 | 26.5 |
| | | 26-35 | 90 | 59.6 |
| | | 36-45 | 21 | 13.9 |

| No | Item | Description | Frequency | Percent |
|----------|-------------------------|--------------------------|-----------|---------|
| | | Diploma | 8 | 5.3 |
| | | BA/BSc Degree | 113 | 74.8 |
| | | Masters Degree | 30 | 19.9 |
| 4 | Work Experience | 1-5 years | 106 | 70.2 |
| | | 6-10 Years | 37 | 24.5 |
| | | 11-15 Years | 8 | 5.3 |
| 5 | Branch | HeadOffice | 83 | 55 |
| | | Mercato | 25 | 16.6 |
| | | BoleMedhanealem | 43 | 28.5 |
| 6 | Current Position | Managerial Level | 18 | 11.9 |
| | | Supervisory Level | 34 | 22.5 |
| | | Officer Level | 96 | 63.6 |
| | | Clerical and Secretarial | 3 | 2 |
| 7 | Salary Range | 5001-8000 birr | 7 | 4.6 |
| | | 8001-11,000 birr | 49 | 32.5 |
| | | Above 11,000 birr | 95 | 62.9 |

Source: Researcher Data: May,2020

The above output shows the gender of 41 respondents of (27.2%) were females and 110 (72.8%) were males. This data shows that there is discrepancy between the two sexes. Therefore, the male population of East Africa Lion Brands PLC has the chance to be represented in each issue.

The age of the 40 respondents shows that (26.5 %) were in the age between 18 and 25, 90 (59.6%) of the respondents age were between 26 and 35 and 21 (13.9%) of the respondents age were between 36 and 45. This shows that most of the employees are young a who can perform in full capacity if rewarded well.

The education level of 8 respondents were (5.3%) were Diploma holders, 113 (74.8%) of respondents were BA/BSC Degree holders and 30 (19.9%) were Masters Holders. This implies that most of the employees are BA/BSC holders and we can say that the sample respondents are well skilled to give relevant information also if backed by career development plan, it may result in a good performance.

The work experience of 106 (70.2%) of respondents lies between 1 and 5 years, 37 (24.5%) of the respondents experience were between 6 and 10 years and 8 (5.3%) of respondents experience were between 11 and 15 years. This indicates that majority of the respondents experience is not more than 5 years, this shows that most of the respondents are less experienced.

Looking to the place of work 83 (55%) of respondents were located at head office, 25 (16.6%) of respondents were located at Mercato branch and 43 (28.5%) of the respondents were located at Bole Medhanealem branch. This indicates that the head offices respondents has the chance to be symbolize in every matter.

In regard to current position 18 (11.9%) of respondents were in managerial position, 34 (22.5%) of respondents in supervisory position, 96 (63.6%) of respondents were in officer level and 3 (2.0%) of the respondents were in clerical and secretarial position. This findings indicates that the data is relevant enough to conduct the analysis as the respondents are proficient of understanding and giving a better response.

The result in table 4.1 implies the demographic variable of respondents salary range 7(4.6%) of respondents are earning between 5001 and 8000 birr per month, 49 (32.5) of respondents are earning between 8001-11,000 birr per month and 95 (62.9%) of respondents are earning more than 11,001 birr per month. This implies that East Africa

Lion Brands Plc offers competitive payment to its employees. This possibly will affect the performance.

4.3 Descriptive Analysis of the Study Variables

The collected data was coded and analyzed using SPSS version 20. The descriptive data analysis and procedures are presented on the basis for questions that include the dependent and independent variable. In order to identify the effect of financial and nonfinancial reward on employee performance four variables were selected which are Base pay, Variable pay, Recognition and Training and Development.

Table 4.2
Descriptive Statistics of Base Pay

| No. | Questions | Strongly Disagree | | Disagree | | Neutral | | Agree | | Strongly Agree | | Mean | Std. Dev. |
|-----|---|-------------------|------|----------|------|---------|------|-------|------|----------------|------|------|-----------|
| | | FQ | % | FQ | % | FQ | % | FQ | % | FQ | % | | |
| 1 | I am satisfied with the salary offer of the company | 3 | 2.0 | 22 | 14.6 | 83 | 55 | 35 | 23.2 | 8 | 5.3 | 3.15 | .806 |
| 2 | The payment scheme is clear to everyone | 31 | 20.5 | 31 | 20.5 | 9 | 6.0 | 37 | 24.5 | 43 | 28.5 | 3.20 | 1.545 |
| 3 | The payment scheme treats everyone equally | 36 | 23.8 | 57 | 37.7 | 29 | 19.2 | 19 | 12.6 | 10 | 6.6 | 2.40 | 1.173 |
| 4 | The salary range induces employees for better performance | 12 | 7.9 | 66 | 43.7 | 52 | 34.4 | 17 | 11.3 | 4 | 2.6 | 2.57 | .891 |
| 5 | Salary increments are made for top performers | 6 | 4.0 | 62 | 4.1 | 67 | 44.4 | 11 | 7.3 | 5 | 3.3 | 2.65 | .810 |
| 6 | Salary increment increases my performance | 3 | 2.0 | 19 | 12.6 | 74 | 49.0 | 45 | 29.8 | 10 | 6.6 | 3.26 | .838 |

Source: Researcher survey data: May, 2020

For question asked if they were satisfied with the salary offer of the company , 3(2%) of the respondents strongly disagree, 22 (14.6%) of the respondents disagree, 83 (55%) of the respondents were neutral , 35 (23.2%) of the respondents agree and 8 (5.3%) of the respondents strongly agree. This implies most of the respondents are impartial about their base pay.

On the question whether the payment is clear or not 31 (20.5%) of the respondents strongly disagree, 31(20.5%) of the respondents disagree , 9 (6%) of the respondents are neutral, 37(24%) of the respondent agree, 43(24.5 %) of the respondents strongly agree. The response shows that most of the respondents know the payment scheme.

Out of the total 151 respondents 36(23.8%) of the respondents strongly disagreed that there is equal payment scheme, 57(37.7%) of the respondents disagreed, 29(19.2%) of the respondents were neutral ,19(12.6%) of the respondents agree and 10(6.6%) of the respondents strongly agree. Generally, most of the respondents disagreed that there was equal payment scheme for everyone.

For the question if the salary range induce for better performance 12(7.9%) of the respondents strongly disagree, 66(43.7%) of the respondents disagree, 52(34.4%) of the respondents were neutral, 17(11.3%) of the respondents agree and 4(2.6%) of the respondents strongly agree. Most of the respondents disagree about the salary range if it motivates to enhance performance.

On the question is ‘salary increments are made for top performers’, 6(4%) of the respondents strongly disagree, 62(41%) of the respondents disagree, 67 (44.4%) of the respondents were neutral , 11(7.3%) of the respondents agree and 5(3.3%) respondents strongly agree. Most of the respondents believe that salary is increased for top performers.

For the question asked salary increment increases performance 3(2.0%) of the respondents strongly disagree, 19(12.6) of the respondents disagree, 74 (49.0) of the respondents were neutral,45(29.8%) of the respondents agree and 10 (6.6%) of the respondents strongly agree. This implies that most of the respondents can not take side about if salary can increase their performance.

Table 4.3

Descriptive Statistics of Variable Pay

| No | Questions | Strongly Disagree | | Disagree | | Neutral | | Agree | | Strongly Agree | | Mean | Std. Dev. |
|----|--|-------------------|------|----------|------|---------|------|-------|------|----------------|-----|------|-----------|
| | | FQ | % | FQ | % | FQ | % | FQ | % | FQ | % | | |
| 1 | I get enough bonus based on my performance | 42 | 27.8 | 61 | 40.4 | 42 | 27.8 | 5 | 3.3 | 1 | .7 | 2.09 | .864 |
| 2 | The company bonus plan encourages to perform well | 9 | 6.0 | 62 | 41.1 | 54 | 35.8 | 17 | 11.3 | 9 | 6 | 2.70 | .958 |
| 3 | Employees are rewarded based on individual and group performance | 34 | 22.5 | 53 | 35.1 | 32 | 21.2 | 18 | 11.9 | 14 | 9.3 | 2.50 | 1.227 |
| 4 | The benefit I get is as good as other competitors offer | 18 | 11.8 | 45 | 29.8 | 61 | 40.4 | 17 | 11.3 | 10 | 6.6 | 2.71 | 1.037 |
| 5 | The bonus package is equitable | 15 | 9.9 | 41 | 27.2 | 66 | 43.7 | 19 | 12.6 | 10 | 6.6 | 2.79 | 1.011 |
| 6 | The company's bonus practice strongly considers my performance. | 19 | 12.6 | 47 | 31.1 | 52 | 34.4 | 26 | 17.2 | 7 | 4.6 | 2.70 | 1.044 |

Source: Researcher Survey May, 2020.

For question asked on enough bonus , 42(27.8%) of the respondents strongly disagree , 61 (40.4%) of the respondents disagree, 42 (27.8%) of the respondents were neutral, 5 (3.3%) of

the respondents agree and 1 (0.7%) of the respondents strongly agree. This implies most of the respondents disagree that they are getting enough bonus.

On the question whether the bonus plan encourages them to perform better is 9 (6%) of the respondents strongly disagree, 62(41.1%) of the respondents disagree , 54(35.8%) of the respondents are neutral, 17(11.3%) of the respondent agree, 9(6 %) of the respondents strongly agree. The response shows that most of the respondents have disagreed that the bonus plan is encouraging to perform well and some respondents does not show any response.

Out of the total 151 respondents 34(22.5%) of the respondents strongly disagreed that employees rewarded based on group and individual performance, 53(35.1%) of the respondents disagreed, 32(21.2%) of the respondents were neutral ,18(11.9%) of the respondents agree and 14(9.3%) of the respondents strongly agree. Generally, most of the respondents disagree that there reward is based on individual performance. For the question the benefit I get is as good as competitors 18(11.8%) of the respondents strongly disagree, 45(29.8%) of the respondents disagree, 61(40.4%) of the respondents were neutral, 17(11.3%) of the respondents agree and 10 (6.6%) of the respondents strongly agree. Most of the respondents are neutral that they are not sure if other competitors are offer are same with their company .

For the question the bonus package is equitable , 15(9.9%) of the respondents strongly disagree, 41(27.2%) of the respondents disagree, 66 (43.7%) of the respondents were neutral , 19(12.6%) of the respondents agree and 10(6.6%) respondents strongly agree. Most of the respondents responded that the bonus is not equal for employees.

For the question asked the company's bonus practice strongly consider my performance 19(12.6%) of the respondents strongly disagree, 47(31.1%) of the respondents disagree, 52(34.4%) of the respondents were neutral,26(17.2%) of the respondents agree and 7 (4.6%) of

the respondents strongly agree. This implies that most of the respondents perceive that the company does not consider employees performance.

Table 4.4
Descriptive Statistics of Recognition

| No | Questions | Strongly Disagree | | Disagree | | Neutral | | Agree | | Strongly Agree | | Mean | Std. Dev. |
|----|---|-------------------|------|----------|------|---------|------|-------|------|----------------|------|------|-----------|
| | | FQ | % | FQ | % | FQ | % | FQ | % | FQ | % | | |
| 1 | There is a practice of appreciating high performers. | 48 | 31.8 | 68 | 45 | 23 | 15.2 | 10 | 6.6 | 2 | 1.3 | 2.01 | .927 |
| 2 | I get motivated when I get acknowledgement from my boss | 16 | 10.6 | 68 | 45 | 38 | 25.2 | 16 | 10.6 | 13 | 8.6 | 2.62 | 1.088 |
| 3 | I receive appreciation letter for my performance | 83 | 55 | 46 | 30.5 | 5 | 3.3 | 14 | 9.3 | 3 | 2 | 1.73 | 1.032 |
| 4 | I receive feedback for making progress | 31 | 20.5 | 38 | 25.5 | 40 | 26.5 | 28 | 18.5 | 14 | 9.3 | 2.71 | 1.247 |
| 5 | The company values my efforts. | 28 | 18.5 | 34 | 22.5 | 21 | 13.9 | 38 | 25.5 | 30 | 19.9 | 3.05 | 1.423 |
| 6 | The management belief in my skill and ability enhances my performance | 4 | 2.6 | 52 | 34.4 | 47 | 31.1 | 32 | 21.2 | 16 | 10.6 | 3.03 | 1.045 |

Source: Researcher survey: May,2020

For question asked there is practice of appreciating performance , 48(31.8%) of the respondents strongly disagree , 68 (45%) of the respondents disagree, 23 (15.2%) of the respondents were neutral, 10 (6.6%) of the respondents agree and 2 (1.3%) of the respondents strongly agree. This implies most of the respondents disagree on the practice of appreciating employees.

On the question I get motivated when I get acknowledgement from my boss 16 (10.6%) of the respondents strongly disagree, 68(45 %) of the respondents disagree , 38 (25.2%) of the respondents are neutral, 16(10.6%) of the respondent agree, 13(8.6 %) of the respondents strongly agree. The response shows that most of the respondents does not get motivation to perform well if they get acknowledgement from their boss.

Out of the total 151 respondents 83(55%) of the respondents strongly disagreed that they receive appreciation letter, 46(30.5%) of the respondents disagreed, 5(3.3%) of the respondents were neutral ,14(9.3%) of the respondents agree and 3(2%) of the respondents strongly agree.

Generally most of the respondents disagree that they receive appreciation letter from their boss.

For the question I get feedback for making progress 31(20.5%) of the respondents strongly disagree, 38(25.2%) of the respondents disagree, 40(26.5%) of the respondents were neutral, 28(18.5%) of the respondents agree and 14(9.3%) of the respondents strongly agree. Most of the respondents disagree that they get feedback for their progress.

On the question the company values my effort , 28(18.5%) of the respondents strongly disagree, 34(22.5%) of the respondents disagree, 21 (13.9%) of the respondents were neutral , 38(25.5%) of the respondents agree and 30(19.9%) respondents strongly agree. Most of the respondents believe that the company values their effort.

For the question the management belief in my skill and abilities 4(2.6%) of the respondents strongly disagree, 52(34.4%) of the respondents disagree, 47 (31.1%) of the respondents were neutral,32(21.2%) of the respondents agree and 16 (10.6%) of the respondents strongly agree.

This implies that most of the respondents did not believe that the management trust in their skill and ability.

Table 4.5
Descriptive Statistics Training and Development

| No. | Questions | Strongly Disagree | | Disagree | | Neutral | | Agree | | Strongly Agree | | Mean | Std. Dev. |
|-----|---|-------------------|------|----------|------|---------|------|-------|------|----------------|------|------|-----------|
| | | FQ | % | FQ | % | FQ | % | FQ | % | FQ | % | | |
| 1 | There is continuous learning in the company | 25 | 16.6 | 45 | 29.8 | 23 | 15.2 | 27 | 17.9 | 31 | 20.5 | 2.96 | 1.404 |
| 2 | The company provides opportunity for career development | 45 | 29.8 | 68 | 45 | 23 | 15.2 | 11 | 7.3 | 4 | 2.6 | 2.08 | .990 |
| 3 | There is a clear training and development guideline in the company. | 23 | 15.2 | 66 | 43.7 | 48 | 31.8 | 14 | 9.3 | 0 | 0 | 2.35 | .850 |
| 4 | There is job rotation | 44 | 29.1 | 60 | 39.7 | 34 | 22.5 | 11 | 7.3 | 2 | 1.3 | 2.12 | .959 |
| 5 | There is both on and off job training | 26 | 17.2 | 58 | 38.4 | 27 | 17.9 | 24 | 15.9 | 16 | 10.6 | 2.64 | 1.240 |
| 6 | The training increases my | 27 | 17.9 | 72 | 47.7 | 38 | 25.2 | 13 | 8.6 | 1 | 0.7 | 2.26 | .877 |

| | | | | | | | | | | | | | |
|---|--|----|------|----|----|----|------|----|-----|---|-----|------|------|
| | motivation to perform well | | | | | | | | | | | | |
| 7 | The company gives technical training more frequently | 37 | 24.5 | 80 | 53 | 20 | 13.2 | 11 | 7.3 | 3 | 2.0 | 2.09 | .919 |

Source: Researcher survey: May,2020

For question asked training help me in improving my performance , 25(16.6%) of the respondents strongly disagree , 45 (29.8%) of the respondents disagree, 23 (15.2%) of the respondents were neutral , 27 (17.9%) of the respondents agree and 31 (20.5%) of the respondents strongly agree. This implies most of the respondents agree that training enhance their performance.

On the question whether training excel the area of expertise 45 (29.8%) of the respondents strongly disagree, 68(45%) of the respondents disagree , 23(15.2%) of the respondents are neutral, 11(7.3%) of the respondent agree, 4(2.6 %) of the respondents strongly agree. The response shows that most of the respondents do not believe that training helps in their area of expertise.

Out of the total 151 respondents 23(15.2%) of the respondents strongly disagreed that there is a clear career and development guideline , 66(43.7%) of the respondents disagreed, 48(31.8%) of the respondents were neutral and 14(9.3%) of the respondents agreed. Generally most of the respondents disagree that there is clear career and development guideline in the company .

For the question if the company helps in planning employees career path 44(29.1%) of the respondents strongly disagree, 60(39.7%) of the respondents disagree, 34(22.5%) of the

respondents were neutral, 11(7.3%) of the respondents agree and 2(1.3%) of the respondents strongly agree. Most of the respondents responded that there is no assistance from the company in planning employees career path.

On the question there is job rotation, 26(17.2%) of the respondents strongly disagree, 58(38.4%) of the respondents disagree, 27 (17.9%) of the respondents were neutral , 24(15.9%) of the respondents agree and 16(10.6%) respondents strongly agree. Most of the respondents perceive that there is no job rotation in the company .

For the question asked about on and off job training 27(17.9%) of the respondents strongly disagree, 72(47.7%) of the respondents disagree, 38 (25.2%) of the respondents were neutral, 13(8.6%) of the respondents agree and 1(0.7%) of the respondents strongly agree. This implies that most of the respondents does not believe there is on and off job training.

On the question training increases my performance 37 (24.5%) of the respondents strongly disagree, 80(53%) of the respondents disagree , 20(13.2%) of the respondents are neutral, 11(7.3%) of the respondent agree, 3(2. %) of the respondents strongly agree. The response shows that most of the respondents disagree that training increases motivation to enhance performance.

For the question if there is technical training frequently 17(11.3%) of the respondents strongly disagree, 63(41.7%) of the respondents disagree, 47(31.1%) of the respondents were neutral, 13(8.6%) of the respondents agree and 11(7.3%) of the respondents strongly agree. Most of the respondents responded that there is no frequent technical .

Table 4.6
Descriptive Statistics of Employee performance

| No | Questions | Strongly Disagree | | Disagree | | Neutral | | Agree | | Strongly Agree | | Mean | Std. Dev. |
|----|---|-------------------|------|----------|------|---------|------|-------|------|----------------|-----|------|-----------|
| | | FQ | % | FQ | % | FQ | % | FQ | % | FQ | % | | |
| 1 | I go extra miles to achieve specific result | 45 | 29.8 | 68 | 45 | 23 | 15.2 | 11 | 7.3 | 4 | 2.6 | 2.00 | .990 |
| 2 | There is challenge and opportunity that enable me to improve my performance | 25 | 16.6 | 64 | 42.4 | 37 | 24.5 | 15 | 9.9 | 10 | 6.6 | 2.00 | 1.088 |
| 3 | Performance management is directly linked to reward systems | 7 | 4.6 | 34 | 22.5 | 62 | 41.1 | 33 | 21.9 | 15 | 9.9 | 3.00 | 1.012 |
| 4 | High performer employees are entitled for job promotion than low performers | 17 | 11.3 | 38 | 25.2 | 68 | 45 | 19 | 12.6 | 9 | 6 | 3.00 | 1.010 |
| 5 | The performance | 5 | 3.3 | 56 | 37.1 | 60 | 39.7 | 20 | 13.2 | 10 | 6.6 | 3.00 | 1.010 |

| | | | | | | | | | | | | | |
|---|---|---|-----|----|------|----|------|----|------|----|------|------|-------|
| | based rewards provided by the company very frequently motivate me to give my best | | | | | | | | | | | | |
| 6 | High performer employees are entitled for job promotion than low performers | 5 | 3.3 | 38 | 25.2 | 61 | 40.4 | 35 | 23.2 | 12 | 7.9 | 3.00 | .967 |
| 7 | My jobs enables me to make use of my skills and abilities | 8 | 5.3 | 51 | 33.8 | 57 | 37.7 | 19 | 12.6 | 16 | 10.6 | 3.00 | 1.047 |

Source: Researcher Survey: May,2020

For question asked I go extra mile to achieve specific result , 45(29.8%) of the respondents strongly disagree , 68 (45%) of the respondents disagree, 23 (15.2%) of the respondents were neutral , 11 (7.3%) of the respondents agree and 4 (2.6%) of the respondents strongly agree. This implies most of the respondents disagree that they did not that much effort to achieve results.

On the question whether there is challenge and opportunity , 25 (16.6%) of the respondents strongly disagree, 64(42.4%) of the respondents disagree , 37(24.5%) of the respondents are neutral, 15(9.9%) of the respondent agree, 10(6.6 %) of the respondents strongly agree. The response shows that most of the respondents does not think that there is significant challenge and opportunity.

Out of the total 151 respondents 7(4.6%) of the respondents strongly disagreed that they put their maximum effort to accomplish their task , 34(22.5%) of the respondents disagreed, 62(41.1%) of the respondents were neutral and 33(21.9%) of the respondents agree, 15(9.9%) of the respondents strongly agree. Generally most of the respondents agree that they put their maximum effort in accomplishing there task .

For the question I always meet dead line,17(11.3%) of the respondents strongly disagree, 38(25.2%) of the respondents disagree, 68(45%) of the respondents were neutral, 19(12.6%) of the respondents agree and 9(6.0%) of the respondents strongly agree. Most of the respondents responded that they did not meet deadline.

On the question there is clear information from the management to employees, 5(3.3%) of the respondents strongly disagree, 56(37.1%) of the respondents disagree, 60(39.7%) of the respondents were neutral , 20(13.2%) of the respondents agree and 10(6.6%) respondents strongly agree. Most of the respondents perceive that there is no clear information from the management.

For the question asked about creating solution to problems, 5(3.3%) of the respondents strongly disagree, 38(25.2%) of the respondents disagree, 61 (40.4%) of the respondents were neutral, 35(23.2%) of the respondents agree and 12(7.9%) of the respondents strongly agree. This implies that most of the respondents does not kept their perception impartial.

On the question my job enables me to make use employees skill and ability, 8 (5.3%) of the respondents strongly disagree, 51(33.8%) of the respondents disagree , 57(37.7%) of the respondents are neutral, 19(12.6%) of the respondent agree, 16(10.6 %) of the respondents strongly agree. The response shows that most of the respondents disagree that they are not putting their maximum skill and abilities on there job.

4.4 Analysis of Central Tendency

In this section, the collected data was analyzed using SPSS Version 20. The mean value of each independent variable is analyzed and presented.

Mean Distributions of the Independent and Dependent Variables

Table 4.7

Mean value of Base pay, Variabel Pay, Recognition, Training & Development and Performance.

| Variables | Mean | Standard. Deviation |
|--------------------------|--------|---------------------|
| Base Pay | 2.8731 | .47559 |
| Variable Pay | 2.5017 | .63095 |
| Recognition | 2.5232 | .48991 |
| Training and Development | 2.3874 | .39889 |
| Performance | 2.7455 | .51742 |

Source: Researcher survey: May,2020

The means and standard deviations of the variables(base pay, variable pay, recognition, training and development and performance) of the study are shown in the Table

4.7above.The mean score measurement is derived from (Crewel,2012) that is ≥ 4.5 =very high; 3.51-4.51 = high; 2.51-3.5= Moderate; 1.51-2.5 =Low; <1.5 very low.

The first mean analysis of base pay shows (Mean=2.87; SD=.47) that it indicates it has a moderate value. The variable pay mean analysis shows that (Mean=2.50; SD=.63) which indicates there that it has a low value. Recognition analysis shows that the mean value is (Mean=2.52; SD= .48) which shows that there is moderate value . The mean analysis of Training and development indicates the mean value (Mean 2.38; SD= .51) which shows that there is a low value.

4.5 Correlation

The Pearson's Correlation Coefficient was computed to determine the relationship between base pay, variable, recognition and training and development with employee performance. It is useful in showing relationship among variables. The Pearson Correlartion Coefficient reveals intensity of the relationship (-1.0 to +1.0) and either as positive or negative correlation between two variables (Bazezew, 2017). Franzblu (1985) puts five classical rules for interpreting the coefficient of correlation between two variables=0 to 0.20 shows negligible or no correlation; $r=0.21$ to 0.40 shows positive but low degree of correlation; $r=0.41$ to 0.60 shows positive moderate degree of correlation; $r=0.61$ to 0.80 shows positive and marked degree of correlation; $r= 0.81$ to 1.00 shows positive and high degree of correlation.

Table 4.8
Correlations Matrix among Variables of the Study

| Study Variables | Base Pay | Variable Pay | Recognition | Training and Development | Performance |
|--|----------|--------------|-------------|--------------------------|-------------|
| Base Pay | 1 | | | | |
| Variable Pay | .555** | 1 | | | |
| Recognition | .281** | .266** | 1 | | |
| Training and Development | .216** | .216** | 0.074 | 1 | |
| Performance | .482** | .674** | .367** | .408** | 1 |
| ** <i>. Correlation is significant at the 0.01 level (2-tailed).</i> | | | | | |

Source: Researchers Survey: May, 2020

From the first correlation analysis, between base pay and employee performance ($r=0.48$, $p<0.01$). This indicates that base pay and employee performance has a positive moderate degree of correlation at P value < 0.01 . Also there is a positive and marked correlation between variable pay and employee performance ($r=0.67$, $p<0.01$). Recognition has positive but low degree of correlation with employee performance ($r=0.36$, $p<0.01$). There is positive moderate degree of correlation between Training and Development and employee Performance. ($r=0.48$, $p<0.01$). This can be said that financial reward and non financial reward has a positive relationship on employee performance.

4.6 Multiple Regression Analysis

Multiple regression analysis applied to find out the effect of the independent variable on dependent variable. It helps independent variables to predict the dependent variables. The

purpose of this study is to find the impact of financial and non financial reward on employee performance.

Table 4.9

Model Summary

Model Summary of Regression Model

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .753 ^a | .567 | .556 | .34497 |

a. Predictors: (Constant), TD, RC, VP, BP

Source: Researcher Survey: May 2020

The model summary indicated that 56.7% predictability in employee performance is described by the independent variables (base pay, variable pay, recognition and training and development). The remaining 43.3% are described by other variables that are not included in this research.

Table 4.10

ANOVA^a

| Model | Sum of Squares | Df | Mean Square | F | Sig. |
|--------------|----------------|-----|-------------|--------|-------------------|
| 1 Regression | 22.785 | 4 | 5.696 | 47.866 | .000 ^b |
| Residual | 17.374 | 146 | .119 | | |
| Total | 40.159 | 150 | | | |

a. Dependent Variable: PF

b. Predictors: (Constant), TD, RC, VP, BP

Source: Researcher Survey: May 2020

The ANOVA table explain the generally multiple regression model is significant at $p=.001$ level. Which describes the model is significant that indicates the variation mentioned by the variables is not by probability.

Table 4.11
Coefficients

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| (Constant) | .071 | .241 | | .295 | .768 |
| 1 BP | .091 | .073 | .083 | 1.247 | .214 |
| VP | .428 | .055 | .522 | 7.848 | .000 |
| RC | .195 | .060 | .185 | 3.228 | .002 |
| TD | .342 | .073 | .263 | 4.693 | .000 |

Dependent Variable: Performance

Source: Researcher Survey: May,2020

According to Pallant (2005) the un standardized coefficient beta values indicate the contribution of the variables in the model for the prediction of the dependent variables which enables for ranking variables based on their contribution. Base pay is non significant at 0.214 sig value or $p<0.05$. Variable pay has 52.2 % effect in employee performance. The relationship was found positive and significant at sig value $p<0.05$. Recognition indicates 18.5% effect in employee performance. The relationship was found positive and significant at sig value $P<0.05$. Training and development describes 26.3% effect in employee performance. The relationship was found positive and significant at sig value $P<0.05$. Comparing the variables, Variable pay has highest magnitude in employee performance.

4.6 Hypothesis Testing

Table 4.12
Hypothesis Result

| No. | Variables | P-Value | Result |
|------------|------------------------|----------------|---------------|
| 1 | Base Pay | .214 | Not supported |
| 2 | Variable Pay | .000 | Supported |
| 3 | Recognition | .002 | Supported |
| 4 | Training & Development | .000 | Supported |

Source: Researcher Survey: May,2020

A. Base Pay

Previously as indicated in the empirical review different researchers conducted a study on the Effect of Financial and Non-financial reward on employee performance, on a research conducted by Lasko (2012) and Saria, Madiha, and Aman (2014), the results indicated that base pay is the motivating factor for performance which means there is positive relationship between base pay and performance. But the result in this study shows that there is no significant relationship between base pay and employee performance.

B. Variable Pay

Prior to the empirical review (Suzane and Fred, 2006), (Suzanne and Luthans,2006) researchers studied on the effect of variable pay (financial incentive) on employee

performance the results shows the financial incentive has a significant effect on employee performance.

As Table 12. indicates variable pay has a positive and significant effect on employee performance ($B=.522$, $P=.000$). The null hypothesis is rejected and the alternative hypothesis H1 is accepted.

C. Recognition

In the empirical literature review , as studied by (Doren,2014), (Orga,Mbah and Ekechuku,2018) on the effect of non-financial reward the findings shows that recognition is the most efficient intrinsic reward that enhance employee performance.Non-financial rewards have significant relationships with employee performance.

As Table 4.12 states recognition has a positive and significant effect on employee performance ($B=.182$, $P=.002$). The null hypothesis is rejected and the alternative hypothesis H1 is accepted.

D. Training and Development

As mentioned previously on the empirical literature review (Amir and Amen,2013) , (Neelam, Umza and Almas 2013) conducted a study on the effect of training and development on employee performance. The result indicated that training and development has positive effect on employee performance.

As Table 12. states training and development has a positive and significant effect on employee performance ($B=.263$, $P=.000$). The null hypothesis is rejected and the alternative hypothesis H1 is accepted

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

The main objective of this study was to examine the effect of financial and non-financial reward on employees performance in East Africa Lion Brands Plc. This chapter presents a summary of the major findings gathered from the analysis of the data. Conclusions had been stressed from the study and recommendations are forwarded for East Africa Lion Brands .

5.1 Summary of Findings

The respondents' response will be presented shortly,

- The demography of the sample population shows most of the respondents were male.; the largest part of employees are young between the age ; many of the respondents have first degree, most of employees have (1-5) years of experience and lots of employees were in officer position.
- Most of the respondents do not believe that the salary that the company offer induce employees for better performance. Also, the majority of the respondents agreed that the payment scale is not clear to everyone.
- Concerning the bonus plan majority of the respondents indicated that the bonus package does not encourage performance.
- Regarding recognition; most of the respondents agree that there is no trend of appreciating employees in the company.
- Also most of the respondents agree that the company does not have a strong career development plan that help employees to grow professionally.
- Based on Pearson Coefficient Correlation result Base Pay, Variable Pay, Recognition, Training and Development have a positive correlation with employee performance.

- Concerning independent variables there is 56.7% (R^2) of variation on employee performance.
- Non-financial rewards (Recognition, Training and Development) are positively related to performance . Variable pay, recognition and training and development has a positive and significant on employee performance.. It would encourage hardwork, self reliance and improved performance. Employees aspiration would increase if they get recognition for their contribution, which encourage low performers to follow high performers in hope of rewards. Training and development is has also a positive effect on employee performance. The practice is found to have a positive correlation with employee performance.
- Based on the findings of the study, financial reward and employee performance has a significant relationship. A significant difference is determined on the attitudes of employees towards base pay. According to the variable pay result there is positive and significant relationship with employee performance.

5.2 Conclusion

Based on the findings the following main conclusions are drawn.

- The main objective of the study was to examine the relationship between Financial and Non-Financial Reward on employee performance and to determine the effect of Reward on employee performance. The result of descriptive , correlation , coefficient and regression analysis prove that Financial and Non-Financial reward are important predictor that have an effect on employee performance.

- The finding regarding Recognition shows that there is poor practice in East Africa Lion Brands.
- In this study it is found out that there is positive and significant relationship between training and development and employee performance.
- As discussed in the findings employees does not consider base pay as a motivator to enhance performance.
- In the study it's found out that variable pay has effect on employee performance.
- Generally, the study suggest that both financial and non-financial reward are important elements that East Africa Lion Brands PLC needs to focus to enhance employees performance .

5.3 Recommendation

Based on the conclusion of the study the researcher forwards the following recommendations

- One of the few methods to boost employee performance is by using incentive application. The company should consider the bonus and benefit scheme to maintain and improve competence in the organization. Also the company must have a policy which is clear to everyone and treats every employee equally.
- Employees expect recognition and back-up as an incentive because nobody likes to be unappreciated for the efforts he or she made. The company should establish a plan that is designed to give recognition for top performers and initiates good performance by giving acknowledgement to employees.

- As far as training and development is concerned , it is important for companies to effectively implement career development policy. Because employees performance can be excelled and when there is career development initiation employees will get a motivation to perform well and can be maintained.
- The company must be able to improve and pay more attention to the provision of non-financial and financial reward consisting of variable pay , recognition and training and development in a fair manner in accordance with employee performance contributions in order to improve, employee performance .

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APPENDIX I
ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

POST GRADUATE PROGRAMS

MASTERS OF HUMAN RESOURCES MANAGEMENT

Questionnaire to be filled by Employees of East Africa Lion Brands Plc

Dear Respondent,

I, Eyerusalem Assefa prospective graduate student in Addis Ababa University School of Commerce , have designed this questionnaire to collect data from employee's Lion Brands Plc for conducting MA -in Human Resources Management thesis on the title The effect of financial and non- financial Rewards on employees' performance at Lion Brands Plc.

I kindly request you to give me your valuable time to fill the questionnaire as honest and responsible. I assure you that, the information you provide will be consumed for academic purpose only. It will be handled in a confidential manner and will not be used to identify you in any way. Therefore, you are not expected to write your name. Please answer all questions.

If you have any query, please do not hesitate to contact me and I am available at your convenience time.

Tel. +251-913720340

Email. salemrths@gmail.com

DIRECTIONS: please select the option that best describes you by putting a tick mark only in the box.

PART I: PERSONAL INFORMATION

1. Gender: Female Male

2. Age: 18 – 25 25 – 35 35 – 45 More than 45

3. What is your level of educational achievement so far?

Certificate Diploma BA/BSc Degree Master's Degree

Other: Please Specify-----

4. How long have you been working in Lion Brands Plc.?

1-5 year 6-10 years 11 – 15 years More than 15years

5. Which branch are you currently working?

Head Office Mercato Bolemedhanealem

6. What is your current position?

Managerial Level Supervisory level Officer

Clerical and secretaries others; please specify_____

7. In which of the following ranges your salary falls?

Below 1,000 Birr 2,000-5,000 Birr 5,001-8,000Birr

8,001-11,000 Birr above 11, 000 Birr

PART II: QUESTIONS RELATED TO REWARD AND EMPLOYEE PERFORMANCE

The following questions are presented on a five point Likert-Scales. If the item strongly matches with your response choose 5 (Strongly Agree), if you moderately agree on the idea choose 4(Agree), if you don't have any idea or information on the point choose 3(Neutral), if you moderately disagree with the point choose 2(Disagree) and if you completely disagree with the point choose 1(Strongly Disagree). In each statement please indicate your personal choice by a tick mark in the appropriate box.

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

| No | Part II | 5 | 4 | 3 | 2 | 1 |
|---|--|---|---|---|---|---|
| QUESTION RELATED TO BASE PAY | | | | | | |
| 1 | I am satisfied with the salary offer of the company | | | | | |
| 2 | The payment scheme is clear to everyone | | | | | |
| 3 | The payment scheme treats everyone equally | | | | | |
| 4 | The salary range induce employees for better performance | | | | | |
| 5 | Salary increments are made for top performers | | | | | |
| 6 | Salary increment increases my performance | | | | | |
| Part III | | | | | | |
| QUESTION RELATED TO VARIABEL PAY | | | | | | |
| 1 | I get enough bonus based on my performance | | | | | |
| 2 | The company bonus plan encourages to perform well | | | | | |
| 3 | Employees are rewarded based on individual and group performance | | | | | |
| 4 | The benefit I get is as good as other competitors offer | | | | | |
| 5 | The bonus package is equitable | | | | | |
| 6 | The company's bonus practice strongly consider my performance. | | | | | |
| Part IV | | | | | | |

| QUESTION RELATED TO RECOGNITION | | | | | | |
|---|---|--|--|--|--|--|
| 1 | There is a practice of appreciating high performers | | | | | |
| 2 | I get motivated when I get acknowledgement from my boss | | | | | |
| 3 | I receive appreciation letter for my performance | | | | | |
| 4 | I receive feedback for making progress | | | | | |
| 5 | The company values my effort | | | | | |
| 6 | The management belief in my skill and ability enhances my performance | | | | | |
| Part V | | | | | | |
| QUESTION RELATED TO TRAINING AND DEVELOPMENT | | | | | | |
| 1 | There is continuous learning in the company | | | | | |
| 2 | The company provides opportunity for career development | | | | | |
| 3 | There is a clear training and development guideline in the company. | | | | | |
| 4 | There is job rotation | | | | | |
| 5 | There is both on and off job training | | | | | |
| 6 | The training increases my motivation to perform well | | | | | |
| 7 | The company gives technical training more frequently | | | | | |
| Part VI | | | | | | |
| QUESTION RELATED TO EMPLOYEE PERFORMANCE | | | | | | |
| 1 | I go extra miles to achieve specific result | | | | | |
| 2 | There is challenge and opportunity that enable me to improve my performance | | | | | |

| | | | | | | |
|---|---|--|--|--|--|--|
| 3 | Performance management is directly linked to reward systems | | | | | |
| 4 | High performer employees are entitled for job promotion than low performers | | | | | |
| 5 | The performance based rewards provided by the company very frequently motivate me to give my best | | | | | |
| 6 | High performer employees are entitled for job promotion than low performers | | | | | |
| 7 | My jobs enables me to make use of my skills and abilities | | | | | |