St. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES

IMPACT OF PERFORMANCE BASED BONUSES ON EMPLOYEE JOB SATISFACTION THE CASE OF ETHIOPIA INDUSTRY INPUTS DEVELOPMENT ENTERPRISE

BY: BIRUK YIMER

ID: SGS/0120/2016A

A THESIS PRESENTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION (MBA)

ADDIS ABABA, ETHIOPIA

MAY, 2025

St. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES

IMPACT OF PERFORMANCE BASED BONUSES ON EMPLOYEE JOB SATISFACTION THE CASE OF ETHIOPIA INDUSTRY INPUTS DEVELOPMENT ENTERPRISE

ADDIS ABABA, ETHIOPIA

BY: BIRUK YIMER

A THESIS PRESENTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION (MBA)

Advisor

TESFAYE TILAHUN (PhD)

ADDIS ABABA, ETHIOPIA

MAY, 2025

St. Mary's University School of Graduate Studies

This is to certify that the thesis prepared by Biruk Yimer Kebede, entitled "Impact of performance based bonuses on employee job satisfaction: A case of Ethiopian industry inputs development enterprise", which is submitted in partial fulfillment of the requirements for the Degree of Masters of business administration (MBA), complies with the regulations of the University and meets the accepted standards with respect to standards to originality and quality.

Approved by Board of Examiners

Chair Person, Graduate Studies **Signature**

_________________ _______________

Advisor **Signature**

____________________ _______________

Internal Examiner **Signature**

Alazar Amare(PHD) 30/07/2025

External Examiner **Signature**

Busha Temesgen (PhD) 01/08/25

Certification

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a University advisor.

Advisor’s name ________________________________ Signature _______________

St. Mary's University, Addis Ababa MAY, 2025

Declaration

I, Biruk Yimer Kebede, declare that the research project entitled “Impact of performance based bonuses on Employee Job Satisfaction' the case of Ethiopia industry inputs development enterprise is my original work that is done under the guidance and advice of Tesfaye Tilahun (PhD). This research project is done as partial fulfillment for masters of business administration (MBA). This research has not been done before and all sources of materials used for the study have been appropriately acknowledged.

____

BIRUK YIMER KEBEDE

Acknowledgment

First and foremost, I would like to express my profound gratitude to my advisor, Tesfaye Tilahun (PhD), for his unwavering support, professional guidance, and insightful feedback throughout the development of this thesis. I have gained significant knowledge and experience in conducting academic research, for which I am truly thankful. My sincere appreciation also goes to the management and employees of Ethiopia industry inputs development enterprise for their generous cooperation and willingness to provide all the necessary data and support required for the successful completion of this study. I would also like to thank all the respondents who took the time to complete the questionnaires.

I am deeply grateful to St. Mary's University for granting me the opportunity to conduct this research. This experience has enriched my academic journey, strengthened my research skills, and increased my understanding of the practical aspects of my field of study. Finally, I wish to thank my course mates for their support, and encouragement. Your collaboration and shared insights made the research process more manageable and enjoyable.

Table of Contents

List of Tables

List of Figures

List of Acronyms

EIIDE	Ethiopian Industry Inputs Development Enterprise
SPSS	Statistical Package for the Social Sciences
ANOVA	Analysis of Variance
SDT	Self-Determination Theory
SET	Social Exchange Theory
HR	Human Resource
PBB	Performance Based Bonuses

Abstract

This research investigates the impact of performance based bonus systems on employee job satisfaction at Ethiopian Industry Inputs Development Enterprise (EIIDE). Guided by four specific objectives, the research assessed employees' awareness and perceptions of fairness in the bonus system, its influence on motivation, its effect on retention and commitment, and its overall contribution to job satisfaction. A quantitative design was employed using structured questionnaires distributed to 209 employees selected through stratified sampling, and the data were analyzed using descriptive statistics, correlation, and multiple linear regression. The findings revealed high awareness of the bonus system but low satisfaction with bonus amounts and fairness. Motivation and retention were only moderately influenced, while job satisfaction was more strongly associated with intrinsic factors. Regression results showed that awareness and fairness and retention significantly affected job satisfaction, while motivation was not statistically significant. Demographic analysis indicated that gender and education level significantly influenced job satisfaction, whereas age and length of service did not. The study concludes that performance-based bonuses affect satisfaction mainly when perceived as fair and aligned with organizational commitment, and recommends improving clarity, equity, and regular evaluation of the system.

Keywords: *performance based bonus, job satisfaction, motivation, fairness, retention, employee perception.*

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Reward management has become increasingly important especially in the present dynamic and competitive business world. This is because it enables firms to employ and retain workers and also improve organizational efficiency(Dalvi, 2013). Pay for performance schemes and policies connecting worker remuneration with in job performance have been common across the globe for decades as a means of providing incentives and incentives for the attainment of specific production objectives or targets (Julie A Marsh & Scott Epstein Julia Koppich, 2011). Ever since Frederic W.Taylor's contributions and in the 20th century, there has been a dominant paradigm widely applied in the framework of organizations and one based on the merits of compensation as an incentive. The paradigm regards compensation as an incentive force in the workplace and has been argued for by company human resources management policies and even those of public administrations. It has been shaped by the dominant organizational psychology theories, economics, and management theories into a paradigm of motivation through incentive, which is heavily propagating the overall hypothesis that contingent pay spurs employees to perform at their best(Gerhart, 2015).

In accordance with (Weibel, 2010) bonus as a form of employee compensation plays an important function in compensating and encouraging employees for their work and input. Bonus has the potential to motivate an employee to exceed your expectations resulting in better productivity and job satisfaction. But organizations should think carefully about their approach to designing and implementing bonus plans to ensure that the plans are fair, transparent and aligned with the values and goals of the organization.

As (Bahre, 2018) states that whether an organization will succeed or fail in a market largely depends on how well they leverage their competitive advantages which they have stated in their strategy. Although the majority of such organizations state that their employees are their 'valuable' assets, they do not leverage their human resources as one of their competitive advantages in the market. This is because of the inability to convert their human resource talent into a key competitive advantage. Of the several reasons for such inability, the implementation and management of the performance of the employees plays the crucial role.

1.2. Background of the Organization

The Ethiopian Industrial Inputs Development Enterprise (EIIDE) is a state owned organization that was established to provide industrial inputs to the manufacturing industry in Ethiopia. The enterprise has been in existence for decades and has been restructured many times depending on the changing economic policies and industrial requirements.

EIIDE traces its origins back from 1928 E.C., when it was initially established as a business organization involved in the import-export, wholesale, and retail trade of industrial products. The business during this period was a significant catalyst of trade and supply of essential commodities to the local market. But following the regime change of 1967 E.C., the organization was restructured for the first time to align itself with the new government's economic policies. Then in 1983 E.C., it was restructured under the name Ethiopian Import Export Corporation, with the focus on large-scale import and export business. Two years on, in 1985 E.C., the enterprise was yet again restructured and renamed Merchandise Wholesale and Import Trade Enterprise (MWITE). This transformation aimed to make wholesale and import trade business more rationalized, with the company establishing itself as a conduit in the industrial and consumer goods supply chain in Ethiopia.

Recognizing the growing need for a specialized agency to oversee shortages in industrial input, the Ethiopian government decided to restructure MWITE. To that effect, in 2015, EIIDE was duly instituted by Proclamation No. 328/2014 into effect by the House of People's Representatives. By this act, MWITE was dissolved, and its mandate transferred to EIIDE with the added focus of supporting the nation's manufacturing industry.

The key objective in the formation of EIIDE was to alleviate the shortage of necessary industrial inputs required by principal manufacturing industries, including: Agro-processing industries, Textile and garment industries Leather, hide, and skin manufacturing industries.

1.3. Statement of the Problem

Performance linked rewards are widely used for increasing workers' job satisfaction and motivation; however, their effectiveness is disputed from various theoretical perspectives. According to (Cropanzano, 2005) expectancy theory, employees are satisfied as long as they perceive a clear link between effort, performance, and reward. Similarly, (Al-Madi, 2012) equity theory suggests that perceived fairness in the allocation of rewards is responsible for job satisfaction, since unequal rewards may lead to dissatisfaction. (Idris, 2013) two-factor theory argues that while bonuses may be motivators, they cannot really enhance job satisfaction if perceived as just hygiene factors. Moreover, (Deci, 2000) self-determination theory warns that external rewards such as bonuses can decrease intrinsic motivation by lowering employees' sense of autonomy. Finally, agency theory (Harahap, 2023) argues that although properly structured performance incentives can align employee and employer interests, poorly structured bonus schemes can result in conflict and counterproductive behavior. Given these conflicting bites, more research is required to explore how performance based bonuses impact job satisfaction in different organizational contexts.

While much research examines the relationship between performance based bonuses and employees' job satisfaction, there is some empirical gap in research that focuses on the historically sustained effects and contextualized aspects of these incentives. For example, some scholars argue for performance based pay's motivational benefits (Gerhart, 2015), but other researchers suggest these high powered incentives might have an adverse effect on intrinsic motivation (Deci, 2000). Similarly, there should be recognition that most of the literature simply explored these ideas in Western contexts (Weibel, 2010), and therefore, provides limited insight into cultural and industry oriented factors that matter when establishing the effectiveness of performance bonuses to spur intrinsic motivation in different countries and industries. Last, there is also limited understanding of perceived fairness and transparent distributions of performance bonuses and subsequent effects on outcomes, as some research has noted that when individuals perceive their compensation to be unfair, their job satisfaction may be negatively impacted (Bloom, 2002). The empirical gap specified above, and our empirical understanding of the complex engagement effects of performance-based bonuses on employee wellbeing and organizational commitment could be enhanced through the bridging of these gaps.

In EIIDE, the performance based bonuses which ties bonuses to the employees' individual achievements and contribution, presents a variety of job satisfaction challenges. A problem in this regard is that the basis of evaluation might not always be apparent or equitable, which creates an impression of favoritism or discrimination. Also, if the system does not allow variations in job functions, workload, or departmental performance, workers may feel that their work is not properly rewarded. Another concern is that lower-paid workers may even receive disproportionately smaller bonuses, which may not be a big enough incentive to increase motivation. Poor performance review system will lower general job satisfaction and cause disengagement among employees. A well-structured performance appraisal model is essential to ensuring that the bonus system maintains its effectiveness in motivating employees and meeting their expectations for justice and compensation.

1.4. Objectives of the Study

1.4.1. General Objective

The general objective of this study is to investigate the impact of performance based bonuses on employee job satisfaction at Ethiopian Industry Inputs Development Enterprise (EIIDE).

1.4.2. Specific Objectives

1. To assess the awareness, clarity and fairness of the performance based bonus system at EIIDE.
2. To analyze the extent to which the bonus system motivates employees at EIIDE.
3. To evaluate whether the performance based bonus system supports employee retention and organizational commitment.
4. To investigate the effect of performance based bonuses on employee job satisfaction at EIIDE.

1.5. Research Questions

1. How aware are employees of the performance based bonus system, its criteria and Perceived fairness at EIIDE?
2. How the performance based bonus system influence employee motivation at EIIDE?
3. To what extent does the bonus system contribute to employee retention and commitment?
4. What is the relationship between performances based bonuses and employee job satisfaction at EIIDE?

1.6. Significance of the Study

This study is significant to different stakeholders. To the organization, EIIDE, the study provides insights on the impact of performance based bonuses on employee satisfaction, motivation, and retention that enable management to enhance reward systems for increased organizational performance. For employees, the study identifies the potential benefits and problems of the current bonus scheme, enhancing a better understanding of how their performance connects to reward and overall business prosperity. Customers indirectly gain through a happy and motivated workforce that translates into greater quality and efficiency of service in retail and wholesale businesses. For me as a researcher, this study enhances my understanding of performance-based bonus schemes within the Ethiopian context, contributing to my academic growth and providing practical knowledge that can inform managerial practice in similar organizations.

1.7. Scope of the Research

This study is interested in examining the impact of performance based bonuses on employee job satisfaction in the Ethiopian Industry Inputs Development Enterprise (EIIDE), at the company's headquarters. The research examine the relationship between performance based bonuses and employee satisfaction, motivation, and retention. The study covers information and practices up to the Ethiopian fiscal year 2017 E.C., thus making it current for the organization's recent operations. The research adopts a quantitative approach, with focused questionnaires applied to collect information exclusively from workers stationed at the EIIDE headquarters. The targeted approach provides an unambiguous and precise view of how the bonus system influences employees' attitudes and conduct in the main operations of the organization.

1.8. Limitations of the Study

This study has some limitations. To begin with, the limited availability of previous studies on performance-based bonuses in the Ethiopian wholesale and retail market is an issue since available literature is concentrated elsewhere or in other sectors. The unavailability of similar studies may restrict the theoretical and empirical foundation of the study. Secondly, my own limited exposure to carrying out large scale quantitative research will impact the depth of analysis, though I have used established methodology to be objective. To overcome these boundaries, I have drawn on local and international literature from similar backgrounds to substitute for gaps within the limited sector-based pieces of literature. Thirdly, I have made use of academic guides and peers in ensuring the research findings' methodological integrity and consistency.

1.9. Organization of the Study

The study consists of five chapters. Chapter one gives the research topic and the rationale for why it was necessary to evaluate the performance based bonus scheme in EIIDE and its implications on the job satisfaction, motivation, and employee retention. It sets the research objectives, research questions, significance of study, scope, and limitation. Chapter Two is a literature review in which existing studies on performance based bonuses, their purpose, and process are examined. It also analyzes theories of motivation and how they are applied in human resource management, more particularly in performance management systems. Scholarly literature that links these topics to the research focus is also examined.

Chapter Three describes the research approach, population, and sampling techniques, research tools, data collection strategy, and the processes of data analysis. Chapter Four presents the findings from the analysis of the data collected and then the findings are elaborated. Chapter Five concludes the study in the sense of the overall conclusions according to the study and provides recommendations for improving EIIDE's performance based bonus scheme according to the findings of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Theoretical Review

Social Exchange Theory (SET), as discussed by (Cropanzano, 2005), provides a central model for understanding workplace relations as reciprocity and mutual benefit. The theory posits that individuals respond to social exchange choices through a cost-benefit analysis to shape behavior in organizational settings. (Cropanzano, 2005)recognize the importance of reciprocity norms, including balanced, generalized, and negative reciprocity, that influence the quality of social exchanges between employees and employers. Their study builds on earlier work by Homans (1958), Blau (1964), and Emerson (1976), who had established the conceptualization of social exchanges as reciprocal transactions in terms of the expectation of future paybacks. Within organizations, SET explains significant workplace dynamics such as trust, job satisfaction, and commitment by suggesting that employees reciprocate good treatment and reward with greater effort and loyalty.

Furthermore, (Cropanzano, 2005) emphasize the role of SET in organizational justice and leadership relations, stating that high-quality exchange relationships enhance employees' participation and reduce turnover. They explain how different exchange relationships economic and social shape outcomes on the job, with social exchanges yielding greater levels of emotional attachment and intrinsic motivation. Theoretical literature also reveals limitations, such as challenges to measure subjective rewards and costs of exchange in workplace relations. While SET remains a dominant theory in organizational behavior, recent researchers have extended its scope to include psychological contracts and perceptions of fairness when making decisions. Coupled with new theories of organizations, researchers can now better describe workplace relationships and how they impact productivity as well as the overall well-being of employees (Cropanzano, 2005).

Self-determination theory is a novel approach to employee motivation and job satisfaction, as explained in the paper by (Deci, 2000). The theory states that meeting three fundamental psychological needs autonomy, competence, and relatedness is what drives human motivation in addition to external stimuli like compensation or bonuses extrinsic motivation. By (Deci, 2000) environments that support these intrinsic needs lead to increased levels of participation, well-being, and fulfillment over time. This is in contrast to more established theories of motivation that have emphasized extrinsic motivators like money and bonuses, with the assertion being made that while these do boost performance in the short-term, they are less effective at promoting enduring motivation and higher levels of job satisfaction.

Theoretically, SDT rejects the assumptions of other motivation theories such as Expectancy Theory and Equity Theory, which are based on performance-based incentives as the primary sources of motivation. While Expectancy Theory is focused on effort-performance-reward relationship and Equity Theory on fairness in reward distribution, SDT broadens the scope by emphasizing the quality of motivation discriminating between extrinsic and intrinsic motivation. Ryan and Deci's theory asserts that intrinsically motivated employees, who find enjoyment and fulfillment in their work itself, exhibit higher levels of creativity, problem-solving, and job satisfaction. This view demands the establishment of working conditions conducive to autonomy and self-development rather than the use of extrinsic rewards as a means of motivating performance, a position especially applicable to organizations interested in pursuing long-term motivational approaches. Thus, SDT provides a general conceptualization of how incentives affect motivation and how constructing intrinsic motivation will result in higher and sustained employee satisfaction.

Further, the Self-Determination Theory also focuses on autonomy as a driving force of employees, and the theory proposes that the more people see their behavior as self-authorizing and congruent with their own values, the more intrinsically motivated they will become (Deci, 2000). At the workplace level, this implies the importance of providing workers with more autonomy over how things are done rather than relying on strict systems or external motivators that undermine their autonomy. This concept of autonomy is a reference to Equity Theory research that suggested that employees who had some control over their efforts and felt they were being treated equitably were more job satisfied(Adams, 1965). SDT goes beyond fairness, though, as it suggests that the quality of motivation since it is motivated by intrinsic rather than extrinsic factors is equally important as the external fairness workers feel from their organization. Organizations that value autonomy and intrinsic motivation are not only more likely to have satisfied, engaged employees, but also ones who are more likely to contribute creatively and effectively and ultimately lead to enhanced overall performance and organizational success. This broader consideration of what drives may offer a more enduring method of job satisfaction enhancement than reward programs alone (Deci, 2000).

2.1.1. Definition of Performance Based Bonuses

A performance-based bonus is a financial award that is paid to employees for their achievement of set performance objectives. It is designed to provide coordination between personal and organizational objectives so that employees are motivated to enhance productivity and efficiency (Milkovich, 2019). Performance based bonuses may be structured as individual, team, or organizational performance rewards so that the compensation is proportional to effort and contribution (Gerhart, 2015)Importance of Performance Based Bonuses.

Performance-based rewards are an organizational success factor since they are driving forces that compel employees to perform better in their roles, resulting in improved business performance (Gerhart, 2015). Performance-based incentives increase employee satisfaction, staff retention, and labor motivation through the development of a meritocracy work environment. Moreover, organizations that implement performance-based rewards have increased productivity and innovation as a result of the employees' driving force to achieve and exceed the performance targets (Milkovich, 2019).

(Gerhart, 2015) note that performance-based bonuses may boost intrinsic motivation if done fairly and transparently. Nevertheless, if the design of the bonus is perceived as being inequitable or opaque, it will lead to demotivation and discontent. As such, a sound bonus plan must tread the thin line of extrinsic reward and intrinsic drive to enhance the motivation of the workers (Milkovich, 2019).

Process for Implementing Performance Based Bonuses

There needs to be a clear and transparent process for the success of a performance-based bonus plan. The critical steps include:

1. Identification of Performance Measures: Organizations must have a clear and measurable performance benchmark consistent with business goals (Milkovich, 2019).

2. Evaluation and Monitoring: Regular checks of employee performance prevent bias and create accountability (Gerhart, 2015).

3. Bonus Calculation and Distribution: Bonuses need to be provided based on predetermined criteria to establish fairness and encouragement (Milkovich, 2019).

4. Feedback and Continuous Improvement: Organizations need to accept feedback from employees and enhance the system for effectiveness (Gerhart, 2015).

Dimensions of Performance-Based Bonuses

Performance-Based Bonuses (PBB) are multi-dimensional constructs that go beyond monetary rewards and include employee perceptions, motivation, and organizational alignment. The success of such systems depends on how clearly they are communicated, how fairly they are implemented, and how well they address both extrinsic and intrinsic motivational drivers. This study considers the following four dimensions of PBB:

Awareness and Perceived Fairness

Awareness refers to the extent to which employees understand the criteria, procedures, and expectations surrounding the bonus system. Gerhart and Rynes (2003) emphasize that transparency in performance-related pay systems enhances employees' understanding and trust, which can significantly impact their engagement and job satisfaction.

Perceived fairness involves the employee's judgment of equity in how bonuses are distributed (distributive justice) and the processes through which they are administered (procedural justice). Cropanzano and Mitchell (2005) argue that fairness perceptions are key components of Social Exchange Theory and significantly influence job satisfaction, organizational trust, and citizenship behavior.

Motivation

Motivation is central to the rationale for PBB. According to Deci and Ryan (2000), while performance bonuses can enhance extrinsic motivation, they must be carefully managed to avoid undermining intrinsic motivation. Herzberg (1959) supports this by distinguishing between hygiene factors and true motivators.

Retention and Organizational Commitment

Bonuses can increase employee loyalty and reduce turnover when they are perceived as consistent and merit-based. According to Bedeian (2002), when performance-based incentives align with employee values and organizational goals, they enhance commitment and reduce the likelihood of employee departure. This dimension connects reward systems to long-term organizational success.

2.1.2. Job satisfaction

Job satisfaction is a core organizational behavior theory. It is a critical determinant that will influence the overall well-being of an employee, his or her level of motivation, and job performance in an organization. Various determinants establish the job satisfaction level of an employee, from personal traits, the organizational climate, to the nature of the job itself. This review provides a closer look at the conceptualization of job satisfaction, its importance, determinants and pioneering theories from renowned publications.

The Importance of Job Satisfaction

Job satisfaction is not a feeling but has a direct impact on the productivity of an organization, staff retention, and overall performance. (Judge, 2001) clarifies that job satisfaction is highly related to individual performance as well as organizational performance. Job-satisfied employees tend to contribute positively to their organizations, exhibit high levels of organizational commitment, and stay with their current employers. On the other hand, unhappy employees will be absent, will leave, and will be less productive.

In line with (Herzberg, 1959) job satisfaction comprises both intrinsic and extrinsic facets. Herzberg distinguishes hygiene factors, which eliminate dissatisfaction (e.g. security, pay, working conditions), as well as motivation factors, which create satisfaction (e.g. responsibility, recognition, achievement). His model represents the nature of job satisfaction and presumes that intrinsic factors related to the work and opportunities for individual development are as important as extrinsic factors, such as pay.

Various theoretical models have been developed to account for job satisfaction and its causes. Maslow's Hierarchy of Needs (1943) is one such model, where job satisfaction takes place when the lower-order needs of workers (e.g., economic security, physical safety) are met and then they are in a position to focus on higher-order needs (e.g., interpersonal relationships, self-actualization). As workers' needs move higher on the hierarchy, their total job satisfaction will probably improve if companies can satisfy both their lower- and higher-level needs.

Apart from (Bedeian, 2002) emphasizes the importance of career commitment in predicting job satisfaction. Career-committed workers are likely to be job satisfied because they notice their work being in alignment with their career and personal goals. Career commitment impacts job satisfaction by providing workers with a sense of direction and purpose in the job they do, resulting in more identification with work.

Determinants of Job Satisfaction

There are various determinants of job satisfaction that are intrinsic as well as extrinsic. They might vary for individuals and firms but generally consist of the following:

1. Compensation and Benefits: Compensation is among the key drivers of job satisfaction. According to (Judge, 2001) research, compensation is positively correlated with job satisfaction, although the correlation becomes weaker with increasing incomes. Retirement benefits as well as medical treatment are also drivers of satisfaction since they ensure employees security and make them feel appreciated.

2. Work Environment: The work environment plays an essential role in job satisfaction. Employees who perceive that their workplace is team-based and respectful are likely to show greater job satisfaction. (Bedeian, 2002) points to the role of organizational culture and leadership on the work environment. Job satisfaction is an increase where there is healthy interaction with their superiors and colleagues, and it is a decrease where the work environment is stressful or toxic.

3. Career Development and Job Autonomy: Job autonomy and career development opportunities are significant job satisfaction determinants. (Bedeian, 2002) speculates that workers who feel that they are masters of their job and have well-defined career paths to advance are likely to be job satisfied. Furthermore, providing employees with elbow room for development and improvement also enhances job satisfaction, as it reinforces their sense of accomplishment and self-esteem.

4. Recognition and Achievement: According to (Herzberg, 1959), intrinsic motivators such as recognition and personal achievement contribute significantly to job satisfaction. Where appreciation is given to employees and efforts are valued, their satisfaction level is boosted. This influences employees who value quality work and the capacity to make a good contribution towards work.

Job satisfaction and performance-based reward go hand in hand since job satisfaction workers tend to be most motivated and productive. Herzberg's Two-Factor Theory (Herzberg, 1959) says that intrinsic and extrinsic factors control job satisfaction and monetary reward in the form of bonuses is an extrinsic motivator. Workers will be more effective and committed towards organizational goal attainment when they are content with their workplace, career opportunity, and pay. Similarly, if performance bonuses are linked to the achievement of these objectives, the employees will also feel more successful and satisfied, promoting healthier work habits and better overall performance.

Besides, performance-based rewards also enhance job satisfaction through visible appreciation for their work done. (Judge, 2001) suggests that job satisfaction is related to personal achievement and company success, which can be maintained through performance-based rewards. If workers are made aware of receiving rewards for their hard work in a straight way, then they will get encouraged and will remain loyal to the organization. In the event that these incentives are perceived as unfair or beyond realization, these will have demotivating implications on performance in addition to satisfaction. Thus, for making application of performance bonuses most effectively, organizations must provide for these bonuses in harmony with what workers have anticipated and being connected to something considerable, the incentives bring forth satisfaction along with enhanced performance.

2.2. Empirical Literature Review

According to (Bahre, 2018)study analyzing the performance management system (PMS) and employee motivation within Ethiopian Airlines. In an environment where organizations fight for competitive advantage, the role of the human resource function is crucial, and consequently, performance management is an integral driver for staff motivation and organizational performance. The study examines determinants of an effective PMS like clarity, communication, feedback, inclusiveness, fairness, and reward systems, and assesses their effects on employees' motivation levels. The study aims to provide some insight into the question of whether the existing PMS can effectively assist employees in working at high levels and achieving job satisfaction (Bahre, 2018). The research strategy of the study takes an explanatory research approach with a quantitative approach. Data collection was done through standardized questionnaires that were filled by the employees of different divisions of Ethiopian Airlines. A stratified random sampling technique was applied to have representation from different business units, and analysis of data was based on 371 responses with the help of statistical measures such as mean scores, standard deviation, correlation, and regression analysis, utilizing SPSS software. The study measures the employees' perception of the PMS through six determinant factors and its correlation with levels of motivation (Bahre, 2018).

Findings indicate that workers view aspects such as inclusiveness, communication, fairness, and rewarding performance as being reasonably satisfactory, but feedback mechanisms and clarity of the PMS are less effectively rated. Generally, employees' perception of the PMS is positive since 51.8% of workers supported its effectiveness and 57% of workers indicated motivation in their work. But the link between the PMS and motivation is weak, which means that the PMS enhances motivation but not to a great degree. Demographic variation was also observed to exist in the perception of variation, but not in the level of motivation between groups. Certain recommendations from these findings are proposed. Ethiopian Airlines needs to enhance the feedback and clarity attributes of the PMS so that it becomes more effective. A systematic analysis of the PMS must be conducted to solidify its relationship with employee motivation. Additionally, implementation on a standard basis across the organization must occur to make certain that every employee, regardless of demographic origin, possesses an identical understanding of the PMS and its purposes. Future research could build upon these results by integrating qualitative data to further analyze employee attitudes and experiences with performance management systems (Bahre, 2018).

(Damile, 2023) conducted a study to explore the effect of performance appraisal on employees' job satisfaction at the Ethiopian Insurance Corporation. The study aimed at confirming the relationship between performance appraisal and job satisfaction and, specifically, whether there is an effect of performance appraisal systems on the extent of overall job satisfaction among employees. The study employed an explanatory research design in establishing causality as well as a quantitative data collection and analysis approach. A standardized survey was given to 205 workers, and statistical analyses such as correlation and regression analyses were applied to test the data. The research also explored some performance appraisal dimensions, including clarity of expectations, feedback, rating fairness, and reward system, to determine their relationship with employee satisfaction and motivation in the workplace (Damile, 2023).

Results from the research identified a robust direct relationship between employee job satisfaction and performance appraisal. Regression testing demonstrated that performance appraisal practices accounted for 53.2% variation in employee satisfaction, with another 46.8% covered by other aspects such as workplace environment, rewards, and quality of leadership. However, despite the implications provided by results to the organizations involved, the employee was discontent with the system already in use as it experienced failure in respect of fairness, transparencies, as well as unsatisfactory feedback. Most of the workers were of the view that performance appraisals were not conducted equitably or consistently, leading to a sense of bias and decreased trust in the system. Further, there was no proper disclosure of how the outcomes of the appraisals impacted promotions, pay rises, and career growth opportunities (Damile, 2023).

To correct this, the study recommended enhancing the appraisal process through its objectivity, providing constant feedback, and carrying out performance appraisals according to employee development and career progression. The researcher further suggested that the organizations implement standard appraisal instruments to eliminate subjectivity and ensure consistency in all departments. Also, training programs must be offered to managers and workers so that they can learn more about the appraisal process, boost involvement, and create a culture of continuous improvement of performance. Additionally, the use of a 360-degree feedback system, where employees are rated by subordinates, supervisors, and peers, was recommended as a step to further enhance fairness and credibility of performance measurement (Damile, 2023).

(kebede, 2019) conducted a test of the effect of the reward system on employee performance in the Commercial Bank of Ethiopia. The study aimed at examining the effects of monetary and non-monetary rewards on workers' motivation, job satisfaction, and organizational commitment. Utilizing a descriptive study design, data was collected via primary data utilizing structured questionnaires distributed among workers. Stratified random sampling was used to obtain diverse representation, and statistical techniques such as correlation and regression analyses were utilized to measure the impact of the reward system on employee performance. The findings highlighted that monetary rewards, wages, and bonuses, for example, positively influenced employees' motivation to a large extent, while non-monetary rewards, such as career advancement opportunities and recognition, also played a significant role in the enhancement of employees' performance (kebede, 2019).

The study revealed that despite the positive impact of the reward system, employees expressed concerns regarding its fairness and adequacy. Most of the employees felt that existing reward systems were below par and should be enhanced to maintain motivation and performance. The study, therefore, recommended that the Commercial Bank of Ethiopia enhance its reward system by increasing salaries and bonuses to industry levels, providing better career development opportunities, and developing non-monetary rewards such as employee recognition programs. The study also indicated that the performance appraisal system should be made transparent and inclusive in order for employees to be valued and motivated (kebede, 2019).

The study by (Shamsuddin, 2024) analyzes the relationship between reward management and staff performance, with a focus on job satisfaction in Somalia. The study determines the central position of incentive management in shaping staff motivation and job satisfaction. In view of the peculiar economic and socio-political contexts of Somalia, the study attempts to investigate the impact of monetary and non-monetary rewards on staff performance within organizations. The primary objective is to provide ideas that will help organizations design good reward schemes that enhance employees' job satisfaction and commitment and, ultimately, result in better organizational performance (Shamsuddin, 2024).

The study utilizes a mixed-methods approach, where qualitative and quantitative methods are utilized. A systematic literature review is employed to review earlier research on job satisfaction and reward management, and quantitative methods like experimental research determine the effects of various incentive schemes on the performance of employees. Surveys were used to gather data, which were analyzed with statistical methods, such as correlation analysis, to ascertain the strength of the relationships between reward systems and job satisfaction. The results offer empirical evidence of how remuneration, working conditions, and employee recognition affect job satisfaction in Somalia (Shamsuddin, 2024).

The study finds that reward management significantly influences employee satisfaction and worker performance. Employees who believe their firm's reward scheme is fair and open rate higher job satisfaction and motivation. Remuneration, excellent working conditions, and employee recognition are the top three critical drivers found by the study that boost worker morale and productivity. However, based on the study, inferior incentive structures and inferior transparency will actually negatively impact job satisfaction and yield lesser amounts of motivation and turnover as well (Shamsuddin, 2024). Besides that, findings also suggest that in the long term, long-term job satisfaction could be driven very much by incentives that are not monetary such as career advancement opportunities and workplace job satisfaction.

To improve workers' performance and job satisfaction, the study recommends that Somali organizations implement broad and equitable reward management systems. Some of the significant recommendations include designing clear performance-based incentive schemes, improving working conditions, and balancing financial and non-financial rewards. Policymakers are also urged to develop regulation systems that provide equal pay and equitable workplaces. By addressing these issues, firms in Somalia can improve employees' motivation, reduce turnover, and improve overall organizational effectiveness (Shamsuddin, 2024).

Galang and Villalobos' research investigates the impact of performance based bonuses (PBB) on job satisfaction and work performance in selected institutions in Region 3, Philippines. Using a descriptive research design, the study investigated academic and non-academic staff perceptions through survey, informal interview, and observation. The research validated that while PBB positively impacted employee motivation, academic and non-academic staff varied in perceptions. Non-academic personnel reported higher satisfaction, whereas concerns regarding transparency in performance assessments and potential managerial biases were prevalent (Galang).

Key findings are that employees in general are satisfied with the appraisal process but worry about fairness. The study established a positive relationship between job satisfaction and work performance, justifying the role of incentives in motivation. Shortcomings like the lack of transparency in appraisals and differences in assessment practices were noted. As a response to these issues, the researchers proposed a computerized performance appraisal system in order to achieve an objective and unbiased assessment of employees' contributions to organizational goals (Galang).

To enhance the effectiveness of PBB, the study recommends establishing a transparent performance management system, integrating non-financial incentives, and aligning performance pay structures with organizational and national objectives. The researchers emphasize the need for an equitable reward framework that directly links compensation to performance while addressing perceived biases. Future research should explore additional factors such as adversity quotient to gain a more comprehensive understanding of employees' perceptions of PBB and its

2.3. Conceptual Framework

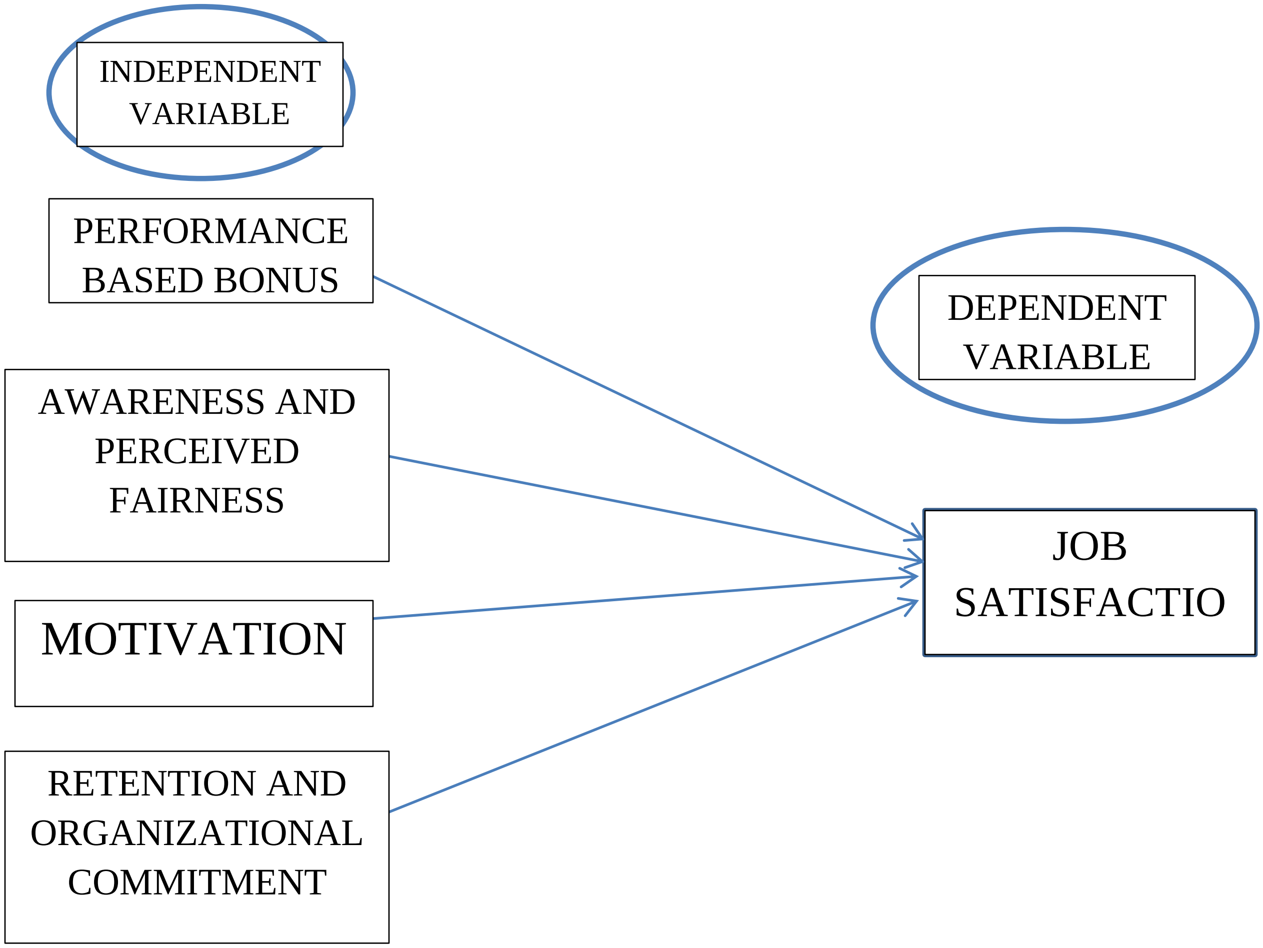

Figure 1 Conceptual Framework

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Research Design

This study adopts a descriptive explanatory research design to assess the impact of performance based bonuses on employee job satisfaction at the Ethiopian Industry Inputs Development Enterprise (EIIDE).

3.2. Research Approach

This study applies a quantitative research approach in an effort to foster objectivity, dependability, and statistical accuracy in measuring performance based bonuses' impact on employees' job satisfaction at the Ethiopian Industry Inputs Development Enterprise (EIIDE). Employing structured questionnaires and quantitative analysis of quantitative data, this research method makes it possible to measure worker perception accurately and determine patterns and relationships. Statistical tools such as correlation and regression analysis will be utilized to determine the strength and significance of relationships between job satisfaction and performance based bonuses to provide data driven information regarding the impact of financial incentives on employee morale and motivation.

The reason for choosing such a method is that it has the potential to provide measurable, comparable, and generalizable results. Systematic, quantitative research enables collection of data from a representative sample in order that findings are portable across the organization. It also enables comparison and analysis over time, allowing EIIDE leadership to make decisions on refining the bonus system to enhance transparency, justice, and general job satisfaction. By employing statistics rather than interpretive observations, this research tries to provide helpful recommendations for improving not only employee engagement but also organizational performance.

3.3. Data Collection Method

This study employs a structured questionnaire as the primary instrument for data collection to gather quantitative data on employees' attitudes towards performance based bonuses and their impact on job satisfaction at the Ethiopian Industry Inputs Development Enterprise (EIIDE). The questionnaire is employed to get clear, consistent, and simple responses while collecting a broad range of factors. Data will be gathered by distributing the questionnaire to a representative sample of EIIDE employees, based on job diversity, experience levels, and department diversity.

3.3.1. Questionnaire Design

The questionnaire format is close-ended, facilitating systematic analysis through statistical means. The Likert scale, which allows for consistent responses and insightful comparison, is used to measure employee perceptions (1 being strongly disagree and 5 being strongly agree). The questionnaire is broken up into five broad sections to guarantee a thorough assessment.

Demographics: This section gathers key details about employees, including age, gender, level of education, job titles, and years of experience. This information helps identify trends across different worker groups.

Performance Based Bonus Perceptions: Here, we explore employees' understanding of the bonus system. It focuses on their views about its fairness and effectiveness and how it influences their motivation to work harder.

Influence of bonuses on Motivation: This part investigates how performance based bonus affect employee motivation then leads to job satisfaction.

Influence of bonuses on retention and organizational commitment: these section analyze how performance based bonuses affect employee retentions and commitment which is the scale for job satisfaction.

Job Satisfaction Levels: This section evaluates the overall satisfaction of employs connected to the performance based bonuses.

This structuring of the questionnaire allows the research to get all the elements of performance based bonuses and employee satisfaction, where a complete and evidence based analysis can be performed.

3.4. Sampling Technique

A probability sampling method is employed in order to ensure that the findings are generalizable to the population of EIIDE employees. Specifically, a stratified random sampling method is used in the identification of the respondents in order to ensure that all of the employees have an equal and independent chance of being included in the study. This serves to assist in the reduction of selection bias and also in ensuring the representativeness of the sample.

3.4.1. Population and Sample Size

The population that will be utilized for this study is workers at different levels of the Ethiopian Industry Inputs Development Enterprise (EIIDE). Since the employee population in the head office is 437, there is a necessity to compute an adequate sample size to increase representation without compromising statistical validity. (Bahre, 2018)uses the following equation to compute the sample size to be utilized:

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

Where:

- $\mathbf{n_0}$ = sample size for population
- **N** = Total population
- **e** = Margin of error (5% or 0.05)

On putting these values provides the required sample size as n = 208.8 approximately 209.

To choose our sample, we will use a simple random sampling technique. Every worker has the same chance to be chosen, which helps keep things fair. This way, the results can be useful for different jobs and departments. In our study, we're looking at a total of 209 people to represent the company. The company has 437 employees: 6 are in top-level management, 17 in medium-level management, and 414 are in regular job roles. We want to mirror these numbers in our 209 person study. To do this, we will calculate how many people are in each group compared to the total and use these figures to decide how many people from each group should be included in our sample. This approach guarantees that each group is properly represented in our study.

Based on this proportional distribution, the final sample consists of approximately 3 top-level managers, 8 medium-level managers, and 198 operational staff. This approach maintains the representativeness of the sample and guarantees that conclusions derived from the study actually reflect the opinions of employees at different job levels.

3.5. Data Analysis Method

3.5.1. Descriptive and Inferential Analysis

Data analysis comprises descriptive and inferential statistics. Descriptive statistics (standard deviation, mean, frequency distribution) summarize respondents' information, while inferential analysis determines the relationship between performance-based bonuses and job satisfaction. Statistical analysis is conducted with the SPSS software package, the most widely used software for analyzing survey data

3.5.2. Model Specification

The multiple linear regression model of the study is based on the theoretical regression model as indicated follows.

$$Y = a + \beta 1X1 + \beta 2X2 + \beta 3X3 + e$$

Where:

Y Employee Job Satisfaction (DV)

$\boldsymbol{a}$ Intercept (constant)

X_1 Awareness and Fairness of the Performance-Based Bonus System

X_2 Employee Motivations

X_3 Retention and Organizational Commitment

$\boldsymbol{\beta 1 - \beta 3}$ Regression coefficients (impact of each predictor)

$\boldsymbol{e}$ Error term

3.6. Validity and Reliability

3.6.1. Validity

To ensure the validity and reliability of the study, validity is quantified using different validation techniques. Validity refers to the degree to which the research tool measures what it is intended to measure. The following validity tests are employed in this study:

Face Validity: This will be obtained by expert review of the questionnaire. HR professionals, academic researchers, and business practitioners will check if the items on the questionnaire appear to be pertinent, clear, and appropriate to assess employee attitudes towards performance-based bonuses and job satisfaction. Their feedback will be used to refine the phrasing and layout of the questions for enhanced clarity and effectiveness.

Content Validity: The questionnaire is constructed following an extensive literature review of performance-based bonuses, job satisfaction, and motivation theories. Expert validation is also sought to ensure that all the dimensions addressed in the study are adequately addressed. We need to make sure the process helps the questionnaire focus on the right areas. This means it should look at all the important aspects of how employees feel and what drives them to work. The goal is to include everything necessary and not miss out on any key points.

3.6.2 Reliability

To establish the reliability of the questionnaire, Cronbach's alpha coefficient is used. An acceptable Cronbach's alpha of 0.7 and more is used, and it indicates an acceptable internal consistency (Bahre, 2018). It ensures that the questionnaire is a consistent measuring tool that yields similar and equal outcomes in items measuring the same construct (Tavakol, 2011).

3.7. Ethical Considerations

This study ensures the rights and well-being of the participants are upheld in the duration of the study. Ethical clearance was obtained before collecting data. Participants were fully informed of the aim, procedure, and their rights in relation to the study using a written consent form. They were not forced but could volunteer to participate and withdraw at any time without consequence. This procedure upholds ethical standards and respects the autonomy of each participant.

For privacy purposes, the responses were anonymous, and no personal information was gathered. The information was solely employed for research and kept safe, and access was restricted to approved researchers. Powerful data security procedures were employed in avoiding abuse and safeguarding participant information security and privacy. With these ethical measures, the research maintained adherence to research ethics and provided a realistic environment for participants.

CHAPTER FOUR

RESULT AND DISCUSSION

This chapter presents the findings of the study that was conducted to assess the impact of performance-based incentives on the satisfaction of employees working at the Ethiopian Industry Inputs Development Enterprise (EIIDE). A structured questionnaire was used for collecting data from a random sample of 209 employees with different job ranks in the organization. The examination has been in terms of understanding findings in line with the research objectives, such as examining employee perceptions of the bonus scheme, its influence on motivation, job satisfaction, and organizational commitment. Descriptive and inferential statistical analysis was used to have a broad understanding of the collected data.

The findings are shown under the general themes of the research: demographic profile of respondents, attitudinal perception of fairness on performance based bonus scheme, employee motivation, retention and commitment, and job satisfaction. Each of these subsections provides tables, mean scores, and standard deviations to accompany the findings, and text descriptions. Inferential statistics such as correlation and regression analyses were also used to test associations among main variables. The outcomes are reported in the context of the questions posed for study and theory established in earlier chapters, to help draw practical lessons and applied consequences towards improving the bonus scheme at EIIDE

4.1. Demographic Characteristics of Respondents

This part presents the demographic profile of EIIDE respondents. It is crucial to know the background of the respondents to better comprehend their perceptions regarding the performance based bonus scheme and its impact on job satisfaction. The demographic factors used for testing are gender, age, education level, and service length. There were 209 valid responses received.

4.1.1. Gender Analysis

The data reflect that the majority of the participants are male (62.7%), while females account for 37.3% of the sample. This gender imbalance may reflect the actual gender composition of the industry or organization as a whole.

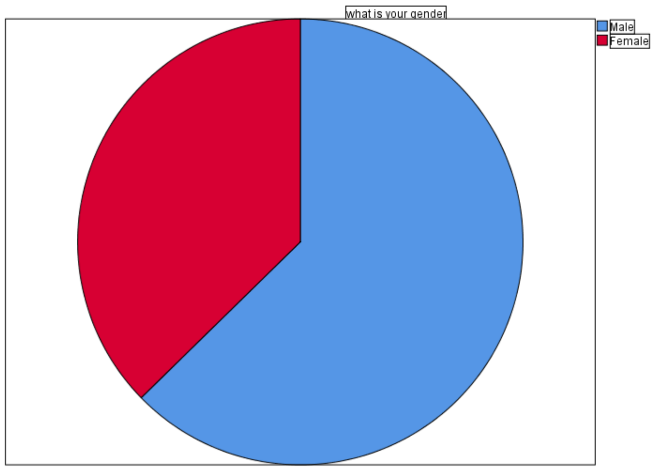

Figure 2 Gender Distribution of EIIDE

4.1.2. Age Analysis

The largest proportion of respondents falls within the 31–40 age group (44.5%), followed by the 20–30 group (23.4%). This shows that nearly 68% of the workforce is in their early or mid-career stages. These employees are likely to be highly responsive to external motivators such as bonuses, as they are typically career-oriented, growth focused, and performance-driven.

Older employees (>50), who account for 10.5% of the sample, may have different expectations regarding job satisfaction often valuing stability and recognition more than performance based monetary rewards. The presence of multiple age groups supports the validity of the study by offering perspectives from diverse career stages.

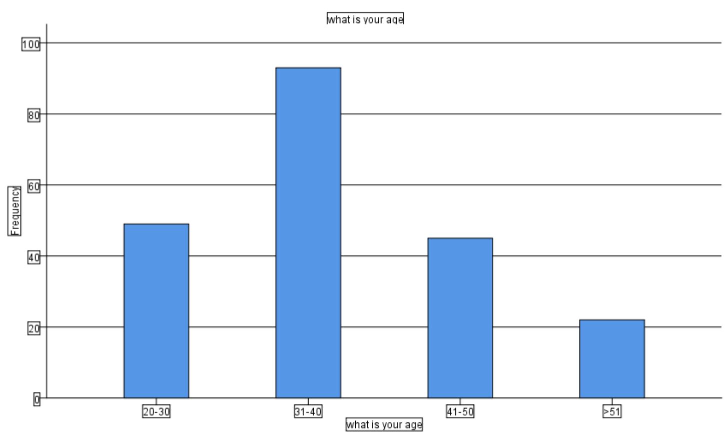

Figure 3 Age Distribution of EIIDE

4.1.3. Education Level Distribution

More than half of the respondents (54.1%) hold a bachelor's degree, while 28.2% has completed master's-level education. This indicates that over 82% of the workforce surveyed is academically well-qualified.

Table 1 Education Level Distribution of EIIDE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	37	17.7	17.7	17.7
	BSC/BA Degree	113	54.1	54.1	71.8
	Maters	59	28.2	28.2	100.0
	Total	209	100.0	100.0	

4.1.4. Length of Service Analysis

The length of service results indicate a seasoned workforce, with 72.7% of respondents having served for more than 5 years. This demonstrates employee longevity and possibly organizational stability. Long-serving employees typically have more experience with the bonus system, performance appraisals, and organizational culture.

Table 2 Length of Service Distribution of EIIDE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<1 years	4	1.9	1.9	1.9
	1-5years	53	25.4	25.4	27.3
	6-10years	79	37.8	37.8	65.1
	>10years	73	34.9	34.9	100.0
	Total	209	100.0	100.0	

4.2. Results of Descriptive Statistics

Research participants were asked to circle how much they agree and disagree with the statements regarding the variables of study of five-point Likert scale (5=strongly agree to 1=strongly disagree).

A mean of 3.0 is reported to measure neutrality on the variables' test, as noted by Walters, et al. (2019). Thus, values above 3 are considered high and values below 3, which is considered low. Additionally, standard deviation was used to report deviation from the mean. Below one standard deviation indicate that the points are near to the mean, but high standard deviation above 1.5 indicates that the data is spread over a large range of values.

4.2.1. Performance-Based Bonuses and Perceived Fairness

The highest mean score in this section was recorded for the statement “I am aware of the performance-based bonus system at EIIDE” with a mean of 3.79 and a standard deviation of 1.007. This indicates that most employees are familiar with the bonus system in place. Similarly, the item “I have received a performance bonus at EIIDE” had a mean of 3.64 (SD = 1.119), showing that the majority of respondents have received bonuses, which suggests that the system is not only known but also actively implemented. These relatively high scores reflect a functional bonus structure with reasonable reach across the workforce.

However, the lowest mean was found for “I was satisfied with the amount of my bonus” (mean = 2.99, SD = 1.203), followed closely by “The bonus distribution process is fair” (mean = 3.01, SD = 1.325). These values indicate neutrality or slight dissatisfaction, suggesting that while the system is operational, it may lack perceived fairness or adequacy in rewarding performance. The mean scores for communication effectiveness (3.15) and transparency of criteria (3.20), both with standard deviations above 1, show moderate agreement but also signal variability in employee experiences. Overall, the results suggest that while the bonus system is widely implemented, its transparency, fairness, and impact on satisfaction require significant improvement to enhance credibility and motivational value.

Table 3 Descriptive statistic of performance based bonus and perceived fairness

	N	Mean	Std. Deviation
I was satisfied with the amount of bonus	209	2.99	1.203
The bonus distribution process is fair	209	3.01	1.325
The performance-based bonus system is communicated effectively	209	3.15	1.127
Bonus allocation is based on clear and transparent criteria	209	3.20	1.172
I have received performance bonus at EIIDE	209	3.64	1.119
I am aware of the performance-based bonus system at EIIDE.	209	3.79	1.007
Valid N (list wise)	209		

4.2.2. Motivation

This section of the study explains to what extent performance-based rewards influence worker inspiration in EIIDE. Four basic statements were assessed to determine the extent to which economic rewards influence individual achievement, perceived value, coordination, and overall motivation to perform.

Table 4 Descriptive Statistics on Motivation

	N	Mean	Std. Deviation
Receiving performance bonuses increase my sense of personal accomplishment in my work	209	3.01	1.107
The bonus system makes me feel my contribution are financially valued	209	3.02	1.044
The bonus system motivates me to collaborate with teammates, not just focus on individual target	209	3.10	1.185
The performance based bonus motivates me to work harder	209	3.35	1.060
Valid N (list wise)	209		

The highest-rated item was “The performance based bonus motivates me to work harder”, with a mean score of 3.35 and a standard deviation of 1.060. This suggests a moderate agreement among respondents that the bonus system encourages greater work effort. The second highest mean, 3.10 (SD = 1.185), corresponds to the perception that the bonus system motivates teamwork, though this indicates only a mild positive sentiment. These results reflect that while the bonus system has some influence on motivation, it is more effective in encouraging individual effort than promoting collaboration or broader engagement.

The lowest mean values were observed for “Receiving bonuses increases my sense of personal accomplishment” (mean = 3.01, SD = 1.107) and “The bonus system makes me feel my contributions are financially valued” (mean = 3.02, SD = 1.044). These neutral responses imply that performance-based bonuses have limited impact on deeper psychological motivation, such as feeling valued or fulfilled. The standard deviations across all items (ranging from 1.044 to 1.185) indicate a wide spread of responses, suggesting that employee opinions vary considerably possibly due to inconsistencies in how the bonus system is communicated or implemented across the organization. Overall, the findings show that while bonuses have some motivational effect, they are not strongly perceived as enhancing intrinsic motivation, and their influence is not uniformly experienced by all employees.

4.2.3. Employee Retention and Organizational Commitment

The highest mean score in this section was found for the statement “I am committed to achieving organizational goals because of the reward structure” (mean = 3.10, SD = 1.150), indicating a slight agreement that performance based bonuses contribute to organizational alignment. Similarly, the statement “I would recommend EIIDE as a great place to work because of its bonus system” had a mean of 3.05 (SD = 1.071), reflecting a neutral to mildly positive sentiment. These scores suggest that while the bonus system may support some degree of organizational commitment, it is not perceived as a strong driver of loyalty or advocacy for the company.

The remaining items “The performance based bonus system encourages me to stay longer” (mean = 3.01, SD = 0.930), “I feel a strong sense of loyalty to EIIDE due to the bonus system” (mean = 3.02, SD = 1.109), and “Performance based bonuses contribute to my willingness to remain longer with the organization” (mean = 3.03, SD = 1.028) all hover around the neutral midpoint. This suggests that most employees do not strongly associate the bonus system with retention or emotional attachment to the organization. The relatively wide range of standard deviations (from 0.930 to 1.150) indicates varied responses, meaning the bonus system's impact on retention and commitment is inconsistent across employees. Overall, the results point to a limited influence of the bonus system on long-term employee loyalty and retention.

Table 5 Descriptive Statistics of Retention and Commitment

	N	Mean	Std. Deviation
The performance based bonus system encourage me to stay longer at EIIDE	209	3.01	.930
I feel strong sense of loyalty to EIIDE due to the bonus system	209	3.02	1.109
Performance based bonus contributes to my willingness to remain with organization longer	209	3.03	1.028
I would recommend EIIDE as great place to work because of its bonus system	209	3.05	1.071
I am committed to achieve organizational goal because of reward structure	209	3.10	1.150
Valid N (list wise)	209		

4.2.4. Employee Job Satisfaction

Among the job satisfaction indicators, the highest score was recorded for “I feel a sense of accomplishment from my work” with a mean of 3.41 and a standard deviation of 1.106. This suggests that employees derive fulfillment primarily from the nature of their work rather than from external rewards. The statement “I am generally happy working at EIIDE” also scored relatively higher (mean = 3.10, SD = 1.181), reflecting a neutral to mildly positive overall work experience.

Table 6 Descriptive Statistics of Employee Job Satisfaction

	N	Mean	Std. Deviation
I am satisfied with the bonus i receive for my performance	209	2.94	1.057
I am satisfied with my current job role at EIIDE	209	3.00	1.187
Performance based bonuses increase my overall job satisfaction	209	3.02	.992
I am generally happy working at EIIDE	209	3.10	1.181
I feel sense of accomplishment from my work	209	3.41	1.106
Valid N (list wise)	209		

In contrast, the item "I am satisfied with the bonus I receive for my performance" received the lowest score in this section (mean = 2.94, SD = 1.057), indicating mild dissatisfaction. The items "I am satisfied with my current job role at EIIDE" (mean = 3.00, SD = 1.187) and "Performance based bonuses increase my overall job satisfaction" (mean = 3.02, SD = 0.992) suggest that bonuses are not a strong factor in shaping employees' satisfaction levels. While the work itself appears to be a meaningful source of fulfillment, the current bonus structure does not significantly enhance job satisfaction.

4.3. Reliability Analysis

According to (Bahre, 2018) Cronbach's alpha of 0.7 and more is used, and it indicates an acceptable internal consistency.

Table 7 Reliability Analysis

Dimension	**Number of Items**	**Cronbach's Alpha**
Performance-Based Bonus and Perceived Fairness	6	0.808
Motivation	4	0.779
Employee Retention and Organizational Commitment	5	0.869
Employee Job Satisfaction	5	0.8

The reliability results indicate strong internal consistency for all constructs. The highest alpha value was for employee retention and organizational commitment (α = 0.869), showing excellent reliability. Performance-based bonus and perceived fairness (α = 0.808) and employee job satisfaction (α = 0.800) also demonstrated high reliability, exceeding the acceptable threshold of 0.70. Although slightly lower, the motivation scale (α = 0.779) still indicates good consistency. Overall, these results confirm that the questionnaire items are reliable measures of the intended constructs and suitable for further statistical analysis.

4.4. Correlation Analysis

To examine the relationships between the core variables of the study namely awareness/fairness of the performance based bonus system, employee motivation, retention, and job satisfaction a Pearson correlation analysis was conducted.

Correlation coefficient is quantifying the degree to which two random continuous variables are linearly associated in a sample. It measures the degree of linear correlation between two variables (rewarding system and employee performance). Sample correlation coefficient (r) measures the strength and direction of linear relationships between pairs of continuous variables. The possible values of r range from -1 to 1: Values near to +1: perfect positive linear relationship; -1: perfect negative linear relationship Values near to 0: no linear relationship although there may be a non-linear relationship and r is a dimensionless quantity; that is, r it has no units of measurement of reward system and employee performance (r is a pure number without any unit); above 0.7 considered as strong correlation, 0.3 -0 .7 as moderate and below 0.3 no correlation (Tsegaye, 2022).

Table 8 Correlation Analysis

		A	B	C	D
A	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	209			
B	Pearson Correlation	.808**	1		
	Sig. (2-tailed)	.000			
	N	209	209		
C	Pearson Correlation	.506**	.696**	1	
	Sig. (2-tailed)	.000	.000		
	N	209	209	209	
D	Pearson Correlation	.582**	.516**	.535**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	209	209	209	209

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

The correlation analysis reveals statistically significant and positive relationships between all major constructs of the study. Notably, there is a strong positive correlation between awareness and fairness of the performance-based bonus system and employee motivation with a Pearson correlation coefficient of $r = 0.808$, $p < 0.01$. This indicates that employees who perceive the bonus system as clear and fair are more likely to feel motivated by it. Similarly, awareness and fairness of the bonus system also show a moderate positive correlation with both retention and commitment ($r = 0.506$) and job satisfaction ($r = 0.582$), suggesting that transparent and fair implementation of bonuses contributes meaningfully to employees' willingness to stay and their overall satisfaction at work.

Employee motivation is strongly correlated with retention (r = 0.696), which implies that more motivated employees are more likely to remain committed to the organization. Additionally, motivation is moderately correlated with job satisfaction (r =0 .516), indicating that while motivation contributes to satisfaction; it is one of several influencing factors.

Lastly, a moderate positive correlation is found between retention and job satisfaction (r = 0.535). This suggests that employees who are more satisfied with their jobs are also more likely to remain with the organization, reinforcing the role of satisfaction in supporting long-term commitment.

4.5. Multiple Linear Regression Analysis

A regression analysis was conducted in order to understand and analyze the effect of the independent variables of the model on the dependent variable.

Table 9 Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.764	.976		3.856	.000		
	Specific objective 1	.448	.075	.541	5.971	.000	.341	2.933
	specific objective 2	-.242	.132	-.200	-1.836	.068	.237	4.225
	specific objective 3	.384	.071	.400	5.384	.000	.507	1.971

Based on the above table our model specification will be:

$$Y = a + \beta 1X1 + \beta 2X2 + \beta 3X3 + e$$

$$Y = 3.764 + 0.448X1 - 0.242X2 + 0.384X3 + e$$

Where:

Y Employee Job Satisfaction (DV)

X_1 Awareness and Fairness of the Performance-Based Bonus System

X_2 Employee Motivation

X_3 Retention and Organizational Commitment

e Error term

This model shows that when all other variables are held constant, a one-unit increase in employee awareness and perceived fairness of the performance-based bonus system leads to a 0.448 unit increase in job satisfaction. This relationship is statistically significant at the 0.01 level ($p < 0.001$), indicating that awareness and fairness play a critical role in shaping how satisfied employees feel in their roles. The coefficient for employee motivation was -0.242, which, although negative, was not statistically significant at the 5% level ($p = 0.068$). This implies that motivation, in the presence of other variables, does not independently predict job satisfaction in this model and may warrant further investigation in future research. Lastly, the coefficient for retention and organizational commitment was 0.384, also statistically significant ($p < 0.001$), suggesting that employees who are more committed to staying with the organization tend to report higher job satisfaction. Overall, the model confirms that awareness and fairness of the bonus system, along with organizational commitment, are significant predictors of job satisfaction at EIIDE.

4.5.1 Collinearity Diagnostics

The Variance Inflation Factor (VIF) values for all predictors are below **5**, and the tolerance values are above 0.2, indicating that multicollinearity is not a concern in this model.

Table 10 Collinearity Diagnostics

Predictor	Tolerance	VIF
Awareness/Fairness	0.341	2.933
Motivation	0.237	4.225
Retention/Commitment	0.507	1.971

These values confirm that the independent variables are not highly correlated with one another and that the estimates of regression coefficients are stable and reliable.

4.5.2. Model Summary

The regression model summary provides insights into how well the independent variables—awareness and fairness of the bonus system, employee motivation, and retention and commitment collectively predict the dependent variable, employee job satisfaction.

Table 11 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.653[a]	.426	.418	3.149

a. Predictors: (Constant), A,B,C

The multiple correlation coefficients (R) are 0.653, indicating a moderate to strong positive relationship between the independent variables and job satisfaction. The coefficient of determination (R^2) is 0.426, meaning that approximately 42.6% of the variability in employee job satisfaction can be explained by the combined effect of awareness/fairness, motivation, and retention factors in the performance-based bonus system. The Adjusted R^2, which accounts for the number of predictors in the model, is slightly lower at 0.418, but still indicates that the model fits the data well. The standard error of the estimate (3.149) suggests that the actual values of job satisfaction deviate, on average, by about 3.15 units from the values predicted by the regression model.

4.5.3. ANOVA

The ANOVA (Analysis of Variance) table assesses whether the regression model, as a whole, is statistically significant that is, whether the independent variables jointly explain a significant portion of the variance in the dependent variable.

Table 12 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1508.915	3	502.972	50.718	.000[b]
	Residual	2032.989	205	9.917		
	Total	3541.904	208			

a. Dependent Variable: D

b. Predictors: (Constant), A,B,C

The F-ratio is 50.718, and the significance level (p-value) is 0.000, which is less than the standard threshold of 0.05. This means the regression model is statistically significant overall—there is a less than 0.1% chance that the observed relationship between the predictors and job satisfaction occurred by random chance. This result validates the inclusion of the selected predictors awareness/fairness, motivation, and retention in the model. It provides strong statistical evidence that these dimensions of the performance-based bonus system collectively and significantly influence employee job satisfaction at the Ethiopian Industry Inputs Development Enterprise (EIIDE).

4.6. Hypothesis Testing

The following hypotheses were developed to examine the influence of performance-based bonus system components on employee job satisfaction at the Ethiopian Industry Inputs Development Enterprise (EIIDE). The multiple linear regression analysis provided the basis for hypothesis testing, using the unstandardized beta coefficients (β), significance values (p), and standard interpretation thresholds A 5% level of significance ($\alpha = 0.05$).

H1: Awareness and Fairness of the Bonus System

H_{01} (Null Hypothesis): There is no significant relationship between awareness and fairness of the performance-based bonus system and employee job satisfaction.

H_{11} (Alternative Hypothesis): There is a significant and positive relationship between awareness and fairness of the performance-based bonus system and employee job satisfaction.

The regression results indicate that awareness and fairness significantly and positively influence job satisfaction, with a beta coefficient (β_1) = 0.448 and a significance level (p) = 0.000, which is less than α = 0.05. This means that for every one-unit increase in employees' perception of fairness and clarity of the bonus system, their job satisfaction increases by approximately 0.448 units, holding other factors constant. Therefore, **$H_{1\ 1}$ is accepted**, confirming that clarity and fairness in bonus implementation play a critical role in enhancing employee satisfaction.

H2: Motivation

H_{02}: There is no significant relationship between employee motivation and job satisfaction.

H_{12}: There is a significant and positive relationship between employee motivation and job satisfaction.

Contrary to expectations, the regression output shows a negative and non-significant relationship between employee motivation and job satisfaction, with a beta coefficient (β_2) = -0.242 and p = 0.068, which is greater than α = 0.05. Although motivation was initially assumed to have a positive effect, the result suggests that motivation alone does not significantly predict job satisfaction when awareness/fairness and retention are considered. As such, **H_{12} is rejected**, indicating that in this model, motivation does not independently contribute to satisfaction in a statistically meaningful way.

H3: Retention and Commitment

H_{03}: There is no significant relationship between employee retention and commitment and job satisfaction.

H_{13}: There is a significant and positive relationship between employee retention and commitment and job satisfaction.

The regression analysis reveals a positive and statistically significant relationship between retention and commitment and employee job satisfaction, with a beta coefficient (β_3) = 0.384 and $p = 0.000$, which is less than $\alpha = 0.05$. This implies that a one-unit improvement in employees' intention to stay and commitment to the organization leads to a 0.384 unit increase in job satisfaction. Therefore, **H_{13} is accepted**, confirming that retention is a strong and meaningful predictor of employee satisfaction.

CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1. Summary of Major Findings

This study investigated the impact of the performance-based bonus system on employee job satisfaction at the Ethiopian Industry Inputs Development Enterprise (EIIDE), guided by four specific objectives. The demographic findings showed that most respondents were male (62.7%), with the dominant age group being 31–40 years (42.6%). A majority of participants held a bachelor's degree (55%), followed by 30.1% with a master's degree. Additionally, 58.4% of the employees had between six and ten years of service, indicating a fairly experienced and well-educated workforce. This demographic composition provided a suitable foundation for examining employee perceptions regarding the organization's performance-based reward system.

Descriptive analysis revealed that awareness of the bonus system was relatively high (mean = 3.79), and many employees reported receiving bonuses (mean = 3.64). However, satisfaction with the bonus amount (mean = 2.99) and perceptions of fairness (mean = 3.01) were much lower, indicating concerns about equity and adequacy. Communication and clarity of bonus criteria received moderate ratings (means = 3.15 and 3.20, respectively), suggesting a need for improved transparency. Motivation levels were mixed; while employees agreed that bonuses encouraged harder work (mean = 3.35), their responses to whether the system fostered personal accomplishment (mean = 3.01) and a sense of being valued (mean = 3.02) were neutral. Retention-related responses were also neutral, with the highest score (mean = 3.10) for commitment to organizational goals and lower ratings for willingness to remain with the organization (mean = 3.01). Regarding job satisfaction, employees reported feeling a sense of accomplishment (mean = 3.41) and general happiness at work (mean = 3.10), while satisfaction with the bonus itself was the lowest (mean = 2.94).

Reliability testing confirmed strong internal consistency across all constructs, with Cronbach's alpha values exceeding the accepted threshold (awareness/fairness = 0.808, motivation = 0.779, retention = 0.869, job satisfaction = 0.800). Correlation analysis indicated significant positive relationships among all key variables. A strong correlation was found between awareness/fairness and motivation ($r = 0.808$), and between motivation and retention ($r = 0.696$). Moderate but significant correlations were also found between awareness/fairness and job satisfaction ($r = 0.582$), and between retention and job satisfaction ($r = 0.535$). The multiple regression model was statistically significant ($F = 50.718$, $p < 0.001$), with an R^2 value of 0.426, indicating that 42.6% of the variance in job satisfaction was explained by awareness/fairness, motivation, and retention. Awareness and fairness ($\beta = 0.448$, $p < 0.001$) and retention ($\beta = 0.384$, $p < 0.001$) had significant positive effects on job satisfaction, while motivation ($\beta = -0.242$, $p = 0.068$) was not significant.

The hypothesis tests confirmed that awareness and fairness, as well as retention and commitment, significantly influence job satisfaction, leading to the acceptance of H1 and H3. However, the effect of motivation on job satisfaction was not statistically significant, resulting in the rejection of H2. In summary, the study concludes that the performance-based bonus system at EIIDE influences employee job satisfaction primarily through fairness, transparency, and its effect on organizational commitment while motivation play a limited role.

5.2 Conclusions

This study was conducted to examine the impact of performance-based bonuses on employee job satisfaction at the Ethiopian Industry Inputs Development Enterprise (EIIDE). Grounded in well-established motivation and organizational behavior theories such as Expectancy Theory, Equity Theory, and Self-Determination Theory the research aimed to understand how elements like fairness, awareness, motivation, and retention interact with employee satisfaction. The study responded to a clear research problem: while performance-linked rewards are widely implemented, their actual influence on job satisfaction remains contested and under researched, especially in the Ethiopian public sector context. Through a quantitative research approach and a structured questionnaire distributed to 209 employees, the study addressed four specific objectives related to employee awareness, motivation, retention, and overall satisfaction.

The findings reveal that employees are generally aware of the performance based bonus system and have benefited from it. However, satisfaction with bonus amounts and perceptions of fairness are neutral or low, indicating discontent with the system's equity and transparency. The motivational effect of the bonus system is modest, with employees agreeing that it pushes them to work harder but feeling less valued and less personally accomplished as a result. Similarly, while the bonus system contributes to employee commitment and willingness to remain at EIIDE, the impact on long-term retention is limited. Employees report higher satisfaction with intrinsic aspects of work such as feeling a sense of accomplishment than with the financial reward itself. These results align with Self-Determination Theory, suggesting that intrinsic motivation may play a larger role in satisfaction than extrinsic rewards like bonuses.

The statistical analyses confirmed these findings. Correlation results showed strong and significant relationships between awareness/fairness and motivation, and between motivation and retention. Regression analysis revealed that awareness/fairness and retention significantly influence job satisfaction, while motivation, though conceptually important, did not have a statistically significant independent effect. The model explained 42.6% of the variance in job satisfaction, demonstrating a meaningful but not complete explanatory power.

In conclusion, this research establishes that the performance based bonus system at EIIDE has a measurable but limited impact on employee job satisfaction. The results highlight that perceptions of fairness and clarity in the bonus system as well as its role in enhancing organizational commitment are key drivers of satisfaction. Conversely, motivation alone and the actual monetary amount received do not significantly influence satisfaction unless accompanied by transparency and perceived equity. Therefore, improvements in communication, fairness, and the alignment of rewards with employee expectations are essential if EIIDE seeks to increase satisfaction, motivation, and retention through its performance-based bonus system.

5.3 Recommendations

Based on the study findings, the following recommendations are proposed to improve the performance-based bonus system at EIIDE and enhance employee job satisfaction:

1. Ensure Clarity and Transparency: EIIDE should provide clear, written guidelines on how bonuses are awarded, including eligibility, performance criteria, and evaluation procedures. Managers should communicate this consistently.

2. Review Bonus Fairness and Adequacy: Management should assess whether bonus amounts are fair and competitive. Where monetary increases are limited, non-financial recognition should be considered to improve satisfaction.

3. Strengthen Retention through Long Term Incentives: Link bonuses to long-term performance and loyalty by introducing cumulative or annual recognition for consistent achievers.

4. Promote Equity across Employee Groups: Address satisfaction differences across education levels and gender by ensuring equal access, fair treatment, and consistent communication of bonus policies.

5. Monitor the System Regularly: Implement periodic reviews or feedback mechanisms to evaluate the effectiveness and fairness of the bonus system and make necessary adjustments.

Reference

Adams, J. S. (1965). Inequity in social exchange. In *Advances in experimental social psychology* (Vol. 2, pp. 267-299). Academic Press.

Al-Madi. (2012). The Utility of Equity Theory in Enhancing Organizational Effectiveness

Bahre, T. (2018). *Assessing the Effect of Performance Management System on Employees' Motivation:A Case of Ethiopian Airlines* Addis Ababa University].

Bedeian, A. G. (2002). Career commitment: Construction of a measure and examination of its psychometric properties.

Bloom, M. M., J. G. (2002). The relationships among organizational context, pay dispersion, and performance: Evidence from a large sample of organizations. *Academy of Management Journal*.

Cropanzano, R. M., M. S. . (2005). Social exchange theory: An interdisciplinary review. *Journal of Management*, 874–900.

Dalvi, M. E., H. (2013). Investigating the Effects of Reward on the Cooperation in the Sale and Marketing Department from Managers' Perspective (Isfahan Food industries Case Study). *International Journal of Academic Research in Business and Social sciences*,, 144-153.

Damile, M. (2023). *The impact of performance appraisal on employee job satisfaction: The case of the Ethiopian Insurance Corporation.* Addis Ababa University, College of Business and Economics, School of Commerce.].

Deci, E. L. R., R. M. (2000). Self-determination theory and the facilitation of intrinsic motivation, social development, and well-being. *American Psychologist*.

Galang, N. M. V., R. N The Impression of Performance-Based Bonus in Job Satisfaction and Work Performance of Employees in Selected Institutions in Region 3. *President Ramon Magsaysay State University*.

Gerhart, B., & Fang, M. (2015). Pay, intrinsic motivation, extrinsic motivation, performance, and creativity in the workplace: Revisiting long-held beliefs. Annual Review of Organizational Psychology and Organizational Behavior, . 489-521.

Harahap, R. H. R. F. (2023). Agency theory: Review of the theory and current research

Herzberg, F. (1959). *The motivation to work*. ohn Wiley & Sons.

Idris. (2013). Herzberg’s two factors theory on work motivation: does its work for todays environment?

Judge, T. A., & Bono, J. E. (2001). Relationship of core self-evaluations traits—self-esteem, generalized self-efficacy, locus of control, and emotional stability—with job satisfaction and job performance: A meta-analytic review. *Journal of Applied Psychology*, 80–92.

Julie A Marsh, M. G. S., Daniel F. McCaffrey, Kun Yuan, , & Scott Epstein Julia Koppich, N. K., Catherine DiMartino and Art (Xiao) Peng. (2011). Background on Pay-for-Performance Programs and the New York City

SPBP. In *A Big Apple for Educators: New York City's Experiment with Schoolwide*

Performance Bonuses (pp. 5–48). RAND Corporation. http://www.jstor.org/stable/10.7249/mg1114fps.10 (RAND Corporation)

kebede, A. (2019). *Effect of reward systems on employee performance at Commercial Bank of Ethiopia* St. Mary’s University].

Milkovich, G. T., Newman, J. M., & Gerhart, B. (2019). *Compensation*.

Shamsuddin, A. O. B. M., Y. A. (2024). Reward Management and Employee Performance: A Review of Job Satisfaction in Somalia. *TWIST Journal*, 128-137.

Tavakol, M., & Dennick, R. (2011). Making sense of Cronbach’s alpha. *International Journal of Medical Education*.

Tsegaye, R. (2022). Effect of rewarding system on employee performance: the case of habesha brewery, ethiopia

Weibel, A. R., K. Osterloh, M. (2010). Pay for performance in the public sector—Benefits and drawbacks. *International Public Management Journal*.

Annex 1: Questionnaire

SAINT MARY'S UNIVERSITY - SCHOOL OF GRADUATE STUDIES

Dears, I appreciate your participation in this study. This questionnaire is designed to collect primary data from the employees of the Ethiopian Industry Inputs Development Enterprise (EIIDE). The data being collected is to be used for the research entitled **"Impact of Performance-Based Bonuses on Employee Job Satisfaction: The Case of EIIDE."** The study is to be submitted as the partial fulfillment of the Masters of business administration (MBA). The study is intended only for academic purposes, and you are assured of the confidentiality and anonymity of your participation. Moreover, the output of the study will serve as an input for the organization for any future action.

General Instructions

- The questionnaire has five parts: In Part I, general demographic data are requested. In Parts II, III, IV, and V your opinion is requested on performance-based bonuses and job satisfaction.
- Put a "√" mark in the box next to the point which highly reflects your idea.
- You do not need to write your name.

Section 1: Demographic Data

1. Sex

A. Male ☐ B. Female ☐

2. Age

A. 20-30 ☐ B. 31-40 ☐ C. 41-50 ☐ D. > 51 ☐

3. Highest educational level

A. Diploma ☐ B. BSC/BA Degree ☐ C. Masters ☐ D. PhD ☐

4. Length of service in company

A. < 1 years☐ B. 1 - 5 years ☐ C. 6 - 10 years ☐ D. > 10 years ☐

Section 2: Performance-Based Bonuses and perceived fairness

Please rate the following statements on a scale of 1 to 5, where:

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

Statement	1	2	3	4	5
I am aware of the performance-based bonus system at EIIDE.					
The performance-based bonus system is communicated effectively					
The bonus distribution process is fair.					
Bonus allocation is based on clear and transparent criteria.					
I have received a performance-based bonus at EIIDE.					
I was satisfied with the amount of my bonus.					

Section 3: Motivation

Please rate the following statements on a scale of 1 to 5, where:
1 = Strongly Disagree | 2 = Disagree | 3 = Neutral | 4 = Agree | 5 = Strongly Agree

Statement	1	2	3	4	5
The performance-based bonus system motivates me to work harder.					
Receiving performance bonuses increases my sense of personal accomplishment in my work					
The bonus system makes me feel my contributions are financially valued					
The bonus system motivates me to collaborate with teammates, not just focus on individual targets.					

Section 4: Employee Retention and Organizational Commitment

Please rate the following statements on a scale of 1 to 5, where:
1 = Strongly Disagree | 2 = Disagree | 3 = Neutral | 4 = Agree | 5 = Strongly Agree

Statement	1	2	3	4	5
The performance-based bonus system encourages me to stay longer at EIIDE.					
I feel a strong sense of loyalty to EIIDE due to the bonus system.					
I am committed to achieving organizational goals because of the reward structure.					
I would recommend EIIDE as a great place to work because of its bonus system.					
Performance-based bonuses contribute to my willingness to remain with the organization longer.					

Section 5: Employee Job Satisfaction

Please rate the following statements on a scale of 1 to 5, where:
1 = Strongly Disagree | 2 = Disagree | 3 = Neutral | 4 = Agree | 5 = Strongly Agree

Statement	1	2	3	4	5
I am satisfied with my current job role at EIIDE.					
I feel a sense of accomplishment from my work.					
I am satisfied with the bonus I receive for my performance.					
I am generally happy working at EIIDE.					
Performance-based bonuses increase my overall job satisfaction.					

Annex 2: Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Job Satisfaction	Equal variances assumed	4.595	.033	-3.493	207	.001	-2.008	.575	-3.141	-.875
	Equal variances not assumed			-3.700	190.456	.000	-2.008	.543	-3.078	-.938