



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**THE EFFECT OF REWARD MANAGEMENT SYSTEM ON THE
PERFORMANCE OF EMPLOYEES THROUGH THE MEDIATING ROLE
OF MOTIVATION: IN THE CASE OF ETHIO TELECOM**

**BY
RUTH TEGENE**

**JANUARY 2020
ADDIS ABABA, ETHIOPIA**

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DECLARATION

I, Ruth Tegene declare that this is my original work and that no other works than the indicated aids have been used for its completion. I also assure that I have carried out the research independently under the supervision of the research advisor, Birhanu Endashawe (Professor, at St. Mary's University)

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CERTIFICATION

I, Berhanu Endeshaw, (Professor), certify that the research entitled “THE EFFECT OF REWARD MANAGEMENT SYSTEM ON THE PERFORMANCE OF EMPLOYEES THROUGH THE MEDIATING ROLE OF MOTIVATION: THE CASE OF ETHIO TELECOM” is conducted by Ruth Tegene Fana, under my supervision.

The work is original in nature and is appropriate for submission for the award of the master’s Degree in Business Administration (MBA)

Advisor’s Name

Signature & Date

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Abstract

The primary objective of this research was to investigate the effect of reward management system on employee performance with the mediating role of employee motivation in Ethio Telecom. Reward system comprises of both intrinsic and extrinsic components and plays an important role towards performance and achieving organizational goals. The study was done based on primary and secondary data sources. A self-administered questionnaire was designed to collect relevant information from the selected respondents. Both qualitative and quantitative research methods were applied. In order to select the respondents from the total population of 1639, simple random sampling method was applied. Accordingly data were gathered from 272 employees who have work experience more than one year samples to be taken in to the study. Survey data collected from respondents analyzed by SPSS version 23 using frequency, descriptive, correlation and regression analysis. The study adopted both explanatory and descriptive survey design. Descriptive research design was followed to describe what it is or what the situation looks like and correlation analysis also used to show the relation between dependent, independent and mediating variables. The results indicated that there is significant relationship between total reward and employee performance. Further, significant relationship also exists between total rewards, employee motivation and employee performance. The study further point out that intrinsic reward is significant contributor towards enhancing employee performance as compared to extrinsic rewards. And extrinsic reward is significant contributor towards enhancing employee motivation as compared to intrinsic rewards. The study concludes that in order to increase employee motivation and employee performance organizations should focus on both intrinsic and extrinsic rewards rather than focusing only on one of them.

Key words: *Reward, Intrinsic, Extrinsic, Employee Performance, Employee Motivation, Etio-Telecom*

ACRONYMS

SPSS-Statistical Package Software for Social Science

ANOVA- Analysis of Variable

SD-Standard Deviation

HR- Human Resource

CHAPTER ONE

1 Introduction

Under this chapter the researcher tried to introduce readers about background of the study, statement of the problem, objective of the study, significance of the study, scope/delimitation of the study and limitation of the study.

1.1 Background of the study

The role of reward system has been manifesting throughout the centuries, especially during the historical period of late 1800s to the early 1920s, a period known as the scientific management era (Caudill, 2014). Reward system was quite important during this era and five writers contributed to it, writers such as; Henry L. Gantt, Frederick W. Taylor, Lillian M. Gilbreth, Frank B. Gilbreth and Harrington Emerson. Their work displayed the importance of rewards management in an organization, and why it is vital to have it. The writers also explained why employers need to have a good relationship and understanding with employees in order to identify what motivates them (Caudill, 2014).

The reward management schemes and practices of an organization contribute to the improvement of organizational performance by developing and operating reward systems which help to attract, retain and engage the people upon which the business relies (Armstrong 2007).

Present organizations are finding it difficult to retain employees due to the lack of motivation at work. A study outlined by Gîlmeanu (2015), states that organizations are using rewards system to motivate employees in order to increase their performance. Likewise, Bevan (2000) explained that the most significant issues with organizations in today's world is that they are missing the important component of reward system when using it to motivate employees.

The futurity of the company is in the hand of people performing on behalf of the company as employees, and the importance of human resources have been brought to center stage, more than ever before (Bhattacharya and Mukherjee, 2009).

Bhattacharya and Mukherjee (2009) describe that employees in the 21st century are searching for something more beyond just monetary rewards. Nowadays, it is not possible to retain employees only by paying high wages and offering attractive benefits. Rewards are a key factor when it comes to create motivation and excitement for the employment characteristic and their work.

Reward had been seen to be a vital instrument in employee performance. And a well-rewarded employee feels that he /she is being valued by the company that he/she is working for (Sajuyigbe, et, al, 2010).

A reward system is important for the employee performance, as employee performance will be more effective to high reward system. Performance is an important for the organization succession and achieving the goals. Rewards are considered an important tool to check the employee's performance in every organization. Management use rewards for employees motivations. We can say that effective reward system attract new employees for organization and motivate existing employees to perform high levels. Employee's good work is necessary to achieve the specific goals. Employees give their good efforts for achieving goals and good effort depends on rewards. In other words we can say that good rewards are most important way to engage the employees with their work and with their organization (Ibrar, 2015).

1.2 Background of the organization

Telecommunications service was introduced in Ethiopia by Emperor Menelik II in 1894 when the construction of the telephone line from Harar to the capital city, Addis Ababa, was commenced. Then the interurban network continued to expand satisfactorily in all other directions from the capital. Many important centers in the Empire were interconnected by lines, thus facilitating long distance communication with the assistants or operators at intermediate stations frequently acting as verbal human repeaters between the distant calling parties.

Ethio telecom, previously known as the Ethiopian Telecommunications Corporation (ETC), is an integrated telecommunications services provider in Ethiopia, providing internet and telephone services. Ethio telecom is owned by the Ethiopian government and maintains a monopoly over all telecommunication services in Ethiopia. Based in Addis Ababa, it is one of the "Big-5" group

of state owned corporations in Ethiopia, along with Ethiopian Airlines, the Commercial Bank of Ethiopia, Ethio-Insurance, and the Ethiopian Shipping Lines.

Originally a division of the Ministry of Post, Telephone and Telegraph, what would become the ETC was established as the Imperial Board of Telecommunications of Ethiopia (IBTE) by proclamation No. 131/52 in 1952. Under the Derg Regime, the IBTE was reorganized as the Ethiopian Telecommunications Service in October 1975, which was in turn reorganized in January 1981 as the Ethiopian Telecommunications Authority. In November 1996, the Ethiopian Telecommunications Authority became ETC by Council of Ministers regulation No. 10/1996. The subsequent Proclamation 49/1996 expanded the ETC's duties and responsibilities. For its international traffic links and communication services, ETC mainly uses its earth station at Sululta which transmits and receives to both the Indian Ocean and the Atlantic Ocean satellites.

1.3 Statement of the problem

In today's world organizations are facing challenge that is how to successfully motivate employees. In this regard, organizations that do not recognize talent and hard work through appropriate rewards are at the possibility of losing the hard working employees. Most organizations in the world today seem to suffer high labor turnover and absenteeism, which leads them to high cost of selection and training. This is sometimes because of ignoring the reward system (Peter and Emmanuel, 2017). An organization with unsatisfied employees creates social discrepancy, which results to low output and growth and employee's dissatisfaction with their work environment will create low work performance.

All employees have personal objectives, which they strive to obtain. There is a risk that the employees' individual aspirations and objectives are not in line with the objectives of the business management (Alexander and Andreas, 2013). Since unmotivated employees value their own objectives more than those of the company, this discrepancy may lead to a conflict of aims. The management should design reward systems that strengthen the connection between employees' goals and motivation factors with reward is the benefit that arises from performing a task, rendering a service or discharging a responsibility. Organizations often use extrinsic rewards to prevent employee dissatisfaction and to motivate employees, although it may not be the best motivator for the long term (Mossbarger and Eddington, 2003).

Armstrong (2007) Stated that reward system should be including a mix of extrinsic and intrinsic rewards. Also Armstrong said that the notion of total reward says that there is more to rewarding people than throwing money at them. Herzberg also explains that intrinsic and extrinsic rewards have the more effective influence on the employee's effectiveness and motivational level or employee's satisfaction and commitment level.

Researchers have suggested that total rewards in relation to performance should be studied by taking the motivation perspective (Akhtar, et al., 2015; Cheema, et al., 2013). According to Danish & Usman, (2010) employees can be motivated and they can become loyal to their organizations if the total reward strategies are implemented in organizations.

According to preliminary interview with Reward and compensation Department of Ethio Telecom, the staffs have a number of problems associated with Intrinsic and Extrinsic rewards provided by the organization. For instance; basic salary, transport allowance and housing is said not to be enough and the pay system is not fair compared to other organization. The medical benefits provided by the organization are not satisfactory and it does not have quality services. There is also lack of convenient work place and office layout, supervision, absence of freedom and absence of interesting jobs. Moreover, there is lack of promotion opportunity, most employees seem to be not committed to their work and they lack trust to the organization there is also lack of work commitment and lack of loyalty observed in many of Ethio Telecom staff. Due to the above reward practice the organization may lose competent and high performer employees.

The gap the researcher noticed was that Ethio Telecom is doing the reward practice without knowing which factor satisfies the employee and motivates them to increase performance. Therefore, this study is conducted to analyze the effectiveness of intrinsic and extrinsic rewards in employee performance through a mediating role of employee motivation in the case of Ethio Telecom.

1.4 Research Questions

Based on the above problem the study will try to address the following research question

- What types of reward systems currently practiced in Ethio Telecom?

- What motivate employees of Ethio Telecom?
- To what extent are the effects of extrinsic rewards on employee's performance in Ethio Telecom?
- To what extent are the effects of intrinsic Rewards on employee's performance in Ethio Telecom?
- Which reward system (Intrinsic/Extrinsic) does the employees of Ethio Telecom perceive the most motivating?
- What is the overall effect of reward system on employee's performance in Ethio Telecom?

1.5 Objectives of the study

1.5.1 General Objective

The overall objective of the study is to investigate the effect of reward management system on the performance of employees through a mediating role of motivation in Ethio Telecom

1.5.2 Specific Objectives

- To identify the types of reward systems that are currently practiced in Ethio Telecom
- To identify the factors that motivate employees of Ethio Telecom
- To determine the effect of extrinsic rewards on employees performance in EthioTeleco
- To evaluate the effect of intrinsic rewards on employees performance in Ethio Telecom
- To evaluate which reward system (Intrinsic/Extrinsic) does the employees of Ethio Telecom perceive the most motivating
- To evaluate the overall effect of reward systems on employees performance in Ethio Telecom?

1.6 Hypothesis

H1= Intrinsic reward has a positive effect on employees performance

H0= Intrinsic reward has no positive effect on employees performance

H2= Extrinsic reward has a positive effect on employees performance

H0= Extrinsic reward has no positive effect on employees performance

H3= Intrinsic reward has a positive effect on employees motivation

H0= Intrinsic reward has no positive effect on employees motivation

H4= Extrinsic reward has a positive effect on employees motivation

H0= Extrinsic reward has no positive effect on employees motivation

H5= Employees motivation has a positive effect on employee performance

H0= Employees motivation has no positive effect on employee performance

H6=Employee motivation significantly mediates between reward and employee motivation

1.7 Definition of Terms

Total Reward: - As defined by Manus and Graham (2003), total reward ‘includes all types of rewards indirect as well as direct, and intrinsic as well as extrinsic’.

Reward - it is recognizing employees individually and as members of group for their performance and acknowledging their contribution to the agency mission (Zaliha, Soonyew, Laikuan, 2009).

Reward Management: - deals with the strategies, policies and process required ensuring that the contribution of people to the organization is recognized by both financial and non-financial means. (Armstrong and Stephens 2005)

Extrinsic Rewards: - Extrinsic rewards provided by employers in the form of pay will help to attract and retain employees and, for limited periods, may increase effort and minimize dissatisfaction. (Armstrong 2007)

Intrinsic Rewards: - Intrinsic non-financial rewards related to responsibility, achievement and the work itself may have a longer-term and deeper impact on motivation. (Armstrong 2007)

Motivation- internal and external factors that stimulate desire and energy, in people to be continually interested and committed to a job, role or subject, or to make an effort to attain a goal (Armstrong, 2010).

Performance Management: - Performance management processes are a powerful means of providing relational rewards. They can be the basis for developing a positive psychological contract by clarifying the mutual expectations of managers and their staff. (Armstrong 2007)

1.8 Significant of the Study

In view of the study objectives, findings of this study will have some practical importance.

- This study will be beneficial for the management of Ethio Telecom to know the significance of intrinsic and extrinsic as well as financial and non-financial rewards on employees motivation which highly affects employees performance and also the Management can get a better idea while developing its reward system as what kind of reward would be given the most importance and at what stage it should be given.
- The findings of this research will give an outlook for the level of motivation of employees and helps to regularly review its reward and pay systems based on market information.
- This study will support other researchers by adding a literature on reward systems and employees motivation.

1.9 Scope of the study

The scope of the research focused on professional staffs with a working experience of greater than one year at the head office which is located around post office. However, clerical, non-clerical, junior staff, those newly employed staffs who are on apprentice program and employees of other branch offices will not include in the study, because for the sake of quality and specialization and to cope with the available time and resource constraints, this study focuses only the reward system practices of Ethio Telecom.

According to preliminary interview with reward and compensation department of ethio telecom, issue relating to the current reward practices of the organization there exist salary, benefit, promotion, working condition, career development and recognition are major source of reward for staffs. Due to this the researcher mainly focuses only the above factors and excluded other intrinsic and extrinsic rewards.

1.10 Limitation of the study

It was very difficult to conduct this study specifically some of the employees, as they were very busy. Some of the staff were also not cooperative as far as completing the questionnaire was concerned, so that an extra effort needed to be made to persuade those staff to either cooperate or find replacements for themselves.

Since the respondents of this study came from Ethio Telecom, the results obtained may have differed for other organizations. This could limit the generalizeability of the results.

1.11 Organization of the study

The study paper has organized in five chapters i.e. Chapter one presented the background of the study and company, statement of the problem, research questions, objectives, significance, and scope of the study and definition of terms. Chapter two presents the literature review related to the topic under study. It further presents the theoretical concepts, empirical literature studies, the conceptual framework and the hypothesis of the study. Chapter three deals with the research methodologies, which include research approach, design, population, sample technique and sample size, data collection and instrument, data analysis method and research variables in the study. Chapter four discusses the empirical findings of the study that includes data presentation, analysis and interpretation. Based on the findings of the study, the fifth chapter presents summary, conclusion and recommendation of the study.

CHAPTER TWO

2 Review of Related Literature

2.1 Introduction

This chapter deals with theoretical parts, conceptual framework and empirical reviews of the related studies on the effectiveness of reward system on employee's performance through a mediating variable of motivation.

2.2 Theoretical Review

2.2.1 The Concept and Definition of Reward

Reward can be defined as one of the valuable elements to motivate employees for contributing their best effort to generate innovative ideas that lead to better business functionality and further improve company performance both financial and Non-financial (Aktar, sachu, & Ali,2012). Bratton and Gold (2003) defined rewards as “all the cash, non-cash and psychological payments provided by an organization in return for their contribution”.

Reward is a broad construct that has been said to represent anything that an employee may value that an employer is willing to offer in exchange for his or her contributions (Chiang and Birtch, 2008).

Reward refers to all the monetary, non-monetary and psychological payments that an organization provides for its employees in exchange for the work they perform. It includes extrinsic and intrinsic rewards Bratton (2007).

To summarize, reward is anything monetary or non-monetary that attracts an employee's attention and motivates them to work. It is the benefit that workers receive by performing a task and discharging a responsibility. Reward is a thing given to anyone because of his/her contribution to the organization.

2.2.2 Reward Management

Reward management is concerned with the formulation and implementation of strategies and policies in order to reward people fairly, equitably and consistently in accordance with their value to the organization. It deals with the development of reward strategies and the design, implementation and maintenance of reward systems (reward processes, practices and procedures) which aim to meet the needs of both the organization and its stakeholders. Reward can be regarded as the fundamental expression of the employment relationship. Armstrong (2009)

Reward management deals with the strategies, policies and processes required to ensure that the contribution of people to the organization is recognized by both financial and non-financial means. It is about the design, implementation and maintenance of reward systems (reward processes, practices and procedures), which aim to meet the needs of both the organization and its stakeholders. The overall objective is to reward people fairly, equitably and consistently in accordance with their value to the organization in order to further the achievement of the organization's strategic goals. Reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility. (Armstrong 2007)

2.2.2.1 The Aims of Reward Management

Generally (Armstrong (2007) listed aims of reward management as to

- Reward people according to the value they create;
- Align reward practices with business goals and with employee values and needs;
- Reward the right things to convey the right message about what is important in terms of behaviors and outcomes;
- Help to attract and retain the high-quality people the organization needs;
- Motivate people and obtain their engagement and commitment;
- Develop a high-performance culture

2.2.2.2 Importance of Reward Management

According to Armstrong (2010) Reward management supports the achievement of business goals by helping to ensure that the organization has the capable and engaged people in needs. It

contributes to the accomplishment of high performance by ensuring that the reward system recognizes and encourages it.

Reward management policies in association with HR policies can help to create a working environment that provides for the just, fair and ethical treatment of employees. These are policies about treating people properly and avoiding the creation of unacceptable reward practices that reflect badly on the organization.

2.2.3 Reward Management System

According to Armstrong (2007) the approaches to achieving the aims of reward management as described above are incorporated in the reward system of an organization. This consists of: The fundamentals of reward management

Reward strategies: -which set out what the organization intends to do in the longer term to develop and implement reward policies, practices, processes and procedures that will further the achievement of its business goals. For example, an organization may have a strategy to maintain competitive rates of pay.

Reward policies: - which set guidelines for decision making and action. For example, an organization may have a policy that sets the levels of pay in the organization compared with median market rates.

Reward practices: - which consist of the grade and pay structures, techniques such as job evaluation, and schemes such as contingent pay used to implement reward strategy and policy. For example, the policy on pay levels will lead to the practice of collecting and analyzing market rate data, and making pay adjustments that reflect market rates of increase.

Reward processes: - which consist of the ways in which policies are implemented and practices carried out, for example the way in which the outcomes of surveys are applied and how managers manage the pay adjustment and review process.

Reward procedures: -which are operated in order to maintain the system and to ensure that it operates efficiently and flexibly and provides value for money. For example, a procedure will be used for conducting the annual pay review.

The reward system should be modeled in such a way that it will motivate employee's performance that is consistent with the firm's strategy. This is with a view to attracting and

retaining people with the knowledge, skills and abilities required to realizing the firm's strategic goal and as well creating a supportive culture and structure (Allen and Killman 2001).

Managing reward is largely about managing expectations what employees expect from their employers in return for their contribution and what employers expect from their employees in return for their pay and the opportunity to work and develop their skills. The tighter the labor market becomes, the harder it is to recruit and retain the best-qualified people, and the more pressure there is placed on employers to develop rewards packages that suit employees as much as they suit their own needs Madhuri (2014).

Reward systems are carefully designed to link to activities and work outcomes that support the organization's strategic direction and foster the achievement of strategic goals. These linkages lead to increased employee knowledge or skill development, commitment, retention and productivity (Howard and Dougherty 2004).

According to Mahaney and Lederer (2006), the reward system of an organization has influence on workers' motivation. Workers may be rewarded in a tangible way such as cash bonuses, or intangible ways such as praise or public recognition because they have demonstrated behaviors considered enviable for the organization. Rewards include all types of benefits, from cash payments to working conditions.

2.2.3.1 Benefits of Reward Management System

According to Armstrong (2010) Reward management supports the achievement of business goals by helping to ensure that the organization has the capable and engaged people in needs. It contributes to the accomplishment of high performance by ensuring that the reward system recognizes and encourages it.

Lawler (2003) argues that a reward system inside the organization can influence a couple of the HR procedures and practices, which at that point has an effect on the overall organization performance. According to Mehmood et al. (2013), employees are a tangible asset to any organization because their effort helps organizations remain competitive in the market. Therefore, it is very important to retain them by giving them the best and fair total rewards, in order to increase productivity level and create better job satisfaction.

According to Armstrong (2010), total reward is that, rewarding employees is more than just throwing money at them. O’Neal (1998) note that total reward is critical because it helps to identify and address the issues created by retention and recruitment, as well as delivering a means of influence on behavior. When total reward is implemented in the approved manner it can help to create work experience that meets the needs of employees and promote them to contribute extra efforts.

There are many perspectives on the benefits of total rewards. Armstrong (2010) pinpoints four benefits of the total rewards approach as follows:

- ❖ **Enhancing the employment relationship:** The employment relationship created by total rewards approach must contain both aspects of transactional and relational rewards in order for a reward to appeal more to individuals.
- ❖ **Attraction and retention:** This illustrates that relational rewards help to convey a positive psychological contract. The organization can turn into an "employer of choice" and "an incredible work environment", thus attracting and retaining the talented individuals it requires.
- ❖ **Flexibility to meet individual’s needs:** Bloom and Milkovich (1998): “Relational rewards may bind individuals more strongly to the organization because they can answer those special individual needs”.
- ❖ **Greater impact:** the mutual effect of the different types of rewards will make a profound and longer- enduring impact on the motivation and commitment of individuals.

2.2.4 Reward philosophy

Reward management is based on a well-articulated philosophy – a set of beliefs and guiding principles that are consistent with the values of the organization and help to enact them. The philosophy recognizes that if HRM is about investing in human capital from which a reasonable return is required, then it is proper to reward people differentially according to their contribution (i.e. the return on investment they generate).

The philosophy of reward management also recognizes that it must be strategic in the sense that it addresses longer-term issues relating to how people should be valued for what they do and

what they achieve. Reward strategies and the processes that are required to implement them have to flow from the business strategy (Armstrong, 2010).

2.2.5 Types of Reward

There are several types of reward systems that organizations can use. According to McCormick and Tiffin (1979), the system of rewards can be classified as intrinsic or extrinsic. Intrinsic reward system is those that are inherent in the job and which the individual enjoys as a result of successfully completing the task or attaining his goals. On the other hand extrinsic reward comes from external and it is tangible in order to appreciate the task performed by employee. Extrinsic rewards are external to the task of the job, including pay, work condition, fringe benefits, security, and promotion, contract of service, salary, incentives, bonuses, payments and job security the work environment and conditions of work (Badrinarayan and Tilekar, 2011).

In this study, the reward systems are viewed under these two main categories (intrinsic and extrinsic) and they are discussed in the next subsections.

2.2.5.1 Intrinsic Reward

An intrinsic reward is defined as acts of doing an activity for its inherent satisfaction rather than for some separable consequence (Deci and Ryan, 1985). It fulfills employee's intrinsic factors or motivators. Examples include by career development, proper working condition, recognition, etc. All these rewards do not require any increased in salary but the employee is still being motivated, feeling a sense of satisfaction of being given the opportunity of working at a higher management rank. An intrinsically motivated individual will be committed to his work to the extent to which the job inherently contains tasks that are rewarding to him or her (Ajila, 1997).

Among the various aspects or dimensions, this current measure intrinsic reward in terms of two elements: (a) recognition and appreciation, (b) career development opportunity.

Each of these dimensions is described briefly below.

A. Recognition and Appreciation

Recognition refers to the process of acknowledging an individual before his or her peers for a job task well performed beyond expectations, whereas appreciation is concerned on the showing of gratitude to the employee for his or her action (Alam, et al., 2013).

Armstrong (2010) states that recognition schemes as part of a total reward package enable appreciation to be shown to individuals for their achievements, informally on a day-to day basis or through formal recognition arrangements.

Such rewards (recognition and appreciation) help employee to measure their performance and enables them to know whether they are doing good or bad.

B. Career Development

According to Gomez (2012) career development is a formal approach taken by an organization to help its people acquire the skill and experiences needed to perform current and future job. The organization can offer this opportunity by providing people with a sequence of experience and training that will equip them for whatever level of responsibility they have the ability to reach. Talented individuals can be given the guidance and encouragement they need to fulfill their potential and achieve a successful career in tune with their abilities and aspirations.

2.2.5.2 Extrinsic Reward

Extrinsic rewards are defined as those remuneration factors that are external to the job such as pay, work condition, security, benefits, promotion contract of services and work environment. It also refers to the core organizational reality, as equitable rewards distribution does drive employee's morale.

Extrinsic rewards drive employee's morale and the rewards distribution has always loomed large in corporations particularly in tune with performance appraisals in present eras of globalization

An extrinsic reward in fact fulfills employees "extrinsic factors or hygiene factors, invariably discouraging them from thinking of leaving the company. They are called extrinsic because they are external to the work itself and other people control their size and whether or not these are granted. For this research the researcher focuses on extrinsic factors such as salary, promotion and working Condition.

A. Salary/Base pay

Base pay is the amount of pay that constitutes the rate for the job or the person. Base pay management uses the information from market pricing and job evaluation to design and operate grade and pay structures.

B. Promotion

Promotion is an important feature of employee's life style and occupation, affecting other job experience levels and can have an obvious impact on other job aspects like job attachment and responsibilities. Additionally, promotion can influence the instrument of exerting better attempts, if employees put an important value on it. If not, the companies would focus on pay increase to reward high effort and productivity. Indeed, the employees may be worth the promotions since they make an increase in job services (Gohari, et al., 2013)

C. Working Condition

Adverse environmental conditions such as noise, heat, and fumes are detailed along with the frequency of exposure. Most professionals and executive job descriptions do not include this section because work is assumed to be performed under normal office conditions. If it is not, the section should be included. Work conditions are defined by criteria such as: Physical effort, Work environment Sensory attention and Physical risks (Ruddy, 2007).

2.2.6 Employee performance

Performance management can be defined broadly as the process of taking systematic action to improve organizational, team and individual performance. It enables performance expectations to be defined and creates the basis for developing organizational and individual capability (Armstrong, 2010).

Mohammad and Shabieb, (2014) define that performance means the goals that organizations seek to achieve through their employees. Employee performance is an important part of the organization in which employee performance can determine how much the organization expands or decline. Efficient performance management processes and tools are essential for the high performance of the employees. The achievement of the high performance results in the satisfaction and feeling of self-actualization.

Moncarz and Zhao, (2008) explain that high performance work practices revealed that involving employees in decision-making, goals and the direction of an organization through participation in teams would help produce job satisfaction and reduce turnover. Employee satisfaction is one of the many factors in the organization which necessary needed to achieve good organization

performance. Employees get promoted, awarded and recognized, whereas, organizations on the other hand secure the predetermined goals and objective (Sonntag, et al., 2008).

Employee's performance is becoming more and more significant for the success of the organizations. Employee's performance is also fundamental sign of the organizational health (Ahmad, et al., 2015).

Employees are an asset for the organization and its growth and development is majorly dependent on employee behavior, employee satisfaction and most importantly employee performance. Employee performance is a subset of organizational performance.

Reward and Employee Performance

According to the Fay and Thompson (2001), the reward system plays a key role in first determining the ability of the organization and then also in the attraction and retention of the high performing employees thus to keep the performance levels high enough.

The overall aim of reward management supposed to be to add value to people. It is not just about attaching value to them. Particularly, the aim is to support the achievement of business goals through high performance, to develop and maintain the organization's culture, reward people according to the value they create, reward people according to what the organization values, line up reward practices with employee needs, help to attract and retain the high-quality people the organization needs and win the engagement of people (Ghoshal and Bartlett 1995).

According Armstrong, (2010) Developing a high-performance culture through reward organizations:-

- Identify the performance drivers and key performance indicators in the organization.
- Use rewards generally to draw attention to the importance of performance.
- Decide on which aspects of the performance drivers should be focused on.
- Use rewards specifically to draw attention to these aspects.
- Use performance management systems to identify performance development needs.

A well rewarded employee feels that they are valued by the company. Such employees are encouraged to work harder and better if they are aware that their wellbeing is taken seriously by

their employers. No organization can achieve its stated objectives without its employees (Guest, 2002).

2.2.7 Employee Motivation

According to Armstrong, (2010) motivation is the power which comes from the person and accounts for the willful direction, intensity and the persistence of the individual towards the accomplishment of a goal. According to (Demirci, 2007) motivation is like a vision that stimulates a person to perform because human behavior is attracted by some desired goal. (Bhatnagar, 2007) proposed that motivation is a personalized instinct in human nature and can be segregated into extrinsic and intrinsic motivation.

Employee motivation is defined as the willingness or effort exerted by the employee in order to achieve goals of the organization and this phenomenon of motivation is universal and results because of certain unsatisfied desires of the employee. A basic explanation of motivation is the capability to change behavior. Motivation is a drive that holds one to act because human behavior is directed toward some goal.

There are two types of motivation as originally identified by Herzberg et al (1957):

Intrinsic motivation – the self-generated factors that influence people to behave in a particular way or to move in a particular direction. These factors include responsibility (feeling that the work is important and having control over one's own resources), autonomy (freedom to act), scope to use and develop skills and abilities, interesting and challenging work and opportunities for advancement.

Extrinsic motivation – what is done to or for people to motivate them? This includes rewards, such as increased pay, praise, or promotion, and punishments, such as disciplinary action, withholding pay, or criticism. Extrinsic motivators can have an immediate and powerful effect, but it will not necessarily last long. The intrinsic motivators, are which is concerned with the 'quality of working life' (a phrase and movement that emerged from this concept), are likely to have a deeper and longer-term effect because they are inherent in individuals and not imposed from outside.

Armstrong (1991) discussed the theories of motivation and opined that these provide two important messages. Firstly that it is not an easy job to deal with the poor motivation problems and secondly the key aspects of feedback, expectation and setting of objective should not be unnoticed. These theories recommend that the motivations intentions must never be handled without care by the management (Whiddett and Hollyforde, 2003).

Reward and Employee Motivation

San and Heng, (2012) state that motivation is a strong incentive for employees to achieve excellent performance achievement in their daily work so that they will get the predicated commend. In order to enhance morale and motivation of employees, rewards and recognition should be provided instantly when employees achieve the required performance (Ibrar, 2015).

Motivation is the very factor which will enable the employees to be active, efficient, and hardworking and to take the risk and also to dare for the expected performance. When employees are both intrinsically and extrinsically rewarded, the greatest amount of the motivation is there as observed by Lawler, (2003).

Ajile, (1997) noted that an intrinsically motivated person is dedicated to his work to the extent to which the job inherently contains tasks that are rewarding to him. And an extrinsically motivated person is given to the extent that he can pull in or receive external rewards for his business.

Armstrong, (1991) he argued that there are two types of motivations. First is when an employee is able to motivate his/her self by means of task achievement and its known as the intrinsic motivation. Whereas the other motivation is done by the executive at the workplace by the provision of motivating conditions such as the bonuses and the increased pay.

The intrinsic motivation approach consist of the feeling and the individual resources such as ability and task accomplishment, improvement in the expertise's and the capabilities, stimulating the challenging jobs and scope of the advancement and development. Whereas, the extrinsic approach consist of the thing which are done by the people and for the people in order to motivate them. In extrinsic motivation includes the pay and the bounces. They are also termed as the monetary factors.

In principle the role of the rewards is to motivate or cause certain behavior among employees, which are regarded as beneficial for the enhanced performance. The employee's performance is

tied to the level of the motivation an employee has. Kotelnikov (2010) suggested that the level of the motivation of the employees is dependent upon their capability and the job description which describe the task.

2.3 Empirical Framework

Several studies have been done on the effects of reward system on employee's motivation and employee performance in different parts of the world. Next is a discussion of some of the studies. Gungor (2011) in a study "relationship between reward management system and performance of employees" besides considering the role of motivation as a moderating factor evaluated the relationship between applied plans of reward management systems and performance of employees of 12 banks in Istanbul. The results showed that there was a positive and significant association between reward management system and employees' performance and there was a positive and significant association between reward management system and motivation of employees and these relations were formulated by linear regression.

A study conducted by (Karami, et, al 2013) "Analyzing the Effectiveness of Reward Management System on Employee Performance through the Mediating Role of Employee Motivation Case Study: Isfahan Regional Electric Company" found that reward management system has a positive and significant effect on employee motivation. Employee motivation does not have a positive and significant effect on employee performance. Reward management system has a positive and significant effect on employee performance (by the presence of motivation as the mediating variable).

Muhammedzia, et,al (2018) concludes that organizations adopting total rewards system as a strategy are in better position as compared to organizations focusing only on financial rewards strategy. The study further points out that non-financial reward are significant contributor towards enhancing employee performance as compared to financial rewards. The study also provides recommendations for future research.

According to Danish et al. (2015) the analysis of the data revealed that intrinsic rewards have positive impact on task performance of employees working in banks and motivation and its dimensions, i.e., intrinsic motivation, extrinsic motivation, and job satisfaction mediated this

relationship. Considering the importance of appreciations received by bankers in the form of rewards and their effect on extra role performance and sophisticated management, policy makers should take necessary steps for improving the reward management system which will increase the task performance of employees because they will be motivated by these performance appraisal techniques.

Yearout and Trahant (2005) pointed out in their study that one of the best tools for increasing employee motivation is providing the tangible rewards i.e. monetary benefits. Unfortunately most of the companies do not use this strategy and hence the performance or employee efficiency never reaches up to the expected level of the management.

Thripp (2008) found that, intrinsic value is far more reliable than extrinsic value, because it's self-reliant, independent and free of the influence of others. Whereas, another researcher Lawler (2003) discussed the higher motivation can be observed when people perform tasks that are both extrinsically and intrinsically rewarding.

Babakus, et al., (2003) stated that employees are continually concerned about their reward packages, which makes them vigilant in their performance and improve their efficiency. Reward had been seen to be a vital instrument in employee performance. And a well-rewarded employee feels that he /she is being valued by the company that he/she is working for (Sajuyigbe et al., 2010).

According to the Malhotra et al., (2007) the total reward system plays an important role in the betterment and improvement of the building obligation and their performance between the employer and the employee. This high level performance further ensures the retention of the high performing employees.

Lucy (2016) conducted a study on examine the effect of reward strategies on employee performance in remittance companies in Mogadishu, Somalia. The study adopted the descriptive research design. The population under the study was 186 employees of Dahabshiil, Amal Express, and Kaah Express three remittance companies in Mogadishu,

Somalia. A sample of 127 employees selected using stratified random sampling. Data collected using self-administered questionnaires. Data was analyzed using SPSS version 20. In general, the

results revealed that extrinsic reward strategy, intrinsic reward strategy, and contingent reward strategy have significant and positive effects on employee performance of remittance companies in Mogadishu, Somalia. Conclusions the overall results indicated that there was a significant linear relationship between extrinsic reward strategy, intrinsic reward strategy, contingent reward strategy and employee performance of remittance companies in Mogadishu. The study recommends that the remittance companies should continue to offer total rewards to its employees, so there needs both intrinsic and extrinsic can be met, which leads to motivation and performance levels.

2.4 Conceptual Model

Variables and the proposed model

The variables in this study were classified into three classes. Performance is the dependent variable and reward management system with its dimensions (financial reward and non-financial reward) is the independent variable. Also employee motivation with its dimensions (job satisfaction and motivation) is the mediating variable. The conceptual model of the survey is displayed in Figure 2-1

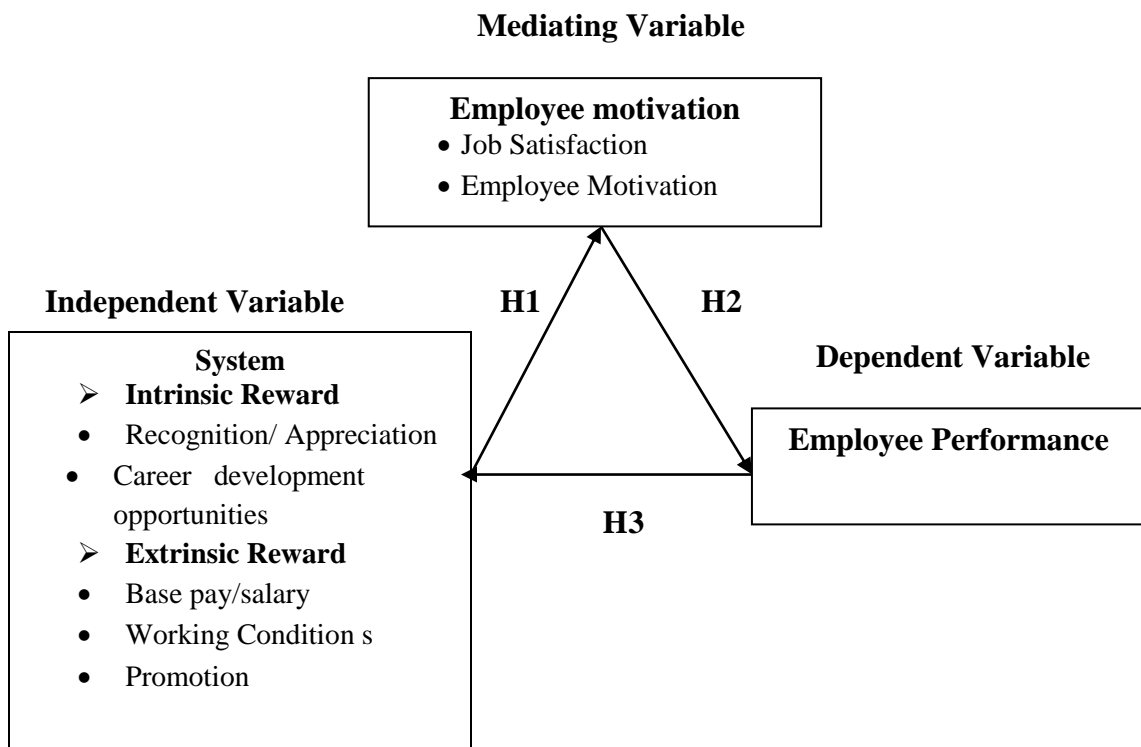


Figure 2-1 Conceptual model

CHAPTER THREE

3 Research Design and Methods

3.1 Introduction

This chapter focused on research design, population of the study, sample size sampling technique, data source, data collection instruments data analysis and presentation.

3.2 Research Approach

For this study both qualitative and quantitative research approach were used. Quantitative research answers questions through a controlled logical process, allowing for the collection of numerical data, the prediction, and the measurement of variables and qualitative approach used to analyze open-ended questions and triangulate in explaining and interpreting the finding of quantitative study. According to Creswell (2003), mixed method approach is a relatively new approach which makes use of different forms of data that enable researchers to create understandable design out of complex data and analysis

3.3 Research Design

In any study, the research design constitutes the blue print for the collection measurement and analysis of data Kothari (2004). This study adopted a descriptive and explanatory research design.

Descriptive study was undertaken in order to establish and be able to describe the characteristics of the variables of interest in the study (Kohtari, 2004). Explanatory research, on the other hand, was used to explain, understand and predict the cause and effect relationship between the variables (Neuman, 2014) that is reward (independent variables), employee motivation (mediating variable) and employee performance (dependent variable).

3.3.1 Population and Sample Size and Sampling Technique

3.3.1.1 Population

The total workers in the study are workers working in the organization, at headquarter in Addis Ababa which is located around post office. Since it's unlikely to address all branches of Ethio Telecom, the total population of the workers in the selected headquarter of Ethio Telecom is 1639 permanent employees that are found in Addis Ababa branch included in the study.

3.3.1.2 Sample Size

The number of target population that used for the study is then 1639. Using Taro Yamane (1967), sample selection method with a probability of 95 % free error, a total of 321 samples would be drawn from the total target population.

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

Where n is the required sample size, N is the population size and e is the level of precision. The formula was developed by Taro Yamane (1967). By applying the formula was developed by Taro Yamane (1967)

$$n = 1639 / 1 + 1639(0.05)^2$$

$$n = 1639 / 5.0975$$

$$n = 321$$

So, from the target population of 1639 employees the researcher selected 321 employees as sample to distribute the questionnaires.

3.3.1.3 Sampling Technique

The researcher used simple random sampling technique to distribute the questionnaires for respondents. The rationale behind using simple random sampling technique for this study is to give each member of the study population equal chance of being selected.

3.4 Source and Instruments of Data Collection

To fulfill the purpose of the study, the researcher was used both primary and secondary data. Primary data was collected from the sample selected, i.e. the employees, by the use of questionnaire and preliminary interview as a method for data collection. Secondary data was collect from the company records on the previous works, books, journals, organizational reports and company's magazine.

3.4.1 Data Collection

The researcher has used different data collecting instruments such as Questionnaires and preliminary interviews. Because these instruments are believed to be suit to the data needed. The researcher prepared questionnaires for workers in Ethio Telecom. In addition, the researcher also prepared semi structure interview. Some part of questioners involves a likert Scale ranking (5-point likert scale) while some questioners involve open ended explanation about the overall reward system. Likert Scale is a psychometric scale commonly involved in research that employs questionnaires. It is the most widely used approach to scaling responses in survey research. A Likert scale is the sum of responses on several likert items. In likert scale, 5 stand for strongly agree, 4 agree, 3 neutral, 2 disagree and 1 strongly disagrees. In case of ordinal, questioner, respondents will invite to level on the given alternatives (Wuensch, Karl L., 2005).

Kahn and Cannell (1957) described interview as a face to face discussion between two or more people. Advantages of interview according to Saunders et al., (2007) are allowing interviewer to concentrate on questioning and listening, accurate and unbiased record provided, and allows direct quotes to be used. It disadvantages are expensive and time consuming, interviewer and interviewee bias.

3.5 Data Analysis

Ordinal data is a categorical statistical data type where the variables have natural, ordered categories and the distances between the categories is known. These data exist on an ordinal scale. Finally rating type questions will provide to employee like first, second and third (Agresti A., 2013).

To analysis the data statically Package for Social science (SPSS) Version 23wereapplied accordingly. SPSS is a widely used program for statistical analysis in social science Statistics included in the base software.

Inferential statistical analysis tools such as Karl Pearson's coefficient of correlation and Regression analysis including linear regressions, hierarchical multiple regressions were used. By using Pearson Product Moment Correlation Coefficient the researcher identified the magnitude, direction and strength of relationship between the variables.

Pearson's correlation coefficient is the covariance of the two variables divided by the product of their standard deviations. The form of the definition involves a "product moment", that is, the mean (the first moment about the origin) of the product of the mean-adjusted random variables; hence the modifier product-moment in the name.

It is a measure of the linear correlation between two variables X and Y. It has a value between +1 and -1, where 1 is total positive linear correlation, 0 is no linear correlation, and -1 is total negative linear correlation. It is widely used in deferent sciences. It was developed by Karl Pearson from a related idea introduced by Francis Galton in the 1880s (Karl P., 1895).

3.6 Validity

Validity refers to the extent to which measurement of instrument actually measure what is intended to measure. It is the strength of our conclusions, inferences or propositions. It involves the degree to which you are measuring what you are supposed to, more simply, the accuracy of your measurement (Adams, 2007).

Therefore, pilot test was conducted and this validation will made to get some evidence on whether the content of the items will be relevant in helping to answer the research questions as well as to check the clarity of the questions through discussion with experts and advisor.

3.7 Reliability

Reliability is an indicator of a measure's internal consistency. Consistency is the key to understanding reliability. A measure is reliable when different attempts at measuring something converge on the same result (John, 2009). Thus, reliability refers to the consistency and dependability of a measuring instrument; using it repeatedly should give us the same or similar results every time. The techniques applied to assess the reliability of data collection instrument in

this study is Cronbach Coefficient Alpha, the most commonly used and can test reliability with various item formats. Cronbach's alpha reflects that the extent to which the items in questionnaire are related to each other. Cronbach's coefficient alpha normally range between 0-1 values, which indicate the higher the values the higher degree of internal consistency. Although, different author accept different values of this tests to reach on internal reliability of the instrument, the most commonly accepted value is equal to or greater than 0.70 to reach on reliability of acceptable instrument (Nunally, 1978).

To assure this rule, the researcher has distributed 10 questionnaires for non-sampled selected respondents.

Reliability test result of the variables

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
0.848	0.797	35

Cronbach's alpha reliability result of this study is 0.848. Using rule of thumb of Kothari C. R (2004), the Cronbach's alpha value of the study is within acceptable level.

3.8 Ethical Consideration

The ethical consideration was taken into account throughout data collection. First, each selected respondent was informed that his/her response is voluntary and only those who provided verbal and written consent was taken part in the study. Second, the clear introduction and elaboration of the objectives of the study was given to every respondent before engaging him/her in the fieldwork. Thirdly, all research tools were had an introduction so that participants identities were keep anonymous, to avoid any harm to respondents. Furthermore, the study was abided by the ethics of social research ranging from professional ethics to those concerning researcher-respondent relationship. In addition, all who were assisted the researcher in one way or another was given due respect. Acknowledgements of other scholars' works were maintained throughout the research process

CHAPTER FOUR

4 DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

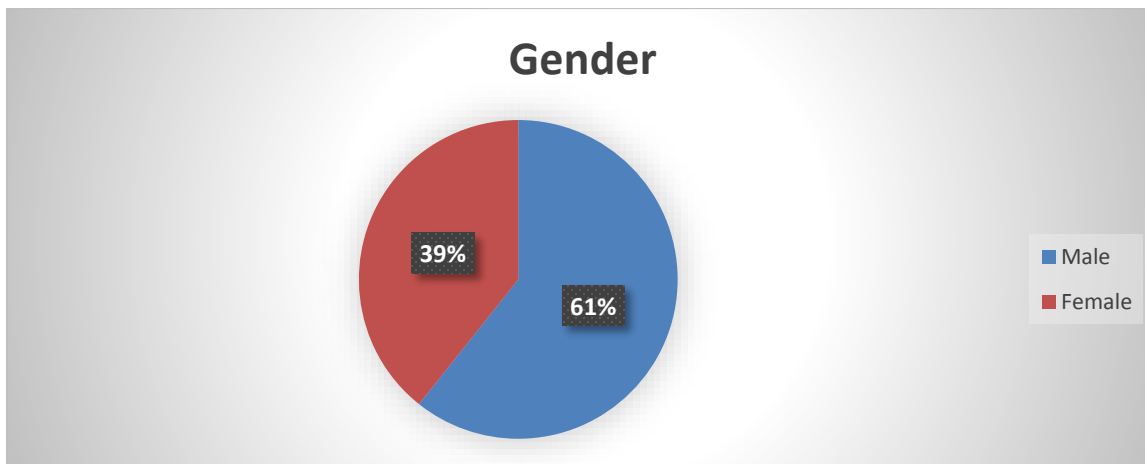
This chapter presents a discussion of the final results and the process through which the results were obtained. In addition to this, background information of respondents is presented. Finally, the statistical methods of analysis were discussed, which included a descriptive analysis, a correlation analysis, and a regression analysis through SPSS version 23 computer software program.

4.2 Response Rate

A total of 321 questionnaires were distributed to the randomly selected employees of head quarter found in Addis Ababa which is located around post office. Out of these questionnaires, 272 were filled properly and collected. As a result, the overall response rate was 84.7 percent which is acceptable for data analysis and discussion of the study.

4.2.1 Demographic Characteristics of Respondents

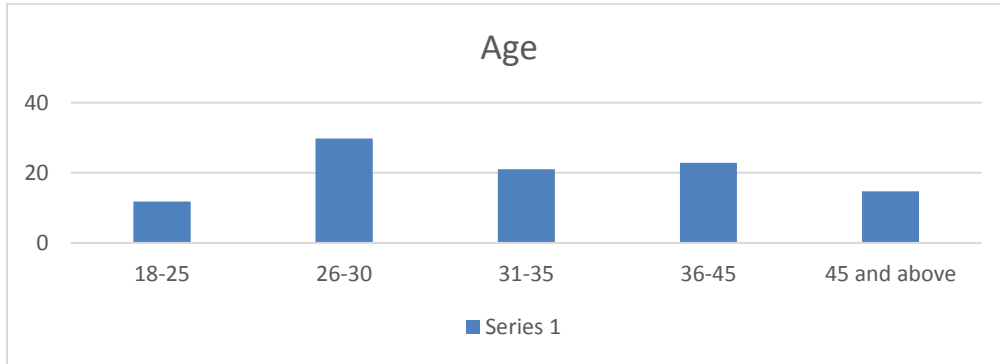
The demographic information of respondent gathered for this study were gender, age, marital status, education level, years of service and monthly income



Source own survey 2019

Figure 4-1 Gender of Respondents

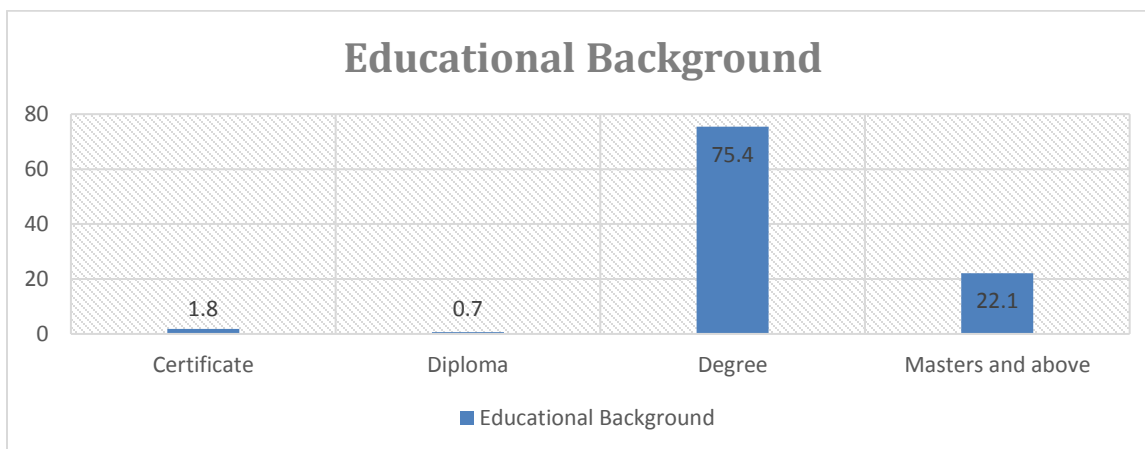
Figure 4-1 presents the gender distribution of the respondents. Out of 106 respondents 165(60.7%) were male while 107(39.3%) were females. This indicates that majority of the ethio telecom are male. This implies that the male sample of ethio telecom has the chance to be represented in every matter.



Source own survey 2019

Figure 4-2 Age of Respondents

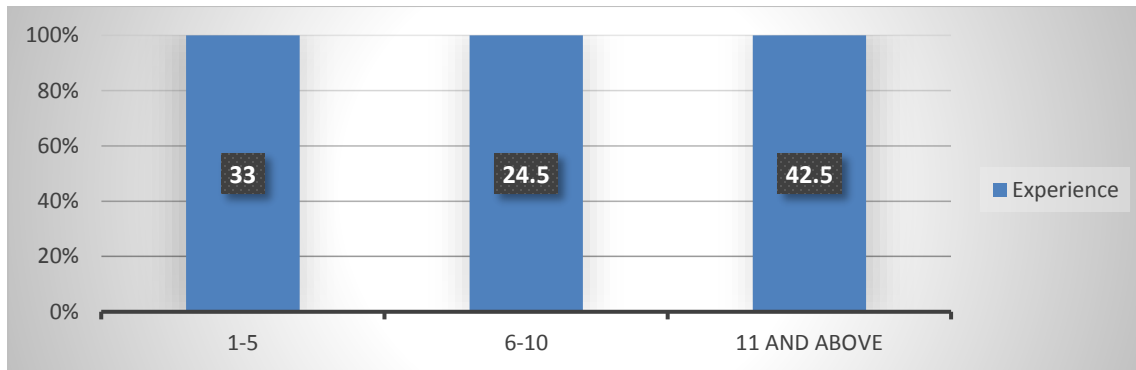
As shown in the above **Figure 4-2** when we look at the age group of respondents, the larger no of employees is between the ages of 26-30 which adds to 81 respondents representing to 29.8% of the total respondents followed by 18-25 age categories which accounts 11.8% of the respondents, those between 31-35 years accounted for 57 %. The rest age category 36-45 and over 45 will cover 22.8% and 14.7% of the sample respectively. Young population who can easily understand the questionnaire and supposed to be sensitive to give reliable response for the study related to reward system. Hence the ethio telecom does not face the problem of aged employees.



Source own survey 2019

Figure 4-3 Educational Qualifications of Respondents

As the above graph clearly shows diploma holders have the lowest count with 0.7% of the respondent following and certificate holders 1.8%, the master's degree holders (22.1%). Degree holders have the largest percentage 75.4. From this we can see that most of employees of ethio telecom are degree holders. Since most of the respondents are degree holders, they have the ability to fill the questionnaire by having know-how about reward management, employee performance and employees motivation.



Source own survey 2019

Figure 4-4 Working Experience of Respondents

With regard to service years of respondents in ethio telecom the majority of the respondents have a service years of above 11 years (43%) followed by above 6-10 years of experience respondents with 32.7%. The last groups of the respondents are employees with 1-5 years of experience with (24.5%). As the majority of the employees worked for more than three years, the information obtained from the respondents can be trusted to conduct meaningful analysis. The existence of high senior employees indicate that the existence of low turnover in ethio telecom.

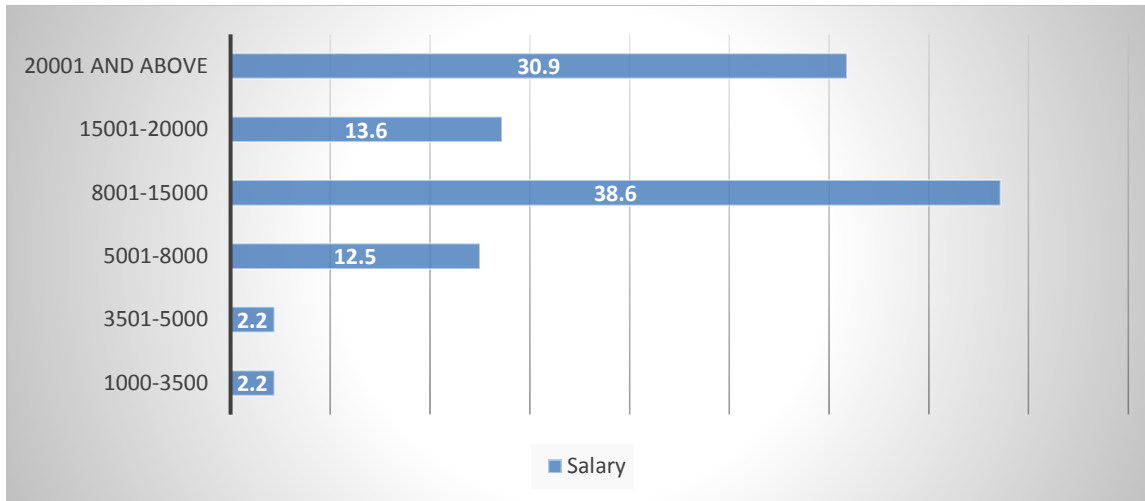


Figure 4-5 Salary Range

Source own survey 2019

From the above figure we can observe that the majority of the respondents are earning 8001-15000 birr per month which accounts for 38.6% of the sample. The second largest respondents of the study are above 20,000 salary groups which is 30.9% of the sample. The third largest respondents of the study are between 15,000-20,000 salary groups which is 13.6% of the sample. The rest salary category (5001-8000, 3500-5000 and 1000-3500) covered 12.5%, 2.2% and 2.2% respectively of the sample. This implies that all salary group of the ethio telecom has been included and the researcher did not face difficulties to generalize the study for all salary groups.

4.3 Descriptive Analysis

This part of the paper describes the finding of the respondent’s perception towards the current reward practice of the ethio telecom. Descriptive statistics is done in the form of Frequency, Percentage, mean and standard deviation for five dimensions and it is presented in the following table.

Respondents indicated whether they “SA- strongly agree”, “A- agree”, “N- neutral”, “D- disagree” or “SD- strongly disagree” with the statements provided. Mean value provides the idea about the central tendency of the values of a variable. Standard deviation gives the idea about the dispersion of the value of variable from its mean value. According to Zaidaton and Bagheri (2009) the mean score below 3.39 was considered as low, the mean score from 3.40 up to 3.79 was considered as moderate and mean score above 3.8 was considers as high as illustrated by Comparison bases of mean of score of five point Likert scale instrument. Mean value provides

the idea about the central tendency of the values of a variable. Standard deviation gives the idea about the dispersion of the value of variable from its mean value.

Table 1 Measures of respondent’s Perception of Payment Practice

Item		SA	A	N	D	SD	Total	Mean	SD
1. My salary is sufficient in relation to what I perform	No	14	119	57	65	17	272	3.18	1.051
	%	5.1	43.8	21.0	23.9	6.3	100%		
2. I am satisfied with the quality/quantity of the rewards	No	11	98	102	37	24	272	3.13	.999
	%	4.0	36.0	37.5	13.6	8.8	100%		
3. My salary is enough to satisfy my needs	No	3.0	39.0	33.0	156.0	41	272	2.29	.929
	%	1.1	14.3	12.1	57.4	15.1	100%		
4. Salary adjustment /increment is made within reasonable/logical time period.	No	45	128	34	49	16	272	3.50	1.140
	%	16.5	47.1	12.5	18.0	5.9	100%		
5. In comparison to other companies, the current pay in the organization is fair	No	12	66	46	59	89	272	2.46	1.288
	%	4.4	24.3	16.9	21.7	32.7	100%		

The Above table describes the responses of participants with regard to the salary/base pay of employees.

According to the study majority of the respondents agreed that their institute salary payment is satisfactory in relation to what they perform that is about 119(43.8%) of the total respondents. Also a significant number of the respondents specifically 65(23.9%) disagree. While 57(21%) were neutral. Also 17(6.3%) respondents tend to strongly disagree with the statement. The remaining 14(5.1%) of the respondents strongly agree with the statement. The implication of the mean at 3.18 indicates that most of the respondents are inclined towards agree.

A vast number of the respondents 102(37.5%) were neutral about the weather they are satisfied with the quality/quantity of reward they receive. While 98(36%) agree with the statement. Also

37(13.6%) of the respondents disagree while 24(8.8%) strongly disagree with the statement. Only 11(4%) of the respondents strongly agree with the statement. The implication of the mean at 3.13 indicates that most of the respondents are leaning towards agree.

With regard to salary is sufficient to satisfy needs a greater number of the respondents 156(57.4%) disagree to the statement. Although 41 (15.1%) of the workforce strongly disagree with the statement, 39(14.3%) of the respondents agree while 33(12.1%) were neutral. Only 3(1.1%) of the workforce strongly agree with the statement. The implication of the mean at 2.29 indicates that most of the respondents are leaning towards disagree.

Majority of the respondents, precisely 128(47.1%) of the workforce tend to agree with the statement while 49(18%) of the respondents disagree with Salary adjustment/increment is made within reasonable/logical time period. 45(16.5%) tends to strongly agree with the statement while 34(12.5%) of the workforce were neutral. Only 16(5.9%) of the workforce tend to strongly disagree with the statement. The implication of the mean at 3.50 indicates that most of the respondents are leaning towards agree.

In comparison to other companies, the current pay in the organization 89 respondents constituting a majority of 32.7% strongly disagree with the statement while 66(24.3%) agree with the statement. Also 59(21.7%) of the workforce disagree with the statement. 46(16.9%) of the respondents were neutral. While the remaining 12 are strongly agree with the statement each making up 4.4% of the entire workforce. The implication of the mean at 2.46 indicates that most of the respondents are leaning towards disagree.

Table 2 Respondents perception related to Working Condition

Item		SA	A	N	D	SD	Total	Mean	SD
1.The company ensures appropriate social security for employees	No	67	141	39	21	4	272	3.9	0.908
	%	24.6	51.8	14.3	7.7	1.5	100%		
2. There is a good relationship between colleges	No	84	147	18	20	3	272	4.06	0.876
	%	30.9	54	6.6	7.4	1.1	100%		
3. The existence of safe working conditions has encouraged me to give sustained high performance at work.	No	63	119	73	13	4	272	3.82	0.892
	%	23.2	43.8	26.8	4.8	1.5	100%		
4. My working hours is reasonable.	No	87	115	34	28	8	272	3.9	1.056
	%	32	42.3	12.5	10.3	2.9	100%		
5. Office Layout is convenient to do my job	No	37	132	35	20	48	272	3.33	1.306
	%	13.6	48.5	12.9	7.4	17.6	100%		

The company ensures appropriate social security for employee’s shows that a great number specifically 141 of the respondents constituting 51.8%ofthe respondents tend to agree. Another 67(24.6%) of the respondents tend to strongly agree with the statement. Also 39(14.3%) of the workforce are neutral about the statement while 21 respondents (7.7%) of the workforce disagree. Only 4 (1.5%) of the entire workforce strongly disagree with the statement. The implication of the mean at 3.09 indicates that most of the respondents are leaning towards agree.

Respondents were also asked if there is a good relationship between colleges, and most of the respondents 147(54%) agree with the statement. Furthermore 84(30.9%) of the respondents strongly agree with the statement. Although 73(26.8%) of the respondents were neutral, the remaining 13(4.8%) of the workforce disagree with the statement. The remaining 4(1.5%) of the respondents strongly disagree. The implication of the mean at 4.06 indicates that most of the respondents are leaning strongly towards agree.

Majority of the respondents agreed onthe existence of safe working conditions has encouraged to give sustained high performance at work that is 119(43.9%) of the total respondents. while 73(26.8%) are neutral. Also 63(23.2%) of the respondents strongly agree with the statement

while 13(4.8%) disagree. Only 4(1.5%) strongly disagrees with the statement. The implication of the mean at 3.82 indicates that most of the respondents are leaning towards agree.

According to the study majority of the respondents agreed that their institute working hours are reasonable by 115(42.3%) of the total respondents and 87(32%) strongly agree with the statement, also 34(12.5%) were neutral. While 28(10.3%) of the respondents disagree with the statement. Only 8(2.9%) of the respondents strongly disagree. The implication of the mean at 3.90 indicates that most of the respondents are leaning towards agree.

At the same time respondents were asked if office layout is convenient to their job and majority of the respondents that is 132(48.5%) agree with the statement. While 48(17.6%) tend to strongly disagree with the statement. Also 37(13.6%) strongly disagree with the statement. While 35(12.9%) were neutral. The remaining 20(7.4%) of the respondents agree with the statement. The implication of the mean at 3.33 indicates that most of the respondents are leaning towards agree.

Table 3 Respondents Perception about Promotion

Item		SA	A	N	D	SD	Total	Mean	SD
1. Staffs are promoted in a fair and transparent way	No	20	60	54	107	31	272	2.75	1.142
	%	7.4	22.1	19.9	39.3	11.4	100%		
2. Promotion is very important to improve my work motivation	No	134	96	9	13	20	272	4.14	1.168
	%	49.3	35.3	3.3	4.8	7.4	100%		
3. I have equal opportunities of getting promotion with other colleagues with similar qualification	No	50	99	53	48	22	272	3.12	1.151
	%	18.4	36.4	19.5	17.6	8.1	100%		
4. When Vacancies are available, opportunities are first given to qualified employees who are working in the organization	No	50	99	53	48	22	272	3.39	1.204
	%	18.4	36.4	19.5	17.6	8.1	100%		

Table 3 indicates Staffs are promoted in a fair and transparent way and a high number of respondents that is 107(39.3%) tend to disagree with the statement. While 60(22.1%) agree with the statement. 54 respondents that is 19.9% of the workforce are neutral. Also 31(11.4%) of the respondents strongly disagree. The remaining 20(7.4%) tend to strongly agree with the statement. The implication of the mean at 2.75 indicates that most of the respondents are leaning towards disagree.

Majority of the respondents 134(49.3%) strongly agrees with the statement promotion is very important to improve my work motivation, 96(35.3%) agree .While 20 (7.4%) of the respondents strongly disagree and 13 respondents that is 4.8% of the total workforce disagree with the statement. The remaining 9(3.3%) were neutral. The implication of the mean at 4.14 indicates that most of the respondents are leaning towards strongly agree.

According to the study majority of the respondents agreed that in their institute everyone has an equal chance to be promoted by 99(36.4%), while 53(19.5%) were neutral and 50(18.4%) strongly agree with the statement. The rest 48(17.6) and 22(8.1%) disagree and strongly disagree respectively with the statement. The implication of the mean at 3.12 indicates that most of the respondents are leaning towards agree.

Finally, respondents were also asked when Vacancies are available, opportunities are first given to qualified employees who are working in the organization, which comprises 99(36.4%) agree with the statement, while 53(19.5%) were neutral about the statement. About 48 respondents that are 17.6% of the workforce disagree with the statement. Only 22(8.1%) strongly disagree with the statement. The implication of the mean at 3.39 indicates that most of the respondents are leaning towards agree.

Table 4 Respondents perception about Recognition

Item		SA	A	N	D	SD	Total	Mean	SD
1.I am given a written appreciation letter for my good work	No	29	63	71	54	55	272	2.84	1.283
	%	10.7	23.2	26.1	19.9	20.2	100%		
2.I receive feedback on my making progress	No	37	96	52	53	34	272	3.18	1.251
	%	13.6	35.3	19.1	19.5	12.5	100%		
3. Proper recognition of high performers will encourage low Performers to work hard.	No	81	122	39	17	13	272	3.89	1.055
	%	29.8	44.9	14.3	6.3	4.8	100%		
4.The existence of promotion has effect on the level of performance of my work	No	55	124	45	34	14	272	3.63	1.096
	%	20.2	45.6	16.5	12.5	5.1	100%		

All most all or majority of the respondents surprisingly neither disagreed nor agreed that their institute give credit for what they do by 71(26.1%), while 63(23.2%) of the respondents agree with the statement. Also 55(20.2%) of the respondents strongly disagree, while 54(19.9%) disagree with the statement. The remaining 29(10.7%) strongly agree with the statement. The implication of the mean at 2.84 indicates that most of the respondents are leaning strongly towards disagree. Again, at the same time respondents are asked that I receive feedback on my making progress, 96(35.3%) of the respondents agree with the statement. 53(19.5%) of the respondents disagree with the statement while 52(19.1%) of the respondents are neutral. Also 37(13.6%) strongly agree with the statement and the remaining 34(12.5%) strongly disagree. The implication of the mean at 3.18 indicates that most of the respondents are leaning towards agree.

Majority of the respondents agrees with Proper recognition of high performers will encourage low Performers to work hard, comprising 122(44.9%) tends to agree with the statement. 81(29.8%) strongly agree with the statement while 39(14.3%) indicated that they were neutral. Only 17(6.3%) and 13(4.8) disagree and strongly agree respectively with the statement. The

implication of the mean at 3.89 indicates that most of the respondents are leaning towards agree.

Further, a great number of the respondents precisely 124(45.6%) appear to agree with promotion has effect on the level of performance of my work, the statement. 55(20.2%) also strongly agrees with the statement. While 45(16.5%) were neutral. The rest 34(12.5) and 14(5.1) disagree and strongly agree respectively with the statement. The implication of the mean at 3.63 indicates that most of the respondents are leaning towards agree.

Table 5 Perception of Respondents about career development opportunities

Item		SA	A	N	D	SD	Total	Mean	SD
1. There is a carried development opportunities within the organization	No	30	107	80	25	30	272	3.3	1.132
	%	11	39.3	29.4	9.2	11	100%		
2. Job specific training is provided to enable employees advanced their career	No	25	130	64	36	17	272	3.4	1.034
	%	9.2	47.8	23.5	13.2	6.3	100%		

According to the study majority of the respondents agrees with there exist a career development opportunities within the organization by 107(39.3%) agrees, 80(29.4%) are neutral. The same number of respondents that is 30(11%) is strongly agreed and strongly disagrees about the statement. The remaining 25(9.2) disagree about the statement. The implication of the mean at 3.30 indicates that most of the respondents are leaning towards agree.

A great number of the respondents agrees with job specific training is provided to enable employees advanced their career, that is 130(47.8%), 64(23.5%) were neutral, while 36(13.2%) disagree with the statement, 25(9.2%) strongly agree and the remaining 17(6.3%) strongly disagree. The implication of the mean at 3.40 indicates that most of the respondents are leaning towards agree.

Table 6 Respondents perception related to performance

Item		SA	A	N	D	SD	Total	Mean	SD
1. The company's total reward package is capable to retain best performers	No	22	121	63	40	26	272	3.27	1.109
	%	8.1	44.5	23.2	14.7	9.6	100%		
2. I enjoy my task and the division of working approach	No	30	156	44	32	10	272	3.6	0.959
	%	11	57.4	16.2	11.8	3.7	100%		
3. I am given an opportunity to improve my performance through learning more skills	No	41	118	45	58	10	272	3.45	1.096
	%	15.1	43.4	16.5	21.3	3.7	100%		
4.I feel my performance contributes for the growth of my organization	No	110	135	8	13	6	272	4.21	0.884
	%	40.4	49.6	2.9	4.8	2.2	100%		
5. From your experience, does performance increase as rewards increase?	No	62	126	53	23	8	272	3.78	0.989
	%	22.8	46.3	19.5	8.5	2.9	100%		
6.Overall financial (Extrinsic) rewards encourages me to improve performance	No	66	141	40	23	2	272	3.9	0.888
	%	24.3	51.8	14.7	8.5	0.7	100%		
7.Overall non-financial(intrinsic) rewards encourages me to improve performance	No	52	145	53	18	4	272	3.82	0.868
	%	19.1	53.3	19.5	6.6	1.5	100%		

According to the study majority of the respondents agreed that the company's total reward package is capable to retain best performers, most of the respondents 121(44.5%) tend to agree with the statement. 63(23.2%) are neutral while 40(14.7%) disagree with the statement. Only 26(9.6%) of the respondents strongly disagree as opposed to 22(8.1%) who strongly agree with the statement. The implication of the mean at 3.27 indicates that most of the respondents are leaning towards agree.

Also respondents were asked if they enjoy the task and the division of working approach and a great number of the respondents precisely 156(57.4%) agree with the statement, 44(16.2%) were neutral. While 32(11.8%) of the respondents disagree. Of the remaining 40 respondents 30(11%) strongly agree and the remaining 10(3.7%) strongly disagree with the statement. The implication of the mean at 3.60 indicates that most of the respondents are leaning towards agree.

Majority of the respondents specifically 118(43.4%) of the workforce agree with the statement (I am given an opportunity to improve my performance through learning more skills), 58(21.3%) disagree and 45(16.5%) are neutral. While 41(15.1%) strongly agree with the statement. Also 10(3.7%) of the respondents tends to strongly disagree with the statement. The implication of the mean at 3.45 indicates that most of the respondents are leaning towards agree.

The highest number of respondents precisely 135(49.6%) of the respondents agreed that their performance contributes for the growth of organization and 110(40.4%) of the respondents strongly agree with the statement as opposed to 13(4.8%) are disagree with the statement. Also it shows that 8(2.9%) of the workforce were n 6(2.2%) strongly disagree with the statement. The implication of the mean at 4.21 indicates that most of the respondents are strong leaning towards agree.

In Item 5 (From your experience, performance increase as rewards increase), most respondents 126(46.3%) agree with the statement and 62(22.8%) strongly agree, 53(19.5%) were neutral about the statement. While 23(8.5%) disagree with the statement. Only the remaining 8(2.9%) of the respondents strongly agree with the statement. The implication of the mean at 3.78 indicates that most of the respondents are leaning towards agree.

Respondents were also asked whether financial (Extrinsic) rewards encourages them to improve their performance and majority of the respondents specifically 141(51.8%) of the workforce agree and 66(24.3) strongly agree with the statement. While 40(14.7%) were neutral. Also 23(8.5%) of the respondents as well as 2(0.7%) tends to disagree and strongly disagree with the statement respectively. The implication of the mean at 3.82 indicates that most of the respondents are leaning towards agree.

Finally the highest number of respondents precisely 145(53.3%) of the respondents agreed on non-financial (intrinsic) rewards encourages them to improve their performance, while 53(19.5%) are neutral. Also it shows that 52(19.1%) of the workforce strongly agree while 18(6.6%) disagree with the statement. Only 4(1.5) of the respondents strongly disagree with the statement. The implications of the mean at 3.82 indicates that most of the respondents are leaning towards agree.

Table 7 Respondents perception related to Motivation

Item		SA	A	N	D	SD	Total	Mean	SD
1.I believe the level of motivation in my performance has impact on my absenteeism level	No	35	150	51	28	8	272	3.65	.933
	%	12.9	55.1	18.8	10.3	2.9	100%		
2. I believe the level of motivation in my performance has impact on my productivity level	No	55	187	11	15	4	272	4.01	.773
	%	20.2	68.8	4.0	5.5	1.5	100%		
3. Reward motivates me to increase my performance.	No	87	139	24	14	8	272	4.04	.938
	%	32.0	51.1	8.8	5.1	2.9	100%		

According to the study (I believe the level of motivation in my performance has impact on my absenteeism level), most of the respondents 150(55.1%) tend to agree with the statement. 51(18.8%) are neutral while 35(12.9%) strongly agree with the statement. Also 28(10.3%) of the respondents disagree. The remaining 8(2.9%) strongly disagree with the statement. The implication of the mean at 3.65 indicates that most of the respondents are leaning towards agree.

Respondents were also asked if they believe the level of motivation in their performance has impact on productivity level, a great number of the respondents precisely 187(68.8%) agree with the statement. Another 55(20.2%) also agree with the statement. Of the remaining 30 respondents 15(5.1%) disagree with the statement and 11(4%) were neutral. only 4(1.5%) strongly disagree with the statement. The implication of the mean at 4.01 indicates that most of the respondents are leaning towards agree.

Lastly, Reward motivates me to increase my performance, majority of the respondents specifically 139(51.1%) of the workforce agree with the statement. While 87(32.0%) strongly agree with the statement, 24(8.8%) are neutral. Also 14(5.1%) of the respondents as well as 8(2.9%) tends to disagree and strongly disagree with the statement respectively. The implication of the mean at 4.04 indicates that most of the respondents are leaning towards agree.

Table 8 Respondents Perception Related to Job Satisfaction

Item		SA	A	N	D	SD	Total	Mean	SD
1.I am satisfied with the level of communication between the employees and management	No	53	99	64	36	20	272	3.47	1.162
	%	19.5	36.4	23.5	13.2	7.4	100%		
2.I feel I belong to Ethio Telecom	No	128	119	7	10	8	272	4.28	0.912
	%	47.1	43.8	2.6	3.7	2.9	100%		

The highest number of respondents precisely 99(36.4%) of the respondents agree with (I am satisfied with the level of communication between the employees and management), while 64(23.5%) are neutral. Also it shows that 53(19.5%) of the workforce strongly agree while 36(13.2%) disagree with the statement. Only 20(7.4%) respondents strongly disagree with the statement. The implication of the mean at 3.47 indicates that most of the respondents are leaning towards agree.

Finally 128(47.1%) of the respondents strongly agree with the sense of belongingness ethio telecom. 119(43.8%) of the respondents agree with the statement while 10(3.7%) of the respondents disagree. From the remaining 15 respondents 8(2.9%) strongly disagree and only 7(2.6%) are neutral. The implication of the mean at 4.28 indicates that most of the respondents are leaning strongly towards agree.

4.4 Correlation Analysis

The Pearson's Product Movement Correlation Coefficient was computed to determine the relationships between salary(S), working condition (WC), promotion (P), recognition (R), career development (CD), employee performance (EP) and employee motivation (EM). Correlation analysis is a useful way of exploiting relation (association) among variables. The value of the coefficient (r) ranges from -1 to +1. The value of coefficient of correlation (r) indicates both the strength and direction of the relationship. If $r = -1$ there is perfectly negative correlation between the variables. If $r = 0$ there is no relationship between the variables and if $r = +1$ there is perfectly positive relationship between the variables. For values of r between +1 and 0 or between 0 and -1, the different scholars have proposed different interpretations with slight difference. For this study diction rule given by Bartz (1999) was used. Bartz (1999) described the strength of association among variables as mentioned in following table

Table 9 Interpretation of r Value

Value of r	Description
0.80 or higher	Very high
0.6 to 0.8	Strong
0.4 to 0.6	Moderate
0.2 to 0.4	Low
0.2 or lower	Very Low

Table 10 Correlation of the relationships between variables

		Salary	Working Condition	Promotion	Recognition	Career Development	Employee Performance	Employee Motivation
Salary	Pearson Correlation	1						
	Sig. (2-tailed)							
Working Condition	Pearson Correlation	.286**	1					
	Sig. (2-tailed)	.000						
Promotion	Pearson Correlation	.445**	.453**	1				
	Sig. (2-tailed)	.000	.000					
Recognition	Pearson Correlation	.384**	.201**	.452**	1			
	Sig. (2-tailed)	.000	.001	.000				
Career Development	Pearson Correlation	.265**	.092	.311**	.305**	1		
	Sig. (2-tailed)	.000	.132	.000	.000			
Employee Performance	Pearson Correlation	.408**	.287**	.397**	.525**	.329**	1	
	Sig. (2-tailed)	.000	.000	.000	.000	.000		
Employee Motivation	Pearson Correlation	.463**	.335**	.380**	.451**	.353**	.715**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	

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

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

Table 10 shows that the correlation coefficients for the associations between all the variables which include independent, mediating and dependent variables and this correlation analysis is

relevant to note mainly the relationship that exists between the dependent variable, independent and mediating.

When we see from the above **Table 10**, employee performance has positively significant relationship with salary, working condition, promotion, career development and recognition. Salaries, working condition, promotion career development and recognition have positive significant relationship with employee motivation. This implies that as one variable increase, the other variable also increases and vice-versa. There is a moderate and positive correlation salary and employee performance ($r=0.408$, $p<0.05$). Furthermore, the correlation between employee performance and working condition is low($r = 0.287$, $p <0.05$), promotion and employee performance ($r = 0.397$, $p<0.05$) were also low. The correlation between recognition and employee performance was moderate($r=0.525$, $p< 0.05$)

The table also indicates that the correlation among independent and mediating variables. The first correlation was between salary and employee motivation ($r=0.463$, $p<0.05$), working condition and employee motivation were low($r=0.335$, $p<0.05$), the moderate correlation were between recognition and employee motivation ($r =0.452$, $p< 0.05$) and the last correlation was between career development and employee motivation is low($r=0.329$, $p<0.05$). Taking their associations tested and assured from the correlation analysis, regression analysis can be conducted to create inferences out of their relationship.

The last correlation was between dependent variable of employee performance and mediating variable of employee motivation and there is strong correlation($r=0.715$, $p<0.05$)

4.5 Test for Assumptions of Linear Regression Model

Prior to commencing the regression analysis to test the research hypotheses, a preliminary analysis was conducted to verify the assumptions of regressions such as multicollinearity, linearity and normality.

4.5.1 Multicollinearity Test

Multicollinearity will occur if some or all of the independent variables are highly correlated with one another. It shows the regression model has difficulty in explaining which independent variables are affecting the dependent variable (Brooks, 2008). Multicollinearity can be tested either from correlation coefficient results or from the value of

tolerance and VIF. According to Sekaran and Bougie (2016), the acceptable value of tolerance and variance inflation factor (VIF) is above 0.10 and below 10 respectively.

Table 11 Collinearity Statistics Test of predictive Variables Coefficients

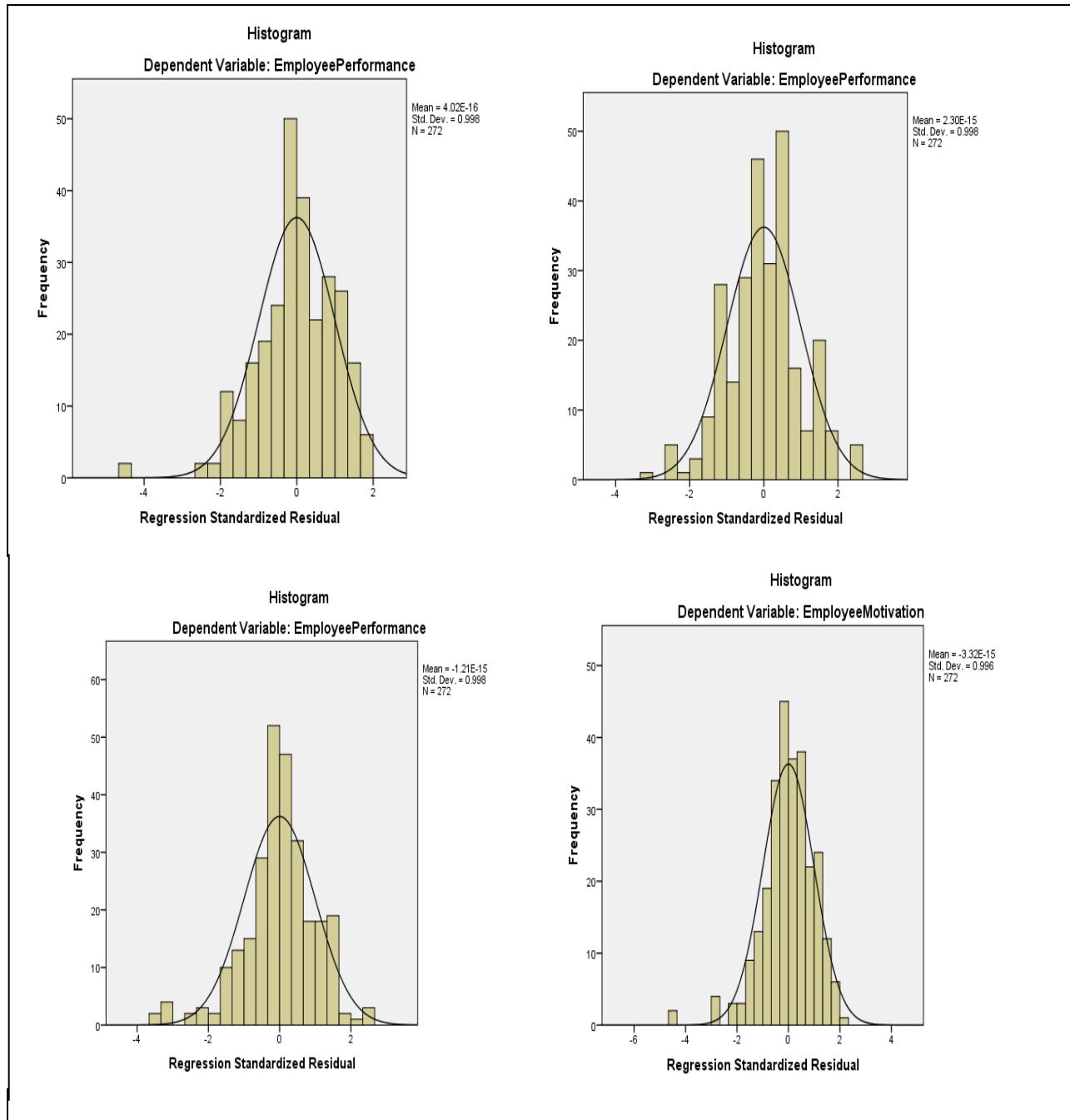
Model		Collinearity Statistics	
		Tolerance	VIF
1	Salary	0.67	1.50
	Working Condition	0.75	1.34
	Promotion	0.59	1.71
	Recognition	0.65	1.54
	Career Development	0.81	1.24
	Motivation	0.78	1.29
	Job satisfaction	0.65	1.54

a. Dependent Variable: Employee Performance

4.5.2 Normality Test

Normality test was used to determine whether the error term is normally distributed. The frequency distribution of the standardized residuals was compared to a normal distribution (**Figure 4-6**). As you can see, although there are some residuals that are relatively far away from the curve, many of the residuals are fairly close. Moreover, the histograms are bell shaped which lead to infer that the residual (disturbance or errors) are normally distributed for all the models. Thus, we can deduce that the assumption of normally distributed error term“ is not violated.

Figure 4-6 Frequency Distribution of Standardized Residual



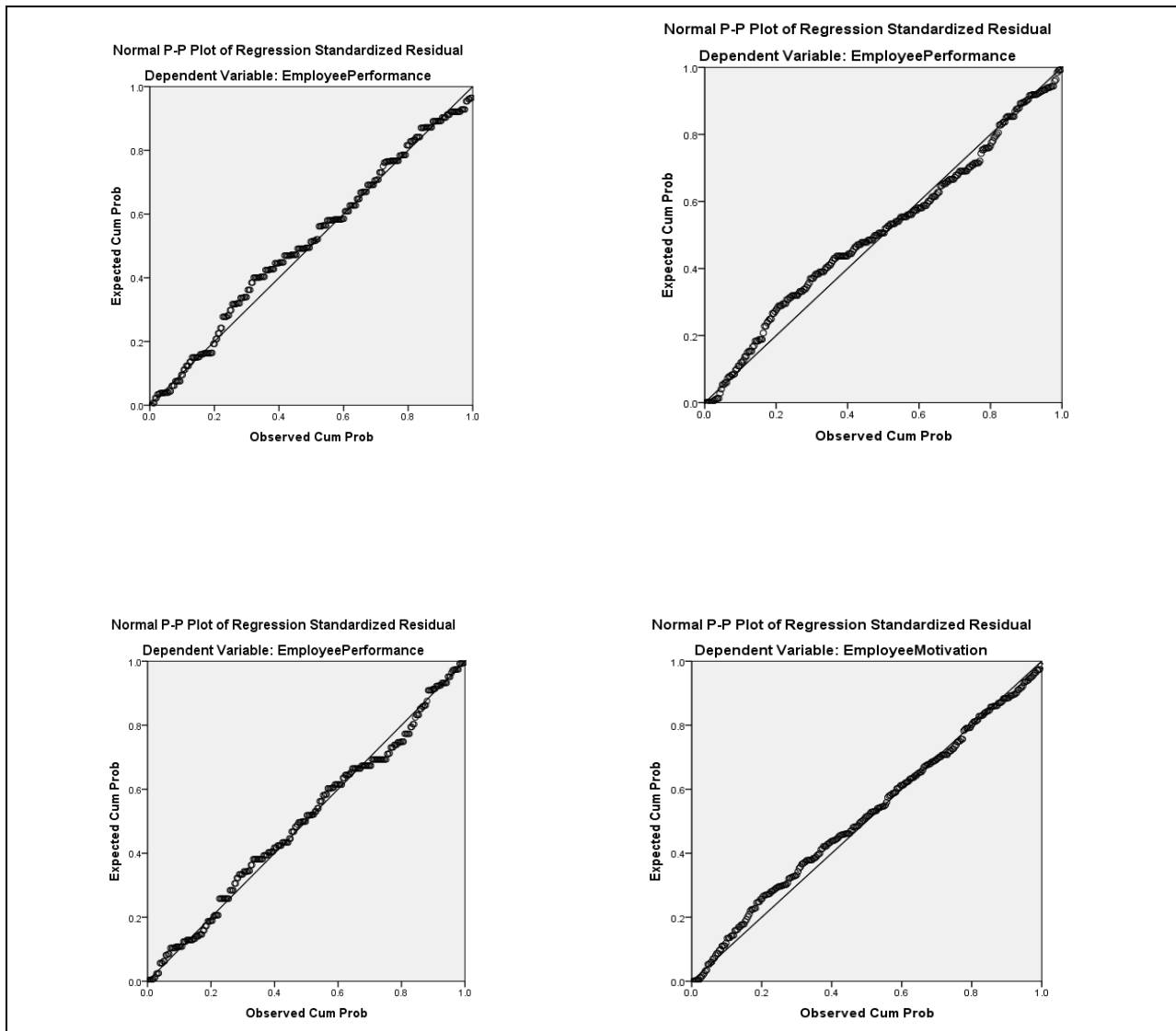
Source: Researcher’s survey data output (2019)

4.5.3 Test of Linearity

The assumption of linearity can be checked by inspecting the Normal Probability Plot (PP) of the Regression Standardized Residual and the Scatter plot. Accordingly, the linearity of the

relationship between the dependent variables and the independent variables was checked using scatter plots of the regression residuals for all models through SPSS software. The scatter plot of residuals (see **Figure 4-7**) showed that the points lie in a reasonably straight line from bottom left to top right. Therefore, we can say that the assumption of linearity was not violated. According to Osborn and Waters (2002) liner relationship is a liner relation of the standardized residuals and standardized predicted values.

Figure 4-7 Normal Point Plot of Standardized Residual



Source: Researcher's survey data output (2019)

4.6 Regression Analyses and Interpretation

After testing all the relevant assumptions of classical linear regression model for the data used, the researcher deployed linear regression to examine the effect of relationship intrinsic reward, extrinsic reward over the dependent variable of employee performance: with the mediation role of employee motivation over the dependent variable.

4.6.1 Regression Analysis of Intrinsic Reward on Employee Performance

Table 12 Model Summary of Intrinsic Reward on Employee Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.518 ^a	.268	.265	.50220

a. Predictors: (Constant), Intrinsic Reward

In the above table revealed that there is a relationship at $R = .518$ between intrinsic reward and employees performance. An examination of the table shows that $R^2 = .268$ which implies that intrinsic reward accounts for 26.8% of variations having a significant effect on the level of employee performance.

Table 13 ANOVA of Intrinsic Reward on Employee Performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	24.939	1	24.939	98.886	.000 ^b
	Residual	68.095	270	.252		
	Total	93.035	271			

a. Dependent Variable: Employee Performance

b. Predictors: (Constant), Intrinsic Reward

The above shows that the F-value is the Mean Square Regression (24.939) divided by the Mean Square Residual (0.252), yielding $F=98.886$. From the results, the model in this table is statistically significant ($Sig = .000$). Therefore, intrinsic reward is a significant predictor of employee performance at $F(3,184) = 98.886$.

Table 14 Coefficients^a Intrinsic Reward on Employee Performance

Model		Un standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.162	.160		13.550	.000
	Intrinsic Reward	.462	.046	.518	9.944	.000

a. Dependent Variable: Employee Performance

The table above revealed the degree of influence of intrinsic reward with employee performance and its level of significance. The statistical results is given as; (Intrinsic Reward=.462, t=9.944, p<0.01). The statistical result implies that intrinsic reward is a statistically significant predictor of employee performance.

Linear Regression Model is given as $Y = a + \beta X$

Where Y = Employee performance

a = constant

βx = Coefficient of X

Therefore, employee performance = 2.162 + 0.462

Based on the results in the Anova table above, the significance level for all items are less than 0.01. Therefore, we accept the alternative hypothesis and reject the null hypothesis. That is, intrinsic reward has positive effect on employee performance

4.6.2 Regression Analysis of Extrinsic Reward on Employee Performance

Table 15 Model Summary of Extrinsic Reward on Employee Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.474 ^a	.225	.222	.51691

a. Predictors: (Constant), Extrinsic Reward

The above table revealed that there is a relationship at R = .474 between extrinsic reward and employee performance. An examination of the table shows that R square = .225 which implies that extrinsic reward accounts for 22.5% of variations having a significant effect on the level of employee performance.

Table 16 ANOVA^a of Extrinsic Reward on Employee Performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	20.891	1	20.891	78.183	.000 ^b
	Residual	72.144	270	.267		
	Total	93.035	271			

a. Dependent Variable: Employee Performance

b. Predictors: (Constant), Extrinsic Reward

The above table shows that the F-value is the Mean Square Regression (20.891) divided by the Mean Square Residual (0.267), yielding $F=78.183$. From the results, the model in this table is statistically significant (Sig =.000). Therefore, extrinsic reward is a significant predictor of employee performance at $F = 78.183$.

Table 17 Coefficients^a of Extrinsic Reward on Employee Performance

Coefficient		Un standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.922	.206		9.348	.000
	Extrinsic	.535	.061	.474	8.842	.000

a. Dependent Variable: Employee Performance

The table above revealed the degree of influence of extrinsic reward with employee performance and its level of significance. The statistical results is given as; (Extrinsic Reward $\beta=.535$, $t= 8.842$, $p<0.01$). The statistical result implies that intrinsic reward is a statistically significant predictor of employee performance.

Linear Regression Model is given as $Y = a + \beta X$

Where Y = Employee performance

a = constant

βx = Coefficient of X

Therefore, employee performance = $1.922+0.535$

Based on the results in the Anova table above, the significance level for all items are less than 0.01. Therefore, we accept the alternative hypothesis and reject the null hypothesis. That is, extrinsic reward has positive effect on employee performance.

4.6.3 Regression Analysis of Intrinsic Reward on Employee motivation

Table 18 Model Summary of Intrinsic Reward on Employee motivation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.492 ^a	.242	.239	.55215

a. Predictors: (Constant), Intrinsic Reward

The above table revealed that there is a relationship at $R = .492$ between intrinsic reward and employee motivation. An examination of the table shows that $R\text{ square} = .242$ which implies that intrinsic reward accounts for 24.2% of variations having a significant effect on the level of employee motivation.

Table 19 ANOVA^a of Intrinsic Reward on Employee motivation

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.247	1	26.247	86.091	.000 ^b
	Residual	82.315	270	.305		
	Total	108.562	271			

a. Dependent Variable: Employee Motivation

b. Predictors: (Constant), Intrinsic Reward

The above table shows that the F-value is the Mean Square Regression (26.247) divided by the Mean Square Residual (0.305), yielding $F=86.091$. From the results, the model in this table is statistically significant ($\text{Sig} = .000$). Therefore, intrinsic reward is a significant predictor of employee motivation at $F = 86.091$

Table 20 Coefficients^a of Intrinsic Reward on Employee motivation

Model		Un standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.291	.175		13.061	.000
	Intrinsic Reward	.474	.051	.492	9.279	.000

a. Dependent Variable: Employee Motivation

The table above revealed the degree of influence of intrinsic reward with employee motivation and its level of significance. The statistical results is given as; (Intrinsic Reward;

$\beta=.474$, $t=9.279$, $p<0.01$). The statistical result implies that intrinsic reward is a statistically significant predictor of employee motivation.

Linear Regression Model is given as $Y = a + \beta X$

Where $Y =$ Employee Motivation

$a =$ constant

$\beta x =$ Coefficient of X

Therefore, employee motivation = $2.291 + 0.474$

Based on the results in the Anova table above, the significance level for all items are less than 0.01. Therefore, we accept the alternative hypothesis and reject the null hypothesis. That is, intrinsic reward has positive effect on employee motivation

4.6.4 Regression Analysis of Extrinsic Reward on Employee motivation

Table 21 Model Summary of Extrinsic Reward on Employee motivation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.507 ^a	.257	.254	.54674

a. Predictors: (Constant), Extrinsic

The above table revealed that there is a relationship at $R = .507$ between extrinsic reward and employee motivation. An examination of the table shows that R square = $.257$ which implies that intrinsic reward accounts for 25.7% of variations having a significant effect on the level of employee motivation.

Table 22 ANOVA^a of Extrinsic Reward on Employee motivation

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.851	1	27.851	93.169	.000 ^b
	Residual	80.711	270	.299		
	Total	108.562	271			

a. Dependent Variable: Employee Motivation

b. Predictors: (Constant), Extrinsic Reward

The above table shows that the F-value is the Mean Square Regression (27.857) divided by the Mean Square Residual (0.299), yielding $F=93.169$. From the results, the model in this table is

statistically significant (Sig =.000). Therefore, extrinsic reward is a significant predictor of employee motivation at $F = 93.169$

Table 23 Coefficients^a of Extrinsic Reward on Employee motivation

Model		Un standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.814	.217		8.340	.000
	Extrinsic	.618	.064	.507	9.652	.000

a. Dependent Variable: Employee Motivation

The table above revealed the degree of influence of extrinsic reward with employee motivation and its level of significance. The statistical results is given as; (extrinsic Reward; $\beta=.507$, $t=9.652$, $p<0.01$). The statistical result implies that extrinsic reward is a statistically significant predictor of employee motivation.

Linear Regression Model is given as $Y = a + \beta X$

Where $Y =$ Employee Motivation

$a =$ constant

$\beta x =$ Coefficient of X

Therefore, employee motivation = $1.814 + 0.618$

Based on the results in the Anova table above, the significance level for all items are less than 0.01. Therefore, we accept the alternative hypothesis and reject the null hypothesis. That is, extrinsic reward has positive effect on employee motivation.

4.6.5 Regression Analysis of Employee motivation on Employee Performance

Table 24 Model Summary of Employee motivation on Employee Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.715 ^a	.511	.509	.41045

a. Predictors: (Constant), Employee Motivation

The above table revealed that there is a relationship at $R = .715$ between employee motivation and employee performance. An examination of the table shows that R square = .511 which

implies that employee motivation accounts for 51.1% of variations having a significant effect on the level of employee performance.

Table 25 ANOVA^a of Employee motivation on Employee Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	47.547	1	47.547	282.227	.000 ^b
	Residual	45.487	270	.168		
	Total	93.035	271			

a. Dependent Variable: Employee Performance

b. Predictors: (Constant), Employee Motivation

The above table shows that the F-value is the Mean Square Regression (47.547) divided by the Mean Square Residual (0.168), yielding $F=282.227$. From the results, the model in this table is statistically significant (Sig =.000). Therefore, employee motivation is a significant predictor of employee performance at $F= 282.227$

Table 26 Coefficients^a of Employee motivation on Employee Performance

Model		Un standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.146	.155		7.382	.000
	Employee Motivation	.662	.039	.715	16.800	.000

a. Dependent Variable: Employee Performance

The table above revealed the degree of influence of employee motivation with employee performance and its level of significance. The statistical results is given as; (employee motivation; $\beta=.662$, $t=16.80$, $p<0.01$). The statistical result implies that employee motivation is a statistically significant predictor of employee performance.

Linear Regression Model is given as $Y = a+\beta X$

Where Y = Employee performance

a = constant

βx = Coefficient of X

Therefore, employee performance = $1.146+0.662$

Based on the results in the Anova table above, the significance level for all items are less than 0.01. Therefore, we accept the alternative hypothesis and reject the null hypothesis. That is, Employees motivation has no positive effect on employee performance

4.6.6 Mediating Role of Motivation

To test for the mediation effect of motivation, in the association of the independent dimension Reward with employee performance, another regression was conducted using SPSS Process Version 23 by Andrew F. H

Table 27 Mediation Role of Motivation between Reward and Employee Performance

Model	R	R ²	F-stat	Sig.	β	t -stat	Sig.
Motivation	0.715	0.511	282.227	.000	.715	7.382	.000
Mediator Analysis							
Motivation					.573	11.368	.000
	0.742	0.550	164.304	.000			
Reward					.243	4.815	.000

The above table provides the result for mediator analysis of motivation between total rewards and employee performance. When motivation is checked as an independent variable it is found to have statistically significant impact of 71.5% on employee performance. However, when motivation acts as a mediator its influence become significant ($\beta=0.573$, $p<0.05$) and the influence of total rewards is also decreased ($\beta=0.243$, $p<0.05$) as compared to when it acts as an independent variable. Therefore from the analysis it is concluded that motivation have a partial mediation role between reward and employee performance.

4.7 Hypothesis Testing

- **H1: Intrinsic reward is positively and significantly related with employee performance**

As we see from result of the regression analysis, the relationship between intrinsic reward and employee performance is positive and significant ($\beta = .518$, $p<0.05$). This showed that for every single unit increase in intrinsic reward, there would be .518 %increases on employee

performance in the organization keeping other variables constant. Thus, based on the result the p value is less than 0.05 H1 is accepted.

➤ **H2: Extrinsic reward is positively and significantly related with employee performance**

The study found out that of all the independent variables extrinsic reward has significant influential variables to employee performance in the bank ($\beta = .474$, $p < 0.05$) which is acceptable and significant. That means one unit increases in extrinsic reward then employee performance will be increased by .474 % in keeping other variables constant which accept H2.

➤ **H3: Intrinsic reward is positively and significantly related with employee motivation**

As per the result of the study, H3 is accepted since intrinsic reward has a positively and significantly related with employee motivation which indicate that, as intrinsic reward by 1 unit, employee motivation increases by .492 % with $\beta = .492$ and p value is less than 0.05.

➤ **H4: Extrinsic reward is positively and significantly related with employee motivation**

The result of the study concluded that the independent variables extrinsic reward is positively and significantly related to employee motivation $\beta = .507$, $p < 0.05$. Therefore, there would be .507% increases in employee motivation if a single unit increases in the extrinsic reward while keeping other variables constant. Thus based on the result, it's indicated that the fourth research hypothesis H4 is accepted.

➤ **H5: Employee motivation is positively and significantly related with employee performance**

The relationship of employee motivation and employee performance was found significant as per the regression analysis result in which $\beta = .715$, with sig. value 0.000 which is $p < 0.05$. This result indicates that .715% increases in employee performance if a one unit increases in employee motivation while keeping other variables constant. In this study the research hypothesis H5 is accepted.

4.8 Summary of Hypothesis Testing

The Analysis and hypothesis testing of the study are tested through linear regression and hierarchical multiple regression analysis by taking direct main effect, mediating effect and their statistical significance relation. The results are summarized below:

Table 28 Summary of Analysis result and Hypothesis Testing

Ser No	Hypothesis Statement	Test Result	Decision Rule
H1	Intrinsic reward is positively and significantly related with employee performance	$\beta = .518, p < 0.05$	Accepted
H2	Extrinsic reward is positively and significantly related with employee performance	$\beta = .474, p < 0.05$	Accepted
H3	Intrinsic reward is positively and significantly related with employee motivation	$\beta = .492, p < 0.05$	Accepted
H4	Extrinsic reward is positively and significantly related with employee motivation	$\beta = .507, p < 0.05$	Accepted
H5	Employee motivation is positively and significantly related with employee performance	$\beta = .715, p < 0.05$	Accepted
H6	Employee motivation is positively and significantly mediates reward and employees	$\beta = .573, p < 0.05$	Accepted

CHAPER FIVE

5 SUMMARY OF THE STUDY FINDINGS, CONCLUSION AND RECOMMENDATIONS

This chapter is the final chapter which divided in to three sections. The first section contains summary of the major findings of the study, the next section drawing conclusions from the findings and the last section deals making recommendations to the established finding and conclusions that could be useful and viable for the organization.

5.1 SUMMARY OF THE STUDY FINDINGS

The objective of this study was to assess the effectiveness of reward management system on the performance of employees through the mediating variable of motivation in the case of Ethio Telecom Addis Ababa.

The following six research questions guided this study:

- What types of reward systems currently practiced in Ethio Telecom?
- What motivate employees of Ethio Telecom?
- To what extent are the effects of extrinsic rewards on employee's performance in Ethio Telecom?
- To what extent are the effects of intrinsic Rewards on employee's performance in Ethio Telecom?
- Which reward system (Intrinsic/Extrinsic) does the employees of Ethio Telecom perceive the most motivating?
- What is the overall effect of reward system on employee's performance in Ethio Telecom?

Based on the objective of the study, research questions and hypotheses, the questionnaire (survey instruments) for measuring the research variables were selected and organized.

Out of 321 questionnaires distributed, 272 (84.7%) valid questionnaires were collected and used for the analysis. The collected data was analyzed using statistical package for social science software (SPSS). Regression analyses were employed for testing the hypotheses linear regression and hierarchical multiple regression analysis was applied.

Prior to applying regression analysis, multicollinearity, normality, linearity and correlation analysis were performed. With regard to the reliability, the results showed that all measures used in this study had an acceptable level of reliability. Descriptive statistics like frequency, percentage mean and standard deviation were employed to analyze background information of respondent.

Based on the descriptive statistical analysis of the respondents' information the result of the study indicates that the gender distribution majority of the respondents were male that is 61% of the total respondents, out of the total respondents 29.8% of respondents are between 26-35, according to educational background 75.4% of the respondents were having BA/BSC, majority of the respondents 43% have above 11 years work experience at ethio telecom and regarding to monthly income majority of the respondents about 38.6% earn 8000-15,000 birr per month.

Before the regression analysis Results from Pearson's Product Moment Correlation Coefficient and as per Bartz (1999) interpretation of r value were used to discuss the relationship independent, mediating and dependent variable tested.

The relationship between dependent variable (employee performance) and an independent variables base pay/salary, recognition, promotion, career development and working conditions shows that there is statistically significant relationship exist between all variables of rewards and employee performance.

Also the correlation between dependent variable of motivation and independent variable of base pay/salary, recognition, promotion, career development and working conditions also tested and there exist significant relationship among each variable.

The last correlation were between dependent variable of employee performance and mediating variable of motivation and it showed that there is a strong correlation between employee performance and motivation.

Findings based on hypothesis one: Intrinsic reward has a positive and significant effect on employee performance. The standardized regression coefficient for this hypothesis is equal to 0.518 that is more than the related. It can be concluded that this hypothesis is accepted with 95%

confidence. In other words, intrinsic reward has a positive and significant effect on employee performance with 95% confidence.

Findings based on hypothesis two: Extrinsic reward has a positive and significant effect on employee performance. The standardized regression coefficient for this hypothesis is equal to 0.474 that is more than the related. It can be concluded that this hypothesis is accepted with 95% confidence. In other words, extrinsic reward has a positive and significant effect on employee performance with 95% confidence.

Similar findings are argued by Yousaf et al., (2014) that basic pay, variable pay and other monetary benefits all contribute towards enhancing employee performance.

Findings based on hypothesis three: Intrinsic reward has a positive and significant effect on employee motivation. The standardized regression coefficient for this hypothesis is equal to 0.492 that is more than the related. It can be concluded that this hypothesis is accepted with 95% confidence. In other words, intrinsic reward has a positive and significant effect on employee motivation with 95% confidence.

According to Tippet and Kluvers (2009) there exists a positive relation between the intrinsic rewards and the employee's motivation

Findings based on hypothesis four: Extrinsic reward has a positive and significant effect on employee motivation. The standardized regression coefficient for this hypothesis is equal to 0.507 that is more than the related. It can be concluded that this hypothesis is accepted with 95% confidence. In other words, extrinsic reward has a positive and significant effect on employee motivation with 95% confidence.

Findings based on hypothesis five: Employee motivation has a positive and significant effect on employee performance. The standardized regression coefficient for this hypothesis is equal to 0.715 that is more than the related. It can be concluded that this hypothesis is accepted with 95% confidence. In other words, employee motivation has a positive and significant effect on employee performance with 95% confidence.

Findings based on hypothesis six: Employee motivation significantly mediates between reward and employee performance: Employee motivation has a positive and significant effect between reward and employee performance. The standardized regression coefficient for this hypothesis is equal to 0.573 that is more than the related. It can be concluded that this hypothesis is accepted with 95% confidence.

5.2 CONCLUSION

The main objective of the research was to assess the effects of reward management system on the performance of employees through a mediating role of the employee motivation.

The study finds out that there exists a positive relationship between the reward and the employee performance. Furthermore, it is also found that both types of the rewards (intrinsic and extrinsic) have significant relationship with employee's performance. Thus the study points out that intrinsic reward are more significant to increase employee's performance than extrinsic reward.

The employee's motivation which is a mediator helps to multiply the employee's performance. In addition to this, the study points out that extrinsic reward are more significant than intrinsic reward. Thus, employees can be motivated to perform well if both types of rewards are provided.

In brief, this study has demonstrated that intrinsic rewards (recognition and appreciation) and extrinsic rewards (salary, working condition and promotion) effect on employee performance in Ethio Telecom. All this either equips the employee with the skills and motivation needed for excellent performance or creates conducive environment for them to work.

5.3 RECOMMENDATION

Taking into account the findings of this study, the researcher need to recommend the following points in relation to the effect of reward system on employee's performance at Ethio Telecom

- The finding of the study shows that employees of ethio telecom are more concerned with intrinsic rewards in order to increase their performance the company should add rewards such as recognizing high achievers and excellent performers of the company and giving them promotion on merit, providing employees with a good working environment, offering employees training programs to its employees as well as giving them opportunities for career advancement and rewarding responsibilities.
- Managers must ensure employees are adequately motivated. Employee well-being should be given due consideration and health and well-being programs should be organized to provide for the needs and welfare of employees.

- Management should encourage interpersonal relations amongst co-workers and their managers to promote a sense of belonging and unity amongst staff. Also managers should ensure employees are involved in decision making processes and given a chance to air their views.

- Management must also strive to ensure that all employees engage in training programs to acquire new skills and also have equal opportunity to utilize their skills and competencies. Management should make sure that career development opportunities are clearly communicated to employees.

- Managers of Ethio telecom should ensure that performance management provides adequate information about strength and weaknesses of employees in form of feedback from employee evaluations.

- Furthermore adequate reward packages in form of intrinsic or extrinsic rewards are needed in order to ensure that employees stay productive. Management should ensure that rewards and benefits are equally, justly and competitively distributed to employees. In general the current market is full of competition this study recommends that management should make policies that aids in ensuring that employees are adequately extrinsically motivated to remain intrinsically motivated on their job. This will in turn increase or improve employee morale resulting in a competitive edge through higher commitment levels, employee engagement, lower turnover and improved performance and productivity levels.

For future Research: the researcher also has recommended that the present study employee performance is taken as a holistic concept and future researchers can focus on task and contextual performances separately to find the influence total rewards can play towards performance. The scope of the study can be enhanced by adding more sectors.

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APPENDIX

Appendix I- Questionnaire to be filled by employees of Ethio Telecom

ST. MARYS UNIVERSITY
SCHOOL OF GRADUATES STUDIES
MBA IN GENERAL MANAGEMENT

Dear sir/madam;

The questionnaire is designed to the study entitled ‘‘Effect of Reward Management System on the Performance of Employees through the Mediating Role of Motivation at Ethio Telecom’’ for partial fulfillment of Master of Business Administration (MBA). Knowing that the data obtained will be used for academic purpose you are kindly requested to reflect your genuine opinion. I want to assure you that your responses are kept confidential and the output is aggregate terms, where anonymity of respondent is maintained. For this purpose there is no need to write your name or put any identifying remarks in the questionnaire.

Hence, I request your sincere corporation for the successful undertaking of the study and your valuable response is highly appreciated.

For any queries, please feel free to contact me

Email: - ruthtegene2014@gmail.com

Thank you in advance for your understanding and cooperation!

Sincerely,

Part I: Demographic characteristics

Gender:

Male Female

Age

18-25 years 26-30 years 31-35 years 36-45 years 45 years and above

Current Educational Level

Diploma Below Diploma Masters and above
Certificate Degree

Work Experience in Ethio Telecom

1-5 6-10 11 and above

Salary Range

1000-3500

8001-15,000

3501-5000

15,001-20,000

5001-8000

20,000 and above

PART II: Research Related Questions

Please look at the following statements and show the extent of agreement by putting “√” in relation to question below. If the item strongly matches with your response choose 5 (strongly agree), if you moderately agree on the idea choose 4 (agree), if you can’t decide on the point choose 3 (Neither Agree nor Dis-agree), if you don’t agree with the idea choose 2 (disagree) and if you completely disagree with the point choose 1 (strongly disagree).

Measures of Independent Variables- Extrinsic Reward		Rating Scale				
	Base pay/salary	1	2	3	4	5
1	My salary is sufficient in relation to what I perform					
2	I am satisfied with the quality/quantity of the rewards					
3	My salary is enough to satisfy my needs					
4	Salary adjustment/increment is made within reasonable/logical time period.					
5	In comparison to other companies, the current pay in the organization is fair					
Working Condition						
1	The company ensures appropriate social security for employees					
2	There is good relationship with colleagues					
3	The existence of safe working conditions has encouraged me to give sustained high performance at work.					
4	My working hours is reasonable.					
5	The office layout is convenient to do my job					

Promotion						
1	Staffs are promoted in a fair and transparent way					
2	Promotion is very important to improve my work motivation					
3	I have equal opportunities of getting promotion with other colleagues with similar qualification					
4	Promotions are openly communicated to employees					
5	When Vacancies are available, opportunities are first given to qualified employees who are working in the organization					
Measures of Independent Variables- Intrinsic Reward						
Recognition/ Appreciation						
1	I am given a written appreciation letter for my good work					
2	I receive feedback on my making progress					
3	My supervisor adequately appreciates my effort at work					
4	Proper recognition of high performers will encourage low Performers to work hard.					
5	The existence of promotion has effect on the level of Performance of my work					
Career development Opportunities						
1	There is a carried development opportunities within the organization					
2	Job specific training is provided to enable employees advanced their career					
3	The company fosters opportunities for employees to use their skills and abilities at work					
Measures of Dependent Variables						

Employee Performance						
1	The company's total reward package is capable to retain best performers					
2	I enjoy my task and the division of working approach					
3	I am given an opportunity to improve my performance through learning more skills					
4	I feel my performance contributes for the growth of my organization					
5	From your experience, performance increase as rewards increase?					
6	I perform my job on time					
7	Overall financial (Extrinsic) rewards encourages me to improve performance					
Measures of Mediating Variables						
Employee Motivation						
1	I believe the level of motivation in my performance has impact on my absenteeism level					
2	I believe the level of motivation in my performance has impact on my productivity level					
3	Reward motivates me to increase my performance.					
Job Satisfaction						
1	I am satisfied with the level of communication between the employees and management					
2	I feel I belong to Ethio Telecom					

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Appendix I- Preliminary Interview

1. Do you have reward system in Ethio Telecom

Yes

No

2. What are the reward system currently practice in Ethio Telecom?

3. Are the employees of Ethio Telecom satisfied with the current reward practice?
