THE EFFECT OF REWARD SYSTEM ON EMPLOYEES PERFORMANCE IN THE CASE OF ETHIOPIAN AIRLINES

A RESEARCH SUBMITTED TO FACULTY OF BUSINESS AND ECONOMICS DEPARTMENT OF BUSINESS ADMINISTRATION IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

BY SAMRAWIT BELAYNEH



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DECLARATION

I, Samrawit Belayneh, declare that the research project entitled 'THE effect of

reward system on employee's performance in the case of Ethiopian airlines" is my

original work that is done under the guidance and advice of my advisor and co

advisor Emenet Negash and Belay Chekol respectively. This research project is

done as partial fulfillment for Masters of Arts Degree in Business Administration

(MBA). This research has not been done before and all sources of materials used

for the study have been appropriately acknowledged.

Samrawit Belayneh

Date: <u>5/20/20</u>

Signature-----

CERTIFICATION

This is to certify that SAMRAWIT BELAYNEH has done the study on the topic 'THE EFFECT OF REWARD SYSTEM ON EMPLOYEES PERFORMANCE IN THE CASE OF ETHIOPIAN AIRLINES" This study is authentic and has not been done before by any other researcher on the same topic.

APPROVED BY BOARD OF EXAMINERS

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Co-Advisor Name	-Date	-Signature
Internal Examiner	Date	Signature
External Examiner	Date	-Signature

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EAL	Ethiopian airlines	
HRM	Human Resource Management	
MOR	Maintenance and Repair	
SPSS	Statistical Package for Social Science	
SD	Standard Deviation	
VIF	variance inflation factor	

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Abstract

In today's aviation industry motivated and well performer employees are mandatory to survive intense global competition. Realizing this, the main aim of this research is to identify the effect of reward system on employee's performance in the case of Ethiopian airlines with the reward dimensions of base pay/salary, performance based bonus, benefits, recognition, work condition and career development. The study used qualitative and quantitative approach based on primary and secondary data sources. A self-administered questionnaire was designed to collect relevant information from a sample of 303 participants. Out of this 287 were collected from pilots and hostesses. The collected data was analyzed by SPSS version 20. Results from descriptive analysis showed that base pay/salary, career development and benefits were found most or strong determinate factor that able to affect employee's performance as well as their motivation in Ethiopian airline. Results from inferential analysis particularly from Pearson's Product Moment Correlation Coefficient showed that there is statistically significant relationship exist between all variables of rewards and employee performance. The strongly correlated variables were identified. Thus are base payment (r=.727**, p<0.05), benefit (r=.426*, p<0.01) and career development(r= .749**). From an open ended analysis the policy and procedure issues and management treatment were poor in implementation as well as treatment. Since the relation between reward, motivation and performance are interlinked in Ethiopian airline exist the management of Ethiopian airline should clearly state well-articulated reward policy by involving employees in the process of developing it in order to increase the employee's motivations as well as performance to achieve its own goal

Key words: Reward system and employee performance

CHAPTER ONE

1. INTRODUCTION

This chapter introduces about the overall research problems, questions to be addressed, research objectives and scopes of research in reward management concept. Generally Reward management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization. It consists of analyzing and controlling employee remuneration, compensation and all of the other benefits for the employees. It aims to create and efficiently operate a reward structure for an organization. Reward structure usually consists of pay policy and practices, salary and payroll administration, total reward, minimum wage, executive pay and team reward.

1.1 Background of the Study

Globalization is a concept that encompasses change and competition. Organizations who want to survive in an intense competition and to develop themselves are required to produce different kinds of solutions. There are lots of external factors that triggered organizations to work harder. Especially in global crises, businesses in terms of profitability and permanency should pay attention to change and development within their systems. Undoubtedly, the most important factor is human in organizations (Danish R.Q., & Usman A., 2010).

Currently, the aviation sector is operating in a complex and changing environment that greatly influences their growth and profitability. The constant changes occurring in the world, especially with regards to technology and innovation enforce companies to reassess the manner in which they communicate to both their employees and their customers. To cope with these changing environment organizations need to use their resource effectively. Their resource may be available in human and non-human aspect. Undoubtedly, the most important resource is human in organizations (Armstrong 2005).

One of the main management strategies of the organizations is to invest in employees. Organizations are seeking to develop, motivate and increase the performance of their employees in a variety of human resources applications. Therefore, the reward management system has

Been the most considerable practices of the human resource management system. Reward management system is a core function of human resource discipline and is a strategic partner with company managements. Besides, it has an important role on employee performance.

As Losey (2005) suggests the dominant strategy of airlines is to invest on their employees. Airlines are seeking to develop, motivate and increase the performance of their employees in a variety of human resources applications because the survival and competitive advantage of any organization depends on the quality of human resources

Moreover, in this competitive environment organizations are highly realizing that they have to establish an equitable balance between the employee's contribution to the organization and the organization's contribution to the employee. Establishing this balance is one of the main reasons to reward employees and achieve high organizational performance through them.

According to Lawle (2000, p.21) "Employee rewards system refers to programs by different organizations to reward performance and motivate employees on individual or group level. So reward systems in any organization are a fundamental tool and play an important role as far as employee motivation and performance was concerned.

This is largely due to the fact that the well-rewarded employee feels that he/she is being valued by the company that he/she is working for. They are also encouraged to work harder and better if they are aware that their well-being is taken seriously by their employers, and that their career and self-development are also being hone and taken care of by their company. Thus, it is a constant and continuous challenge for companies to really work on understanding what factors contribute to improve performance levels of their employees. Aside from working on satisfying their customers, it is crucial that companies also work on identifying the reward practices or motivators that boost the performance of their workforce.

From different literatures reviewed for the purpose of this study there are variations what type of reward can help to perform their jobbing. These differences happen due to factors like: type of industry/sector, demographic variables, level of development of the country. Therefore the paper tries to find out possible relationships that exist between reward and employee performance.

1.2 Statement of the Problem

A Study done by Tahleeland Hina (2015) has shown that the reward process is a major control or influence mechanism available to organizations. Furthermore Guest D., (2002) argued reward management systems have major impact on organizations capability to catch, retain and motivate high potential employees and as a result getting the high levels of performance.

On the other hand Gerhart B., &Milkovich G., (20100) have investigated the individual performance and results of his study showed that individual performance is dependent on different factors. They point out work life balance, work condition. Leadership style, proximity were crucial factor that affect the individual performance.

According to Ayesha et al. (2015) many professional organizations are in a dilemma weather reward significantly affect the result of the competition that practiced attracting and retaining highly skilled workers

As being part of dynamic competitive industry, Ethiopian Airlines practice different reward systems to motivate and keep its valuable employees. The challenge for Ethiopian Airlines today is to come up with an efficient reward strategy which keeps its employee motivated for the success of the organization.

The company's annual reports point out the following gaps .For the last three consecutive years 2015/16 budget year 392 employees left the company due to various reasons which represents 5.4% of the work force.

The employee exit interview of the company reveals that in 2016/17 fiscal year, 448 employees left the company i.e. 4.99% of the total employees in the 2017/18 fiscal year, 648 employees left the company for various reasons including retirement and discharge. This represents 6.34% of the employees.

From informal interviews with HR manager and employees of the organization, though the HR manager reveals the existence of fair and equitable reward package in the organization all employees said that reward system of the organization is not enough with the increase in cost of living. In addition, they reveal that design of different financial and non- financial reward systems are not fitting with the current aviation industry. This may affect the airlines performance adversely. Because Philip (2016) found out that employees performance is dependent on the way they are treated in the organization and the extent to which organizational strategy fits with the market value. So this research is aimed at investigating the effects of reward practice which includes (base pay, performance pay bonus, benefits, recognition, work environment and career development) on employee performance in Ethiopian airline by raising the following research questions.

1.3 Research Questions

The main emphasis of the research is to investigate the effects of reward system (independent Variable) on employees" performance (dependent variable) as per the questions listed below.

- 1. How do base pays affect employee performance?
- 2. What is the effect of pay on employee performance?
- 3. How performance bonus pay bonus affects employee performance
- 4. How do benefits, affects employee performance
- 5. How do recognition, affects employee performance
- 6. How do work environment affects employee performance
- 7. How do career development affects employee performance

1.4 Research Objective

1.4.1 General Objectives

The focus of this study is to determine the effect of control variables on employee performance at Ethiopian airline. Moreover, the study reaches the following specific objectives.

1.4.2 Specific Objectives

- 1. To examine the influence of base pay on employee's performance.
- 2. To investigate the influence of performance pay bonus on employee performance
- 3. To determine the influence of benefits on employee's performance.
- 4. To examine the influence of recognition on employee motivation.
- 5. To investigate the influence of work environment on employee's performance.
- 6. To examine the influence of career development on employee motivation.

1.5 Significance of the Study

Firstly, the findings of this research are expected to help any concerned body/ stakeholders at different levels by creating and developing awareness on the relationship between reward system and employee performance. Specifically

For Managers: They use it to design a reward system which has high positive effect on employee's performance. And it helps them to avoid unfair reward practice from their organization. Compensation for good work may come in various forms. It could be money added to your employees' salary or a paid day off or an opportunity for growth or travel within the company. Having an effective system that compensates workers can contribute to their happiness. It also keeps them loyal to your company while at the same time making them eager to move up the internal ladder. When creating employment contracts, as well as a section on pay & benefits, you should also include a section on the company's rewards policy and procedures. This study would help the mangers in various forms.

For Policy Maker: it will be use full to formulate reward and compensation policy by considering different situational and demographic factors. Reward management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization. Moreover it consists of analyzing and controlling employee remuneration, compensation and all of the other benefits for the employees. It usually consists of pay policy and practices, salary and payroll administration and this study would help the policy articulators in various forms.

For Academician: The study is expected to be a stepping stone for further research on the area.

1.6 Scope of the Study

To make this research manageable, the scope of the study is delimited to employees of the Ethiopian airline at crew department with a working experience of two years and above. The motive why the researcher delimited it scope only for cabin crew employees were due to the nature of their job. They do have international exposer and the pay structures of cabin crew employees were different from the administrative workers. In addition, study only confined to reward system particularly as mediating role of motivation. Regarding financial rewards, salary/base pay, and performance based cash bonuses and benefits were under consideration while none financial rewards work condition, Recognition and career development are a part of this study. The ration behind this is those mentioned variables were practiced in the Ethiopian airline in fragile manger.

Lastly, in order to have a quality and specialized research result and to cope with the available time and resource constraints, this study focuses only the reward system practices via its effect on employee's performance.

1.7 Organization of the Study

This paper were organized in to five chapters i.e. the first chapter includes an introduction section which consists of background of the study, statement of the problem, objectives, hypothesis, significance, scope or limitation of the study. Chapter two include: review of related literature which has theoretical and empirical review part. Chapter Three: presents research design and methodology the researcher employed to investigate the problem under study. Furthermore, data from respondents also presented, analyzed, interpreted and discussed in the fourth chapter. The last section of the thesis contains summary of results, concluding remarks and recommendations used for Ethiopian airline.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

THEORETICAL LITERATURE REVIEW

2.1.1 The Concept of Reward Management

Reward management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization (Armstrong &Murlis 2004). Besides, according to them reward Management deals with the design, implementation and maintenance of reward processes and practices that are geared to the improvement of organizational, team and individual performance.

The strategic aim of reward management is to develop and implement the reward policies, processes and practices required to support the achievement of the organization's business goals. The main objectives of rewards are to attract and retain employees, to motivate employees to achieve high levels of performance, and to elicit and reinforce desired behavior of the employees (Gerhart &Milkovich 1990).

The main objectives of rewards are to attract and retain employees, to motivate employees to achieve high levels of performance, and to elicit and reinforce desired behavior of the employees Reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility.

2.1 The Aims of Reward System

Armstrong & Stephens (2005) remark that the aims of reward management are to reward people according to the value they create, align reward practices with business goals and with empl

oyee values and needs, reward the right things to convey the right message about what is important in terms of behaviors and outcomes, help to attract and retain the high-quality people the organization needs, motivate people and obtain their engagement and commitment and develop a high-performance culture.

The aims of reward system are achieved by developing and implementing strategies, policies, processes and practices that are founded on a philosophy, operate in accordance with the principles of distributive and natural justice, function fairly, equitably, consistently and transparently, are aligned to the business strategy, fit the context and culture of the organization are fit for purpose and help to develop a high-performance culture of employees from the employment environment and the work itself, are linked together (Armstrong &Murlis 2004).

Losey (2005) summarizes total reward approach as holistic; reliance is not placed on one or two reward mechanisms or levers operating in isolation. Account is taken of all the ways in which people can be rewarded and obtain satisfaction through their work. The aim is to offer a value proposition and maximize the combined impact of a wide range of reward initiatives on motivation, commitment and job engagement. The rewards systems are comprised of two main elements: financial and non-financial rewards. The financial rewards include rewards strategies such as merit-pay, market-based pay, profit-related pay, while non-financial rewards focus on the needs of people for recognition, achievement, responsibility and personal growth.

According to Lawler (2000) one of the most fundamental debates in the field of rewards management, concerns the extent to which employees are motivated by money. At that point there is an extensive discussion about whether or not money is a motivator and can influence the levels of job satisfaction.

2.2 Financial Rewards

Financial rewards are monetary incentives that an employee earns as a result of good performance. These rewards are aligned with organizational goals. When an employee helps an organization in the achievement of its goals, a reward often follows. All financial rewards are extrinsic.

Financial rewards consist of the value of all cash payments such as base pay, contingent pay and allowances .And the starting point of the reward system is the business strategy of the organization. This identifies the business drivers and sets out the business goals. The drivers are unique to any organization but will often include items such as high performance (Armstrong 2007).

2.2.1 Base or Basic Pay

The base rate is the amount of pay (the fixed salary or wage) that constitutes the rate for the job. It may be varied according to the grade of the job or, for shop floor workers, the level of skill required. Base pay will be influenced by internal and external relativities. The internal relativities may be measured by some form of job evaluation. External relativities (going rates) are assessed by tracking market rates. Alternatively, levels of pay may be agreed through collective bargaining with trade unions or by reaching individual agreements.

Base pay may be expressed as an annual, weekly or hourly rate. This is sometimes referred to as a time rate system of payment. Contingent pay or allowances as described later may be added to base pay. The rate may be adjusted to reflect increases in the cost of living or market rates by the organization unilaterally or by agreement with a trade union (Armstrong 2007).

H1: Base pay has a significant and positive effect employee performance

2.2.2 Contingent Pay

Additional financial rewards may be provided that are related to performance, competence, contribution, skill or experience. These are referred to as "contingent pay". Contingent payments may be added to base pay, i.e consolidated. If such payments are not consolidated (i.e. paid as cash bonuses) they are described as "variable pay" (Losey 2005).

2.2.3 Representation Allowances

Allowances are paid in addition to basic pay for special circumstances or features of employment. They may be determined unilaterally by the organization but they are often the subject of negotiation. The main types of allowances are location allowances, overtime payments, shift payments, working conditions allowances and stand-by or call-out allowances made to those who have to be available to come into work when required (Losey 2005).

2.3 Non-Financial Rewards

Non-financial rewards do not involve any direct payments and often arise from the work itself, for example achievement, autonomy, recognition, scope to use and develop skills, training, career development opportunities and high-quality leaders (Nelson 1997)

2.3.1 Career Development

The term career in the context of the workplace can be seen most simply as the sequence of work experiences an employee may have over time. Work experiences may involve moving from one job to another, but also the changing nature of work within a single job and the experience of working on different projects. Career mobility in organizations are very often sideways rather than upwards, and may cross- departmental, geographical or functional boundaries (Price, 2009)

Career development is the lifelong process of managing progression in learning and work. The quality of this process significantly determines the nature and quality of individuals, lives: the kind of people they become, the sense of purpose they have, the income at their disposal. It also determines the social and economic contribution they make to the communities and societies of which they are part.

Career development holds out the possibility of growing critical skills within the organization, which are often not available on the external labor market; of improved deployment of people in jobs where their talents are well used; of an improved ability to attract good people and possibly retain them; and of improved flexibility in the workforce and therefore the ability to respond to business change.

By attending employees as people, the nature of the employment relationship shifts to one of higher engagement and higher performance. "Talent management" is high on the agenda of large organizations and tends to focus on very senior people and those with the potential for such roles. Career development is embraced more enthusiastically here, and individuals often receive considerable personal career attention (Robbins, et al., 2009: 457).

Career advancement normally entails a clearly marked path of progression through the ranks of an organization. It is based on merit without regard for race, gender, age or ethnicity.

Deserving cases become eligible for advancement. When employees get to know that each one of them has an equal chance of succeeding, it becomes easy for them to put in their best.

H6: Career development has a positive and significant relationship on employee performance

2.3.2 Recognition

According to Fred L. (2011), although money receives the most attention as a reinforce and incentive motivator, and is even equated with reward systems by practicing managers, there is increasing evidence that contingently administered recognition can be a powerful reinforce to increase employee performance. Recognition is the identification or acknowledgement given for something or it can be defined as communication between management and employees which rewards them for reaching specific goals or producing high quality results in the workplace. Recognizing or honoring employees for high level of service is meant to encourage repeat actions, through reinforcing the behavior to see repeated.

Recognition considered as one of the most powerful motivators. The recognition processes in an organization can be integrated with financial rewards through performance management and pay-for performance schemes. The importance of recognition can be defined as a key part of the value set of the organization and this would be reinforced by education, training and performance management.

According to (Beer & Cannon, 2004).), examples of contingent rewards are appreciation, recognition and rewards for good work. Employee dissatisfaction may result if an employee perceives that their efforts are not recognized or that their rewards are not equitable tied to their performance or tailored to their needs (Robbins 1993). Contingent rewards support the reinforcement theory of motivation, in terms of which performance-relevant behaviors will increase in frequency if rewarded (Beer & Cannon, 2004).

Danis and Usman (2010) found that there are different dimensions of work motivation and satisfaction that are significantly correlated and reward and recognition greater impact on performance of the employees.

In addition, Employees participation in the decision making process will made them more courageous and enthusiastic towards working in the organization on the other side the periodically salary increments, allowances, bonuses, fringe benefits and other compensations on regular and specific periods keeps their morale high and makes them more motivated to accomplish the given task. As a reward for employee performance, recognition is defined as acknowledgement, approval and genuine appreciation (not phony praise). This recognition can be set up on a formal basis (e.g., employee of the month or million dollars in sales round table) or informally used by a supervisor/team leader in managing individual employee or team behavior. It can be administered on a public (staff meeting, newsletter, or banquet) or on a oneon-one private level, verbally or written. There is a fine line between recognition as defined here and other positive reinforces or rewards such as money and feedback. For example, providing a merit increase in pay or a bonus and feedback about performance can be considered forms of recognition. However, this paper focuses on nonfinancial recognition and does not necessarily contain information about performance, although some formal recognition programs may involve prizes, dinners or plaques that cost money and both formal and informal recognition may sometimes include information about performance. The broad appeal of recognition is that most practicing managers believe it applies to everyone (top to bottom in the organization), no one gets too much of it (no satiation principle here), it is available to everyone to use, and it doesn't cost anything.

To demonstrate these claims, simply ask yourself, are you or anyone you know suffering from too much recognition? Besides this common-sense appeal of recognition as a powerful, but still not wisely used, positive reinforce for employee performance, there is also considerable theory and research supporting its effectiveness.

H4: Recognition has a significant and positive effect employee performance

2.3.3 Working Environment

An attractive and supportive working environment provide conditions that enable employees to perform effectively, making best use of their knowledge, skills and competences and the available resources in order to provide high-quality of organization service. Basing on this study the factors are explained below.

Physical working environment can result a person to fit or misfit to the environment of the workplace. A physical work environment can also be known as an ergonomic workplace.

H5: Work environment has a significant and positive effect on employee performance

Researches on the workplace environment need to be done in order to get an ergonomic workplace for every each of the employees. By having this ergonomic physical workplace at their workplace, it will help employees from not getting the nerve injury (Cooper &Dewe, 2004).

Furthermore, McCoy and Evans (2005) stated that the elements of working environment need to be proper so that the employees would not be stressed while getting their job done. In their article, they also stated that the physical element plays an important role in developing the network and relationship at workplace. Result of the employees" performance can be increased from five to ten percent depending on the improvement of the physical workplace design at their workplace (Brill, 1992).

Further, Amir (2010) mentions elements that related to the working environment. There are two main elements which are the office layout plan and also the office comfort. Amir (2010) also stated that a physical workplace is an area in an organization that is being arranged so that the goal of the organization could be

2.4 Theory of Employee Performance

2.4.1 The Goal Setting Theory

It suggests that the individual goals established by an employee play an important role in motivating employee performance. It helps employees to keep following their goals. If goals are not achieved, they either improve their performance or modify the goals and make them more realistic. In case the performance improves it will result in achievement of the performance management system aims (Guest 2002).

The goal-setting theory had been proposed by Edwin Locke in the year 1968. This theory suggests that the individual goals established by an employee play an important role in motivating him for superior performance. Skills required include the ability to engage employees

in mutual goal setting clarify role expectations and provide regular performance feedback. Time and energy will also need to be given to providing relevant performance incentives, managing processes, providing adequate resources and workplace training. It also advice that in order to drive the organization to peak performance managers and supervisors must put out front the human face of their organization. Principle here is the human-to-human interaction through Providing individualized support and encouragement to each and every employee (Salaman et al, 2005).

Employee performance is a major multidimensional construct aimed to achieve results and has a strong link with planned goals of an organization (Abbas and Yaqoob, 2009). Performance is the key multi character factor intended to attain outcomes which has a major connection with planned objectives of the organization (Sabir et al. 2012). Employees "goals achievement in this theory is by creating of work environment attractive, comfortable, satisfactory and motivating to employees so as to give them a sense of pride and purpose in what they do. How working environment is designed and occupied affects not only how people feel, but also their work performance, commitment to their employer, and the creation of new knowledge in the organization (Taiwo, 2009)

2.4.2 The Expectance Theory

It is based on the hypothesis that employees adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them. The employees modify their behavior in such a way which is most likely to lead them to attain these goals. The theory underlies the concept of performance management as it is believed that performance is influenced by the expectations concerning future events (Guest 2002).

The most widely accepted explanations of motivation have been propounded by Victor Vroom.

His theory is commonly known as expectancy theory. The theory argues that the strength of a tendency to act in a specific way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual to make this simple. Expectancy theory says that an employee can be motivated to perform better when there is a belief that the better performance will lead to good performance appraisal and shall result into realization of personal goal in form of some reward future events. The theory focuses on three things efforts and performance relationship, performance and reward relationship,

rewards and personal goal relationship (Salaman et al, 2005).

This theory is based on the hypothesis that individuals adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them. In order for employees to perform in this theory is by making sure each employee's workplace goals and values are aligned with the organization's mission and vision is important for creating and maintaining a high level of motivation. That can lead to higher productivity, improve employee performance, reduce the chances of low employee morale, encourage teamwork and instill a positive attitude during challenging times.

2.4.3 Abraham Maslow's Need Hierarchy Theory

One of the most widely mentioned theories of motivation is the hierarchy of needs theory put forth by psychologist Abraham Maslow. Maslow saw human needs in the form of a hierarchy, ascending from the lowest to the highest, and he concluded that when one set of needs is satisfied, this kind of need ceases to be a motivator.

As per his theory these needs are

- (i) Physiological needs: These are important needs for sustaining the human life. Food, water, warmth, shelter, sleep, medicine and education are the basic physiological needs which fall in the primary list of need satisfaction. Maslow was of an opinion that until these needs were satisfied to a degree to maintain life, no other motivating factors can work.
- (ii) Security or Safety needs: These are the needs to be free of physical danger and of the fear of losing a job, property, food or shelter. It also includes protection against any emotional harm.
- (iii) Social needs: Since people are social beings, they need to belong and be accepted by others. People try to satisfy their need for affection, acceptance and friendship.
- (iv) Esteem Needs: According to Maslow, once people begin to satisfy their need to belong, they tend to want to be held in esteem both by themselves and by others. This kind of need produces such satisfaction as power, prestige status and self-confidence. It includes both internal esteem factors like self-respect, autonomy and achievements and external esteem factors such as states, recognition and attention.

(v) Need for self-actualization: Maslow regards this as the highest need in his hierarchy. It is the drive to become what one is capable of becoming; it includes growth, achieving one's potential and self-fulfillment. It is to maximize one's potential and to accomplish something.

2.4.4 Reinforcement Theory

Reinforcement Theory of motivation aims at achieving the desired level of motivation among the employees by means of reinforcement, punishment and extinction. Reinforcement approach, which can be both positive and negative, is used to reinforce the desired behavior. Punishment acts as a deterrent to undesirable behaviors of the employees. Extinction refers to diminishing the probability of undesirable behavior

The Reinforcement Theory was proposed by B.F. Skinner and his associates. It is based on the concept of "Law of Effect", i.e., the behavior of individual towards positive consequences tends to repeat, but the behavior of individual towards negative consequences tends not to repeat.

Skinner said, "Behavior which is reinforced tends to be repeated; behavior which is not reinforced tends to die out or be extinguished".

Behavior that elicits consequences is called as the operant behavior and the reinforcement theory works on the relationship between the operant behavior and the associated consequences. This process is called the Operant Conditioning and the change in the behavior is caused due to the reinforcement given after the response.

This theory of motivation totally focuses on what happens to an individual when he/she takes some action. It is no way related to the internal state of an individual i.e., inner feelings and drives of an individual is ignored.

Thus, the external environment of the organization should be designed positively and effectively so as to motivate the employees. This theory is a strong tool for analyzing controlling mechanism for individual's behavior.

Following are the methods for controlling the behavior of the employees –

Positive Reinforcement: Positive reinforcement explains that, when an employee gives a positive and a required behavior, the response towards them should be positive. This stimulates

the occurrence of a behavior. Reward to an employee who performs well reinforces his/her desire to perform better because of positive results of doing so.

Negative Reinforcement: Negative reinforcement takes place when certain deterrent(s) or obstruction(s) is removed and the employee(s) responds to a desired behavior after such removal. For instance, an employee who commutes from a long distances wraps up a few projects faster than desired; but, when he is told by the manager to take the projects home for a couple of days and complete them, it stimulates him/her to work as expected. By removing the negative stimuli, the desired behavior is reinforced.

Punishment: Punishment refers to imposing negative consequences or removing positive consequences with a view to preventing employee(s) from repeating undesirable and uncalled for behaviors. It can, therefore, be both positive and negative.

Extinction: Extinction refers to extinguishing a learned behavior by withholding a positive reinforcement or reward that has encouraged the behavior.

To conclude, the reinforcement theory revolves round a basic idea that consequences influence behavior. Consequence that brings rewards propels a particular behavior and consequences that give punishment diminish the occurrences of a behavior. Last but not the least, the consequences that give neither reward nor punishment put an end to a behavior. The theory helps the mangers to choose the right method of motivation to motivate their employees basing upon the prevailing situation (www.tutorialspoint.com/employee_motivation)

2.5 The Relationship between Reward System and Employee Performance

The impact of rewards on employees' performance is well known phenomenon in the available literature of human resources. A large number of studies have verified that reward is a powerful tool to enhance employee behaviors leading to performance improvement. However, some other studies also observed the negative consequences of rewards such as an environment of favoritism, sexism and racism (Ronald J. & Cary L., 2005).

According to Payam G., (2013) there are two basic types of rewards, financial and non-financial and both can be utilized positively to enhance performance behaviors of employees. Financial rewards means pay-for-performance such as performance bonus, job promotion, commission,

tips, gratuities and gifts etc. Non-financial rewards are non-monetary/non cash and it is a social recognition such as acknowledgment, certificate, and genuine appreciation.

Nelson B., (1997) posit that different individuals have different perceptions of rewards and believes that such factors are the main driving force of satisfaction and that they help boost the employee to work harder and better, due to the motivation that is brought about. Put simply, motivators are able to increase internal happiness (intrinsic rewards). On the other hand, hygiene factors are only able to boost external happiness (extrinsic rewards). If there are missing factors (whether they may be hygiene factors or motivation factors), it is possible for the employee to be dissatisfied and notable to perform in the best way that they can. If all the hygiene factors are present and even when there are more than enough of hygiene factors present, then it is possible that the employee would still not be motivated. Thus, in order for managers to successfully motivate their employees, there is a need for them to determine the appropriate and the sufficient motivation factors to use.

According to (Ronald J. & Cary L., 2005) the perceptions that employees have with regards to their reward climate influences their attitudes towards their employees

According to (Redman T. & Wilkinson A., 2005) the norm of reciprocity, which focuses on the ability of organization to accommodate the needs of their employees, and reward them for their efforts. In exchange for the rewards provided to them, employees should reciprocate by increasing their commitment towards their organization and their work, in addition to increasing their 'socio emotional bonds' with their company and their colleagues.

2.10 Empirical Literature Review

In this part, the researcher reviews journalized articles from 1990s up to the present. Relatively old publications were only revised as bird's eye view but recent articles (2013-2016) were reviewed deeply. It is done chronologically.

According to Gerhart &Milkovich (1990) claims that reward system should be carried out by the simplification of the connection between the given reward and the additional performance. Moreover, they suggested that to achieve positive effect, reward practices have to be performance-dependent. Indeed, managers who attempt to run a fair rewarding system seem to be more prosperous in performance rather than those who reward in an unfair manner.

The important relationships between employee performance and pay satisfaction have been well established in studies by Heneman, Kochan& Locke (1995). They showed that monetary compensation is one of the most significant variables in explaining better employee performance and job satisfaction. In addition, Hofrichter & Platten (1996) found financial rewards to have a significant impact on employee performance. According to Artz (2008) suggests overall, fringe benefits play a significant role in determining employee performance.

A research by (Pınar Güngör, 2011) focuses on the relationship between the reward management system applications and employee performance of the aviation employee in Istanbul. He concludes that employee performance effectiveness is determined on reward systems. In addition (Madhuri K., 2014) remark that perceived level of rewards and motivation has significant relationship among the private sector employees and the monetary rewards had a significant effect on employee motivation than the non-monetary rewards.

Puwanenthiren P. (2011) assert that there is positive relationship between the rewards and employee motivation that is (+0.7550). Moreover, he splits the result between the intrinsic reward system that is (and0.5831) and extrinsic reward system (0.7280). Lastly he concludes that there is a considerable positive relationship between the total reward system and the employee motivation.

Tausif (2012) conducted a study on the influence of non-financial rewards on employee in educational sector of Pakistan. Structured questionnaire were employed to collect the data from the selected respondents. The researcher developed two competing hypothesis on the relationship between non-financial rewards and employee performance. In the study t test, regression and correlation to test hypothesis, whether non-financial rewards have positive relationship with employee job satisfaction or negative relationship with job satisfaction. The independent variable promotion, job enrichment and autonomy and its influence on dependent variable employee performance were his areas of study.

The findings of the study reveals that employee performance is positively and considerably associated with non-financial rewards such as promotion, job enrichment and task autonomy.

A study conducted by Payam, Ali, Seyed, & Mahmood (2013) attempts to review various variables in term of relationships between rewards, job satisfaction, and employee performance. In the study, two types of reward were identified, and they were financial reward and non-financial reward. The finding showed that reward can affect job satisfaction and thereby employee performance. Finally the study proposes a new framework based on mediating role of job satisfaction.

Abdul Hammed (2014) conducted a research on impact of compensation on employee performance in the aviation sector of Pakistani. A questionnaire was designed to collect the data on the factors related to compensation like salary, rewards, indirect compensation and employee performance. The data was collected from different employees in Pakistan. The data collected were analyzed in SPSS 17.0 Version. Findings were Compensation has positive impact on employee performance. It is proved from correlation analysis that all the independent variables have weak or moderate positive relationship to each other. Regression analysis shows that all the independent variables have insignificant and positive impact on employee performance. Descriptive analysis also reveals that all the independent variables have positive impact on employee performance.

A study conducted by Sheila &Josephat (2015) with objective of finding the influence of compensation and reward on performance of employees at Nakuru county government. Stratified random sampling technique was used. Primary data was collected using questionnaires

interview schedules with a combination of open and closed questions. The findings indicated that there was a strong relationship compensation and reward on employee performance in the county government of Nakuru.

Nnaji&Nnadozie (2015) find out the Effect of Rewards on Employee Performance in selected section of aviation employees in Awka The main objective of this study is to determine whether a relationship exists between rewards system and employee performance. More specifically, the study intends to address the relationship between intrinsic (non-financial) and extrinsic (financial) rewards on employee performance. Findings: The empirical results indicated the presence of a relationship between rewards and employee performance and that there is a significant difference on the effects of intrinsic and extrinsic rewards on employee performance.

Nazir, Quan, Akhtar, Shafi and Nadia (2015) conduct a study about the financial rewards climate and its impact on employee performance in the retail organizations. From the analysis, it was found that financial rewards like rates of pay and fringe benefits affect employee performance but it was not the only factor. The job itself and the amount of work expected were the major influence up on those which were considered as low performers. Nazir et al (2015) concluded that the management must pay attention to study specific indicators of financial rewards which can improve the satisfaction of their employees and improve their performance. A study conducted by Erratul (2016) explained factors that influence employees" performance in Islamic Religious Council. The objective of the study was to identify if there's any relationship between Intrinsic Reward and Employees Performance and to determine if there is any relationship between Extrinsic Reward and Employees Performance. The founding was there is positive and significant relationship between financial and non-financial reward with Employees" Performance. However, the findings also indicate that non-financial factors have more influence toward employees' performance on employees rather than financial reward factors.

A study by Irshad A. (2016) pointed out the impact of extrinsic rewards on employees" performance. Primary data was collected through spreading questionnaire among employees working in the aviation industry. He concluded that Salary and working the conditions positively affect employee performance.

2.8 Conceptual Framework

Based on the above theoretical and empirical review the following conceptual framework is formed. The conceptual framework is adopted from Payam Gohari, Ali Kamkar, Seyed Jafar Hosseinipour, Mahmood Zohoori (2013) but modified and contextualize for the case. In the conceptual framework independent variables are base pay, performance based bonus, benefits (financial reward), recognition, work environment and career development (non-financial reward) while dependent variable is employee performance.

Performance Based
Bonus

Benefits

Employee
performance
(Perceived)

Career development

Work Environment

Fig 2.1 Conceptual framework

Fig 2.1 Conceptual framework

Source: Payam Gohari, Ali Kamkar, Seyed Jafar Hosseinipour, Mahmood Zohoori (2013) and researchers modification

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Research Design

In order to accomplish this research the researcher wants to apply correlational research design. Correlational design helped the researcher to examine the effect of reward system on employees' performance in Ethiopian airlines. Furthermore it helped where a researcher seeks to understand what kind of relationships naturally occurring variables (reward dimension variable) have with one another. In simple terms, correlational research seeks to figure out if two or more variables are related and, if so, in what way. Due to this reason the researcher applied correlational research design.

3.2 Research Approach

In this research, the researcher applied both qualitative and quantitative research approach. The reason why the researcher proposes the above mention approach is based on the nature of the data. Since the researcher proposes to use two types of data which are numerical and qualitative, the gap of one approach could be filled by another approach.

3.3. Population and Sale Size Determination

The current total number of hostess and pilots in Ethiopian airline are 2540. But out of those pilots and hostess only 1256 are served in more than 2 years in the airline. Therefore, since the scope of the study delimits minimum of two years, the total population of the study were become 1256.

The rationale behind for the selection of hostess and pilots were they do have different reward packages from administrative workers regarding over time payment and other relate issues. Furthermore they are core part of the corporation. Administrative workers were considered as supportive and they have different treatment in Ethiopian airline and even the work conditions of those workers were totally different from the flight attendant workers.

3.3.1 Sample Size Determination

In order to determine the sample size the researcher used yamane's formula. The reason behind this formula the researcher get it simplified in determining sample size and the formula is used by different researchers before. Yamane (1967) suggested simplified formula for calculation of sample size from a population. According to him, for a 95% confidence level and 0.05 p = size of the sample should be

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

$$n = 1256$$

$$1+1256(0.05^2)$$

$$n = 303$$
Where
$$n = \text{sample size according to the previous formula}$$

$$N = \text{population size}$$

$$e = \text{level of precision}$$

Therefore the sample size of this study is 303 pilots and hostess of Ethiopian airline.

3.3.2 Sampling Procedure

Regarding sampling procedure, since the sample size is 303 employees. By using sampling ratio or skip interval K = N/n. Then 1256/303 = 4. Finally by simple random sampling from the list in alphabetic manner, select the first respondents and lastly select the whole sample by 4th interval. Then the first respondent is selected by the lottery method from the list of sample frame.

3.4 Type and Source of Data

For accomplishing the research work and research objectives both primary and secondary data were collected. The primary data were collected from those employees of Ethiopian airline (pilots, Copilots hostesses, supervisors and managers) through questionnaire and interview. In addition to the primary data secondary data were used from policy directives, journal articles and the aviation industry report.

3.5. Data Collection Instruments

To accomplish the research objective both primary and secondary data were collected. In order to obtain reliable and sufficient information structured questionnaires were used as a data collection instrument. All the necessary data for this study collected from the respondents through self-administered questionnaire and document analysis.

3.5.1. Questionnaire

The researcher employed questionnaire which adopted and modified from researchers then modified in close and open ended form and also the 5 Likert scale (namely agree, strongly agree, neutral, strongly disagree and disagree). Under the closed ended questionnaire, the respondents can only answer from a given alternative which limit them from further explanation of their feeling regarding to the title of the study, even if it is easier and quicker for the research to analyses it. This is why the researcher developed and modified questionnaire in opening ended from which give the respondent's freedom to express their opinion or attitude towards their job freely without any limitation. The research instruments were adopted from Temesgen Bahiru (2018)

3.5.2. Document Analysis

The researcher employed document analysis to extract relevant and supportive Secondary data from the airlines report, exit interviews, policy directives and journal articles.

3.6 Data Analysis Techniques

The information collected from both primary and secondary data sources through review of different documents and in depth interviews with key informants, personal observations as well as questionnaire survey were organized and narrated.

Regarding, the descriptive data obtained from the structured interviews and open ended questions were analyzed by identifying the themes. Facts that were extracted from different documents were analyzed thematically and served to confirm study outcomes accordingly.

Indeed, descriptive analyses were presented using tables and figures where necessary. Ultimately, inferential analysis (correlation and regression) and generalizations were made and presented accordingly.

3.7 Reliability and Validity Test

Test reliability refers to the degree to which a test is consistent and stable in measuring what it is intended to measure. Most simply put, a test is reliable if it is consistent within itself and across time while Test validity refers to the degree to which the test actually measures what it claims to measure. Test validity is also the extent to which inferences, conclusions, and decisions made on the basis of test scores are appropriate and meaningful (Kothari, 2004)

Table 3.2 Reliability Test Result

No	Variables	Cronbach's alpha	Number of
			items
1	Base pay/salary	0.93	3
2	Performance based bonus	0.91	3
3	Benefits	0.801	3
4	Recognition	0.831	4
5	Work Condition	0.9811	4
6	Career Development	0.879	3
7	Employee performance	0.811	4
8	Employee motivation	0.90	3

Source: Survey Result, 2020

Cronbach's Alpha reliability result of this study is 0.88. Therefore, the Cronbach's alpha value of the study is strong category. So the researcher accepts the validity and reliability of the questionnaires.

3.8 Model Specification

To identify the existence and magnitude of correlation the researcher were used ordinary least square (OLS) regression. Such model captures observations at a time or the data which the researcher used were cross sectional. The resulting estimator or parameter can be expressed by a regression formula (Gujarat, 1995).

The dependent variable is employee performance while the independent variables are base pay, benefits, performance based bonus, recognition, work condition and career advancement.

Ep =
$$f(x1, x2, x3, x4, x5, x6)$$
 ----(1)
EP= f (motivation) (2)

M=f (pay, benefits, performance based bonus, recognition, work condition and career advancement)

Ep=
$$\beta_0 + \beta_{1x1} + \beta_{2x2} + \beta_3 + \beta_{4x} + \beta_{5x5} + \beta_{6x6} + \dots (3)$$

Where

E_p =employee performance which is the dependent variable

M=motivation

β0=average performance

X1 = base pay, X2= benefits, X3=performance based bonus, X4=recognition,

X5=work condition, X6= career advancement

 β 1, β 2, β 3, β 4, β 5, β 6 are coefficients of each independent variable

e= error term or residual or unexplained variable

3.9 Ethical Consideration

During data collection, respondents were informed as to why the data is collected. They were informed about the objectives and methods of the study. The privacy of respondent kept safe. Moreover, respondents expected to provide their response voluntarily. Finally, any work of scholar would acknowledge at bibliography part.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1 INTRODUCTION

As discussed in previous chapters, this study attempted to examine the effect of reward system on employee's performance with a mediating role of employee motivation in the case of Ethiopian airlines. Therefore, the findings of the study are presented and discussed in this chapter. The questionnaire were developed in five scales ranging from five to one; where 5 represents Strongly agree, 4 agree, 3 Neutral, 2 disagree, and 1 strongly disagrees. In order to examine the effect of reward system on employee's performance with a mediating role of employee motivation descriptive, Correlation and regression analysis were conducted. A total of 303 questionnaires were distributed and 287 were collected from pilots and hostesses. The collected data were presented and analyzed using SPSS (version 20) statistical software.

Regarding inferential analysis, the study conducted diagnostic tests of the data, regression and correlation analysis, specifically Pearson correlation to measure the degree of association between different variables under consideration. Regression Analysis was also used to test the effect of independent variable on dependent variable.

4.2 Demographic Characteristics of Respondents

The demographic information of respondent gathered for the studies were gender, age, educational qualification, job title and years stayed in Ethiopian airlines.

Table 4.1 Demographic Characteristics

No	Demographic characteristics	Description	Frequency	Percentage
1	Sex	Male	154	53.6%
		Female	133	46.3%
2	Age	Below 25 years	54	18.8&
		25-30 years	68	23.6%
		31-36 years	67	23.3%

		37-42	39	13.5%
		43- 48	37	12.8%
		above 48 years	22	7.6%
3	Educational Qualification	Aviation Certificate	0	0%
		aviation diploma	11	3.8%
		First Degree	241	83.9%
		Second Degree and	35	12.1%
		above		
4	job title	Copilot	107	37.2%
		Pilot	36	12.5%
		Junior hostess	97	33.7%
		Senior hostess	23	8%
		HR officer	19	6.6%
		manager	5	1.7%
5	Experience	Under 3	21	7.3%
		From 3 Up To 6	56	19.5%
		7 Up To 10	87	30.3%
		Above Ten	123	42.8%

Source: Survey Result, 2020

4.2.1 Gender

The paper tried to address gender distribution of respondents in order to answer the questionnaires provided as shown on the following figure. The following figure depicts that respondents of male and female answered the questionnaires distributed. Out of 287 respondents 133 (46.3) were female while 154 (53.6%) were males. This indicates that majority of the Ethiopian airline workers are male. This implies that the male population of the airline has the chance to be represented in every matter.

One difficulty encountered by investigators of sex differences and performance among workers in organizational settings is the difficulty of comparing the performance of men and women carrying out exactly the same job owning to gender segregation in the allocation of work tasks (Rydstedt & Evans, 1998).

Men and women differ significantly in their characteristics. Although sex refers to the biological differences between male and females, the list of actual differences is potentially long. Obviously, males and females differ automatically. As a rule, males are more physically active than females. Females tend to be more verbal than males. Men value independence and achievement, women value intimacy and attachment. While men are action oriented "they take care of the business", while women are people oriented they take care of others.

Regarding Ethiopian airline from an interview the interviewed revealed that there is no significant difference in performance due to sex.

When we look the age group of respondents, the age below 25 are accounts 54 respondents representing to 18.8% of the total respondents. The largest age groups which constitute 47.1% of the respondents are 26-36 years of age. The rest covers 34% of the population which accounts 36 and above. From this result we can observe that the majority of employees (65.5%) of Ethiopian airline were are at the productive age group. In addition, there are many senior pilots and hostesses in the corporation.

According to Beer & Cannon (2004) old employees more concerned with health, mentoring others, job security and place a higher value on leisure activities. In addition, they have low job demand, job variety and feedback, lowered motivation drive when it comes to performing new tasks. They are less motivated by training prospects, reduced concern for career advancement and forming new relationship. Generally, relatively older worker are less motivated, flexible, cost more and able to learn. This ultimately affects their performance.

Donald M. (2013) suggests performance may decline in jobs where certain skills are needed (e.g., psychomotor skills) and performance may decline where executive functions are needed (g., monitoring information). Moreover, learning may decline. But years of work experience and wisdom likely compensates for these possible declines. Learning appears to be a bit slower initially for older workers but then catches up. He also elaborate that age is less important than individual skill. There is more variability in work performance within age groups than between age groups.

On the other hand, Ismail B. (2013) argues those relatively older employees are full of cognitive skills, fluid intelligence or working memory, abstract reasoning, attention, processing novel information, broad educational or accumulated knowledge ("Wisdom") decrease cost of training and supervision. Besides, he pointed out that Age more closely related to non-financial reward (promotions and the work itself) rather than financial reward (paid in cash).

From an opened question employee's reveal that the work life balances of senior employees were disturbed due to high workload. Moreover they are dissatisfied for the little leisure time. This may affect their performance adversely.

As the above tables depicts majority (96.1%) respondents were above first degree holder. a study conducted by Kasika, B(2015) remarked the extent to which organizations perform or achieve set objectives is a function of competencies of staff. As such employers hire and place people in various positions based on educational qualifications required by the job and expect good performance. However, this has not been the case, raising concerns over the ability of employees with educational qualifications to perform on the job. The problem in this case is that if employees with educational qualifications contribute only marginally more to job performance than less educated workers do, then higher costs of staffing with highly educated workers are unlikely to be recouped. This situation creates uncertainty on whether organizations such as Social Security Commission should continue to subsidize current employees to acquire bachelors or advanced degrees hence the need to rigorously assess the short-term returns (e.g., improved performance) and long-term returns (e.g., heightened occupational commitment) on those investments. The study confirmed that educational qualifications have a significant bearing on job performance. The higher the educational level they become the more the performer. The more are the effects of education and skill on job performance. As such people's ability to understand and use advanced technology is determined by the level of their education.

In Ethiopian airline the interviewed reveal that staffs were not allowed to update their career through education. Though the corporation gives extensive training on the aviation area the employees were not able to attend formal education. Furthermore they revealed that the educational level of pilots and copilots were creating difference in understanding the technology. Senior employees were understood easily than juniors in the sector.

As the above table depicts regarding job title majority of respondents (37.2%) and (33.7%) were pilots and senior hostess while in experiences 92.7 % of the participants were more than three year experience.

4.3 Descriptive Analysis

In this section, the collected data was entered and reported using SPSS. The mean value of each question is analyzed and presented. The following tables showed the mean and standard deviation of the question distributed to the participant.

In the first open ended question employees were asked to specify the rewards available in their organization. Most of Ethiopian airlines respondents respond that in addition to the basic payment other rewards like Medical plan, life insurance, bonus, transport allowance, staff loan,

Housing loan and educational fee programs will be provided by Ethiopian airline with different criteria and regulations to be fulfilled.

When asked what are the major problems that the Ethiopian airlines is facing with respect to reward, most of respondents noted that, in recent time's problems like very high employees" turnover, lack of proper communication with managers as well as customers, poor service given to employee from the mangers.

The above table shows the means and standard deviations of reward variables such as base pay, Performance based bonus, employee benefits, recognition, working condition and career development rated by respondents. Descriptively, the average or mean level of employee performance was (mean=3.4 SD= 0.885) on a five-point Likert Scale. This implies that, on the average, the employees of Ethiopia airline were modest performer in return for any kind of reward.

4.3.1 Salary and Employee Performance in Ethiopian Airlines

Table 4. 2 Salary

No	Items Of Questions	Mean	S.Dv
	Base Pay/Salary		
1	My salary is sufficient in relation to what I perform.	3.34	.0123
2	Salary increment made for high performer would encourage others to perform better	3.941	1.086
3	Salary increments are made based on employee performance.	2.8355	1.305

Source: Survey Result, 2020

The means score of salary in relation to employee performance is (mean= 3.37216 SD=0.801). This implies that employees of Ethiopian airline were perceived as there performance affected by the salary and their salary affects their performance in return.

A study conducted by Dr.B Nagaraju (2016) remarks Salary is very important for the performance of the employees. Therefore they are very important for the organization too. In his study he founded that salary has positive impact on employee performance. There is a positive impact on employee performance. His ANOVA results reveal that salary has impact on employee performance.

From open ended question and structured interviews participants revealed that in Ethiopian airline there is always annual salary rises or increment. They also reaffirm that the salary increment is fixed for the position. There is no salary increment for their different performance in their work. Though they employees have different performance evaluation result they were not rewarded for performance differently. In Ethiopian airline there were fixed salary increments as per the

corporation's career structure which based on seniority or year of services.

4.3.2 Performance Based Bonus and Employee Performance

Table 4.3 Performance Based Bonus

	Performance Based Bonus	Mean	S.Dv
1	The EAL bonus payment is performance based.	1.3903	.705 4
2	If I perform well, I am certain that amount of bonus increase	2.6032	1.24 9
3			.579 8

Source: Survey Result, 2020

As the above table shows the mean score of performance based bonus is 2.3913 and Standard deviation becomes=0.84414. This implies that in Ethiopian airline cabin crew workers were not paid based on performance. Weather they perform well or not there were not certain about amount of bonus increases. The bonus plan was not encouraging to perform better.

A study conducted by Nemia Galang (2019) point outs Performance Based Bonus (PBB) is a new incentive given to employees based on their performance. This is different from existing bonuses in government which are given to employees across the board, regardless of their performance.

4.3.3 Benefits and Employee Performance

Table 4.4 Benefits

	Benefits	Mean	S.Dv
1	I am satisfied with the benefits I receive	3.5871	.8834
2	The benefits are as good as most other airlines offer	3.6774	.9308
3			1.403

Source: Survey Result, 2020

The mean score of benefit in relation to employee performance mean=3.4731, SD=1.072. This indicates that on average the cabin crew workers were affected by their benefit package of the corporation. From an open ended question employees were list out discount meals, health benefit or medical coverage, disability, and life insurance; retirement benefits; paid time off; and fringe benefits(parking, not excise taxing of goods) as benefit of the corporation

A study has done by Ermias B., (2017) point outs the issue of social exchange theory. He asserts benefits can impact employee performance and productivity. Lastly he concludes you can increase employee productivity by creating a work environment that provides challenging responsibilities and assistance with health and personal needs. Many work cultures are infused with high pressure and demands.

4.3.4 Recognition Employee Performance

Table 4.5 Recognition

	Recognition	Mean	S.Dv
1	I receive positive recognition for what I perform better	2.3806	.9638
2	When I do a good job I receive a recognition for that	2.4065	1.009
3	I feel that my job receives enough attention from my company	2.5903	.8683
4	Proper recognition of high performer will encourage low performer to work hard.	2.8677	1.156

Source: Survey Result, 2020

The mean score of recognition in as per employee's perception is 2.56127 with standard deviation 0.999. This showed us the recognition practice of the corporation were low.

Employee recognition is the acknowledgment of a company's staff for exemplary performance. Essentially, the goal of employee recognition in the workplace is to reinforce particular behaviors, practices, or activities that result in better performance and positive business results. One of the biggest motivators for employees is to be held in high esteem by their peers. The best way of earning this respect is by being acknowledged for being good at what they do.

In Ethiopian airlines there was no established employee's recognition system. Most top managers in the corporation would relate rewards and recognition to annual salary increment.

A study done by Temesgen Bahre(2017) point outs four main benefits of employee recognition such as make employees happier, improve employee retention and cultivate a culture of self-improvement . Moreover He explains the benefit of employee recognition in the workplace is

that it can be the foundation of cultivating a culture of self-improvement. One of the best ways for staff recognition is to provide them with opportunities to learn and make themselves better at what they do. To take it a step further, it will also be great to incentivize learning reward those who have taken the time to focus on self-improvement and boosting morale is another benefit.

4.3.5 Work Condition

Table 4.6 Work Condition

		Mean	sd
1	I have freedom to try new methods of doing in my job	2.5742	.8991
2	Company rules and procedures are conducive for work	2.3710	.8171
3	There are high varieties of jobs in my work	3.1452	1.302
4	I have reasonable work autonomy in my job	2.871	.9231

Source: Survey Result, 2020

The mean score of work condition came up with 2.74035 with standard deviation 0.985. This implied that the companies were not devising new methods of doing their job and company rules and procedures should be revised considering the demand of the flight crews. Furthermore there were unfair schedule of jobs and unreasonable work autonomy in their job.

A study done by Shagun Aggarwal (2014) attempted to analyze how an organization's working conditions affects organizational performance of employees. He remarked that companies which foster good working conditions such as consistent communication, heating and lighting issues, manageable workload, work and safety, trust, nondiscriminatory policies will boost employee's performance. He concludes that improvement in working environment helps in improving productivity and efficiency of the employees.

From an open ended question participants point out, though Ethiopian airline is good company for all Africans, due to good employee character, staff air tickets, being the fastest growing airline, and receiving advanced aircrafts with new routes expansion all over the globe, good staff communication, there were also awkward management and lowest salary payment, very busy environment. They also asserts the company is great company for passengers but it is not for employees because the salary and other benefit is not enough for employees and also the management staffs were not positive thinkers, the schedulers were not fair and understand the

fact that employees get tired. Most participants point out it's really stressful to work. No health benefits, they don't pay equivalent overtime and top management seems there is a political influence.

According to Johnny C. Eluka(2015) Employees working conditions are no doubt critical to their overall well-being and performance in their duties. Improved working conditions impacts positively on employees' performance. Similarly, occupational safety and healthy environment also contributes to the attainment of organizational goals. It was also found that health risk reduced, cost related to absenteeism and sick days was brought to the barest minimum. Also, there is a positive correlation between working condition and improved performance as well as competitive edge. Consequently, the researchers also discovered from the review that provision and maintenance of facilities reduced staff turnover, fewer occupational injuries, improved service levels, job satisfaction among employees as well as improved relationship between employees and their employers.

4.3.6 Career Development

Table 4.7 Career Development

	Career Development	Mean	sd
1	The EAL has a clear career Development procedure.	4.187 1	.51 24
2	EAL applies performance based career development	3.848 4	.78 38
3			.53 79

Source: Survey Result, 2020

The mean score of career development in Ethiopian airline comes up with 4.1247 and it score small standard deviation 0.611. In Ethiopian airline career development is the life long process of managing learning, work, leisure, and transitions in order to move forward personally determined and evolving preferred future. This high mean value implied that the EAL has a clear career Development procedure and applies performance based career development. In shor, t there were, opportunities for more career advancement.

Form an open ended question participates revealed that working in Ethiopian Airline Company for long time helps to grow in all aspects of life. As a multi discipline company they have got the opportunity to experience the skills in different departments including maintenance and repair organization, cargo and hospitality, knowledge and experience from the well-developed aviation academy and MRO. They also point out that Ethiopian airline has good working environment, better opportunity to develop career, fast growing airlines, mission driven to lead the way in aviation industry. It is African best airlines in terms of safety, profitability and sustainability to experience, the work environment offers sufficient challenges for professional who wish to grow through them. The company provides educational assistance for individuals interested to study in academic institutions, there was an extensive training given throughout the company.

A study done by Saud Napitupulu (2016) examines the influence of career development on employee performance in public sector, mediated by perceived organizational support, work motivation, and affective commitment. The findings reveal that career development has positive direct influence on perceived organizational support, motivation, and affective commitment. However, career development has no direct influence on performance. The indirect examination shows that mediating variables are perceived to have significant influence in strengthening that relationship. These findings theoretically imply that career development may be dependent on the extent to which organization is capable of providing perceived organizational support and motivation in promoting affective commitment and performance.

4.4. Assumption of Tests

Inferential statistics allow one to draw conclusions or inferences from data. Usually this means coming to conclusions about a population on the basis of data describing a sample. Statistical inference uses probability and information about a sample to draw conclusions ("inferences") about a population or about how likely it is that a result could have been obtained by chance.

4.4.1 Linearity test

Linear regression needs the relationship between the independent and dependent variables to be linear. It is also important to check for outliers since linear regression is sensitive to outlier effects. The linearity assumption can best be tested with scatter plots; the following picture depicts no and little linearity is present.

Partial Regression Plot Partial Regression Plot Dependent Variable: Employee Performance Dependent Variable: Employee Performance 1.50 1.00 Employee Performance Employee Performan -1.50 -1.00 Partial Regression Plot Partial Regression Plot Dependent Variable: Employee Performance Dependent Variable: Employee Performance 1.50 1.00 **Employee Performance** Employee Performance .50 -.50 -1 00 -1.00 -1.50° -3.00 -2.00 1.00 2.00 -1.00 1.00 2.00 Work Condition **Career Development**

Fig 4.4 Linearity Test Result

Source: survey result, 2020

4.4.2 Testing the Skewness and Kurtosis of the Data

Skewness is a measure of symmetry, or more precisely, the lack of symmetry. A distribution, or data set, is symmetric if it looks the same to the left and right of the center point. Kurtosis is a measure of whether the data are heavy-tailed or light-tailed relative to a normal distribution. That is, data sets with high kurtosis tend to have heavy tails, or outliers. Data sets with low kurtosis tend to have light tails, or lack of outliers. A uniform distribution would be the extreme case (Kothari, 2004)

Table4.4 Skewness and Kurtosis

	Statistics														
	Base	Pay/Salary	Performance	Based Bonus	Benefits	Recognition	Work	Condition	Career	Developmen	t	Employee	Performance	Employee	motivation
Skewness		.163	5	567	.108	284		.585		-	.530		654		.016
Std. Error of Skewness	,	.427	.4	127	.427	.427		.427			.427		.427		.427
Kurtosis	-	.381	0)89	1.08	443		.241		1	.016		195		982
Std. Error of Kurtosis	,	.833	.8	333	.833	.833		.833			.833		.833		.833

Source: survey result, 2020

The values within the range of +1.96 and -1.96 are the said to be acceptable. Beyond these limits can be called skewed data (Hair, 2010) and Bryne (2010) argued that data is considered to be normal if Skewness is between - 2 to +2 and Kurtosis is between - 7 to +7. From rule of the thumb the researcher's data is normally distributed

4.5.2 Normality Test

Normality tests are used to determine if a data set is well-modeled by a normal distribution and to compute how likely it is for a random variable underlying the data set to be normally distributed. The tests are a form of model selection, and can be interpreted several ways, depending on one's interpretations of probability:

In descriptive statistics terms, one measures a goodness of fit of a normal model to the data if the fit is poor then the data are not well modeled in that respect by a normal distribution, without making a judgment on any underlying variable (kothari,2004)

Multiple regressions assume that variables have normal distributions (Darlington, 1968). This implies that errors are normally distributed, and that a plot of the values of the residuals will approximate a normal curve (Keith, 2006). This assumption can be tested by looking at the P-P plot for the model together with above histogram of the standardized residuals. The closer the dots lie to the diagonal line, the closer to normal the residuals are distributed.

Fig 4.5 Normality Result

Source: survey result, 2020

4.5.3 Multi collinearity Test

Multi collinearity means a state of very high inter-correlation or inter-associations among the independent variables. It is therefore a type of disturbance in the data, and if present in the data the statistical inferences made about the data may not be reliable.

Multi collinearity generally occurs when there are high correlations between two or more predictor variables. In other words, one predictor variable can be used to predict the other. This creates redundant information (Kothari, 2004)

Strong relationship between explanatory variables is a problem of multi collinearity and not acceptable for ordinary list square regression analyses.

Table 4.5 Multi collinearity test

Coefficients ^a						
Model		Collinearity Statistics				
		Tolerance	VIF			
	Base Pay/Salary	.682	.467			
	Performance Based Bonus	.808	.970			
1	Benefits	.844	.185			
1	Recognition	.783	.276			
	Work Condition	.880	.084			
	Career Development	.853	.172			
a. Deper	ndent Variable: Employee Performance					

Source: survey result, 2020

According to Kothari (2004) Variance-inflation factor (VIF) has also been checked and values are found smaller, which supports that multi collinearity is not a problem. In this study all VIF were less than 10 got acceptances as per (Hair, 2010). Moreover, tolerance statistics in regression analysis helps to detect co-linearity problem. Tolerance value runs from 0 to 1 and values closer to 1 indicates no multi collinearity problem (Keith, 2006). In this study all the tolerances are above 0.8 and, therefore, the amount of variation in that construct is not explained by other predictors. Both Tolerance and VIF tests indicated that there is no multi collinearity problem of the data.

4.5.4 Homoscedasticity Test

Homoscedasticity means that the variance around the regression line is the same for all values of the predictor variable (X). The plot shows a violation of this assumption. For the lower values on the X-axis, the points are all very near the regression line. For the higher values on the X-axis, there is much more variability around the regression line

This assumption requires even distribution of residual terms or homogeneity of error terms throughout the data. Homoscedasticity can be checked by visual examination of a plot of the standardized residuals by the regression standardized predicted value (Osborn & Waters, 2002). If the error terms are distributed randomly with no certain pattern then the problem is not detrimental for analyses. The following Figures below shows that the standardized residuals in this research are distributed evenly indicating heteroscedasticity are not a serious problem for this data.

Detrended Normal P-P Plot of reward 0.0000 0 -0.2 **Deviation from Normal** -0.4 o -0.6 -0.8 0 0.2 0.6 0.4 0.8 1.0 Observed Cum Prob

Fig 4.6 Homoscedasticity result

Source: survey result, 2020

4.5.5 Autocorrelation Test

Autocorrelation is a mathematical representation of the degree of similarity between a given time series and a lagged version of itself over successive time intervals. It is the same as calculating the correlation between two different time series, except autocorrelation uses the same time series twice: once in its original form and once lagged one or more time periods (Kothari, 2004)

Table 4.7 Autocorrelation Test

Model Summary								
Model	R	R	Adjusted R Square	Std. Error of the	Durbin-			
		Square		Estimate	Watson			
1	.813 ^a	.660	.572	.65211	1.922			
a. Predictors: (Constant), Career Development, Recognition, Performance Based Bonus, Benefits, Base Pay/Salary, Work Condition								
h Dene	ndent V	ariable: F	Employee Performance					

Source: survey result, 2020

Autocorrelation or independence of errors refers to the assumption that errors are independent of one another, implying that subjects are responding independently (Stevens, 2009). Durbin-Watson statistic can be used to test the assumption that our residuals are independent (or uncorrelated). This statistic can vary from 0 to 4. For this assumption to be met, the DW value needs to be close to 2. Values below 1 and above 3 are problematic and causes for concern.

4.6 Correlation Analysis

Correlation analysis was applied to test the "interdependency" of the variables. In this section, the direction and degree of the strength of the relationship among the variables were determined. The Pearson's Product Movement Correlation Coefficient was computed to determine the relationships between Laissez-Faire, transformational leadership, autocratic leadership, transactional leaders and organizational performance.

Correlation analysis is useful way of exploiting relation (association) among variables. The value of the coefficient (r) ranges from -1 up to +1. The value of coefficient of correlation (r) indicates both the strength and direction of the relationship. If r = -1 there is perfectly negative correlation between the variable. If r = 0 there is no relationship between the variable and if r = +1 there is perfectly positive relationship between the variables. For values of r between + and 0 or between 0 and -1, different scholars have proposed different interpretation with slight difference.

For this study decision rule given by Bartz (1999) was used to describe the strength of association among the variables as follows.

Table 4.8 correlation coefficient

Measure of Association	Descriptive Adjectives
>0.00 to 0.20; <-0.00 to -0.20	Very weak or very low
>0.20 to 0.40; <-0.20 to -0.40	Weak or low
>0.40 to 0.60; <-0.40 to -0.60	Moderate
>0.60 to 0.80; <-0.60 to -0.80	Strong or High
>0.80 to 1.0; <-0.80 to -1.0	Very high or Very Strong

Source: Bartz (1999)

Table 4.9 Correlation Result

		Base Pay	Bonus	Benefits	Recognition	Work Condition	Career Development	Employee Performance
Base Pay	Pearson Correlation	1	.413*	022	.237	.455*	.316	.727**
	Sig. (2-tailed)		.023	.906	.208	.012	.089	.000
Bonus	Pearson Correlation	.413*	1	.128	.110	.669**	.208	.426*
	Sig. (2-tailed)	.023		.502	.564	.000	.271	.019
Benefits	Pearson Correlation	022	.128	1	.329	.119	155	.426*
	Sig. (2-tailed)	.906	.502		.076	.533	.413	.000
Recognition	Pearson Correlation	.237	.110	.329	1	.282	051	.153
	Sig. (2-tailed)	.208	.564	.076		.131	.789	.420
	Pearson Correlation	.455*	.669**	.119	.282	1	.109	.447*
	Sig. (2- tailed)	.012	.000	.533	.131		.567	.013
	Pearson Correlation	.316	.208	155	051	.109	1	.749**
	Sig. (2- tailed)	.089	.271	.413	.789	.567		.000
	Pearson Correlation	.727**	.028	.426*	.153	.013	.749**	1
Same at Same	Sig. (2-tailed)	.000	.080	.000	.420	.131	.000	

Source: Survey Result, 2020

As we can see from the above table independent variables like base payment (r=.727**, p<0.05), benefit (r=.426*, p<0.01) and career development(r= .749**) have strong and significant correlation with the dependent variable employee performance. This implies that increase or decrease in independent variables is associated with similar change in employee's performance.

The above table also tells us that the existence of significant and positive, positive but insignificant, and negative but significant correlations.

4.7 Regression Analysis Results

Multiple regression analysis applied to find out whether there was statistically significant relation surfaced between work motivation and the seven reward dimensions or not. Moreover, it helped to devise a formula that shows the relation between the dependent variable (work motivation) and the independent variables (payment, benefit, and promotion, recognition, working condition, employee's autonomy and career development opportunity

This part of analysis includes a regression model to test the hypothesis. Seven extracted dimensions were taken as independent variables against motivation of employees as dependent variable in a multiple regression model. For all the hypothesis of the study below 95% confidence interval was used.

Table 4.10 Model Summary

			Model Summs	ary	
Model	R	R Square	Adjusted R	Std. Error of	Durbin-Watson
			Square	the Estimate	
1	.813ª	.660	.572	.65211	1.922

a. Predictors: (Constant), Career Development, Recognition, Performance Based Bonus, Benefits, Base Pay/Salary, Work Condition

b. Dependent Variable: Employee Performance

Source: survey result, 2020

As indicated in the model summery table the linear combination of the independent variable was significantly related to the dependent variable, R=.813, R square= .660 adjusted R square=.572, F=7.454 (p=0.000).

R value tells that the overall reward dimensions such as career development, recognition, performance based bonus, benefits, base pay/salary, work condition have strong effect on the dependent variable(performance).

R-square value .660 indicates that 66 % of variation on dependent variable (performance) is explained by the above Reward dimensions (career development, recognition, performance based bonus, benefits, base pay/salary, work condition). And other factors that are not included in the model may explain the remaining (34%) variation in employee's performance.

Table 4.11 ANOVA result

		ANOV	$^{\prime}$ $\mathbf{A}^{\mathbf{a}}$			
Model		Sum of	df	Mean	F	Sig.
		Squares		Square		
	Regression	19.019	6	3.170	7.454	$.000^{b}$
1	Residual	9.781	23	.425		
	Total	28.800	29			

a. Dependent Variable: Employee Performance

Source: survey result, 2020

The above ANOVA table indicates the statistical significance of the regression model that was run. Here, p is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable (i.e., it is a good fit for the data). The regression model considers employee performance as dependent variable career development, recognition, performance based bonus, benefits, base pay/salary, work condition as independent variables. The regression coefficients explain the average amount of change in the dependent variable due to a unit change in the independent variable holding other explanatory variables constant.

b. Predictors: (Constant), career development, recognition, performance based bonus, benefits, base pay/salary, work condition

4.8 Hypothesis Testing

Table 4.12 Regression Coefficient

Coefficient					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	В	Std. Error	Beta		
(Constant)	2.992	1.087		2.75	.011
Base Pay/Salary	.776	.151	.756	5.13 7	.000
Performance Based Bonus	.228	.232	.167	.982	.336
Benefits	.103	.178	.077	.580	.568
Recognition	.061	.159	.052	.381	.706
Work Condition	.052	.171	.053	.304	.764
Career Development	.519	.192	.355	2.69	.000

a. Dependent Variable: Employee Performance

Source: survey result, 2020

• H1: Base pay has a significant and positive effect employee performance

As we can see in the above coefficient table base pay has a b value .756 (p<0.05). Therefore we can say that Base pay has a positive and significant effect on employee's performance. This implies we reject the null hypothesis and accept the alternate one.

• H2: Performance pay bonus has a significant and positive effect on employee performance

The beta value of benefit shows .167 (p<0.05) tells us that there is positive and significant relationship between Performance Based Bonus and employees performance. Therefore we

reject the null hypothesis and accept the alternate hypothesis of existence of significant relationship with performance.

The expected positive coefficient estimates of base pay and bonus are consistent with Moncarz et al., (2009) and Chiu et al., (2002). According to these papers it can be explained that salary was the prime factor for the performance of salaried employees. In addition, benefits are a motivator for employee's commitment within an organization, which results in attraction and retention.

• H3: Benefits, has a positive and significant relationship on employee performance

The regression result tells us to a accept H0 since there is a no significant relationship between Benefits and employees performance.

The beta value of benefit is .077 however the p value is .568 which is greater than 0.05. Therefore we reject the null hypothesis. This finding is consistent with Azim and Sharma (2012) Study finding suggesting that satisfaction with benefit packages do not have a direct and positive impact on motivation. And inconsistent with Peterson, (2003), Kreitner and Kinicki (2004). According to these papers it can be explained that verities of benefit packages has a great connection with performance.

• H4: Recognition has a significant and positive effect employee performance

There is no significant relationship between Recognition and employee's performance. Recognition is found to be insignificant relationship with performance with beta value of .052 and p value. 706 which is higher than 0.05. Therfore we accept the null hypothesis and reject the alternate one.

This positive and insignificant coefficient of Recognition is consistent with Baron and Greenberg (1995) and Robbins (2001). According to these papers absence of Recognition leads to lower performance.

• H5: Work environment has a significant and positive effect on employee performance

When we come Work environment, the alternate hypothesis which states working condition has no positive and significant effect on employees performance is supported with coefficient of .053 and sig value greater than 0.05. Therefore we reject the null hypothesis.

• H6: Career development has positive and significant effect on employee's performance

The regression result shows Career development opportunity has positive and significant Effect on employees performance with the coefficient of .355 and sig. value less than 0.05. There is positive and significant relationship between career development and employees performance. Therefore we reject the null hypothesis and accept the alternate hypothesis of existence of significant relationship with performance.

Generally based on the above analysis the researcher concludes that base payment, performance based bones and career development variables have the highest positive and significant impact on performance. But working condition, recognition and benefits have positive but insignificant effect.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

5.1 CONCLUSION

The study aimed examine the effect of reward system on employee's performance with a mediating role of employee motivation in the case of Ethiopian airlines cabin crew employees based on the questionnaire of randomly selected cabin crew employee. A total of 303 questionnaires were distributed and 287 were collected from pilots and hostesses and the response rate 94.2 % which acceptable for data analysis and discussion of the study.

In the demographic analysis, out of 287 respondents 46.3% were female while 53.6% were males. It implies majority of the Ethiopian airline workers are male. Regarding age group of respondents, the larger number of employees which constitute 47.1% of the respondents are 26-36 years of age while their education level majority of respondents (96.1%) were above first degree holder. Lastly regarding job title majority of respondents (37.2%) and (33.7%) were senior pilots and senior hostess respectively while their experiences 92.7% of the participants were served at Ethiopian airline more than three year experience.

The result of the distributive analysis shows that, the most determine factor of employee performance which scored low mean deviation was pay/salary (mean=3.37216, SD=0.801), performance based bonus (mean=2.3913, SD=0.844), benefits (mean=3.4731, SD=1.072), recognition (mean=2.56127, SD=0.999), work condition (mean= 2.74035, SD= 0.985) and career development (mean= 4.1247. SD=0.611). From this base pay/salary, career development and benefits were found most or strong determinate factor that able to affect employee's performance as well as their motivation in Ethiopian airline.

Results from inferential analysis particularly from Pearson's Product Moment Correlation Coefficient and as per Bartz (1999) interpretation of r value were used to discuss the relationship between dependent variable (employee performance) and an independent variables base

pay/salary, performance based bonus, benefits, recognition, work condition and career development. The relation between dependent and independent variable shows that there is statistically significant relationship exist between all variables of rewards and employee performance. The correlation result reveals independent variables base payment (r=.727**, p<0.05), benefit (r=.426*, p<0.01) and career development(r= .749**) have strong and significant correlation with the dependent variable employee performance

The model summary or the linear combination of the independent variable was significantly related to the dependent variable, R=.813, R square= .660 adjusted R square=.572, F=7.454 (p=0.000). R value tells that the overall reward dimensions such as career development, recognition, performance based bonus, benefits, base pay/salary, work condition have strong effect on the dependent variable (performance).R-square value .660 indicates that 66 % of variation on dependent variable (performance) is explained by the above Reward dimensions (career development, recognition, performance based bonus, benefits, base pay/salary, work condition). The ANOVA result indicates the statistical significance of the regression model that was run. Here, p is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable (i.e., it is a good fit for the data). Regarding hypothesis three hypothesis (base pay/salary/, benefit and career development) were accepted and the meaning (recognition, work condition and performance based bonus) are rejected.

When we analyze the open ended question, items related to policy and procedure more than 50% of the respondents are blaming on the implementation of existing policy and procedure thus the corporation has poor implementation and execution of the reward system in clear and reasonable manner.

Generally Reward system plays a vital role in motivating employees to perform their assigned job. Since money/financial reward are a main motivator in encouraging the employee's performance required in today's competitive business environment. The ability to attract, keep and motivate high- performance is becoming increasingly important in today's competitive organizational environments. The study also asserts that employee's will improve their performance if the all reward package problems identified and tackled by the management

Based on the above finding reward system can improve organizational performance as well as it fulfills other objectives such as employees goal, legal compliance, labor cost control, perceived fairness towards employees and enhancement of employee performance to achieve high level of productivity and customer satisfaction in the aviation. The success of most service organizations specifically the aviation industry depends on the performance and output of the human elements of the system. Employees constitute the most critical input in service industries, and as such their performance and motivation is at the forefront of managerial task. Managers are therefore faced with the challenge of choosing which measure to adopt or whether to rely on intrinsic or extrinsic rewards system in order to gauge employee performance.

5.2 Recommendation

Based on the findings and conclusions of the research the following recommendations were forwarded to Ethiopian Airline managements.

- The management of Ethiopian airline should redesign its reward package system in general and its salary scale/ base pay structure in particular based on the work load of employees, the inflation rate as well as market condition(aviation industry scale). Because the highest influential factors for employee performance were base pay/salary, benefit package and career development. There must be an appropriate, clearly known and visible career development path.
- The level of employee motivation is directly related to their performance in Ethiopian airline. Therefor the company should draft a strategy that can increase thee extrinsic as well as the intrinsic motivation of employees and increase their performance.
- The Ethiopian airline should conduct a continuous performance appraisal measurement based on its vision and mission and develop a strategy that able to reward based on their performance.
- Schedulers, Supervisors and managers have to acknowledge employees deeds on a
 daily/weekly/monthly basis. As study reveals the company is the busiest place and
 become difficult to handle their work life balance. The company should work on
 balancing the work life balance of employee.
- In general the current aviation industry is full of competition and rewards also go far
 beyond cash compensation and payments. Monetary compensation alone is insufficient to
 motivate employees. Other factors such as giving greater recognition, creating employees
 autonomy and establishment of better leadership system have the greatest impact on
 employee motivation as well as their performance.

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APPENDIXES

JIMMA UNIVERSITY

FACULTY OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

Dear respondents!

The main objective of this questionnaire is to gather your opinion regarding the effect of reward

system on employee's performance with a mediating role of employee motivation in the case of

Ethiopian airlines. The data and opinion gathered will be used for partial fulfillment of the

requirement for Master's Degree in MBA. Your faithful and quick response will make the

research fruitful. The information you provide will be kept confidential. Thank you in advance

for your collaboration. If you have problems in completing this form, please do not hesitate to

contact.

Samrawit Belayneh

Mobil NO: 0911517909

Part One: General Information of Respondents

✓ Note: no need of writing your name

✓ Circle your answer

1) Gender: A. Male B. Female

2) Age: A. Below 25 years B.25-30 years C.31-36 years

3) Educational Qualification:

A. Aviation Certificate B. aviation diploma

C. First Degree D. Second Degree and above

3) Job title

A. Copilot B. Pilot

C. Junior hostess E. Senior Hostess

D HR officer F. manager

4) Years stayed in Ethiopian airline

A. under 3 years B.3-6 years

C.7-10 years D. over 10 years

Part II Specific Ouestions

Key: SDA- Strongly disagree D-Disagree

N-Neutral A-Agree SA-Strongly Agree

NO	ITEMS OF QUESTIONS	SDA	DA	N	A	SA
	Base Pay/Salary					
1	My salary is sufficient in relation to what I					
	perform.					
2	Salary increment made for high performer					
	would encourage others to perform better					
3	Salary increments are made based on employee					
	performance.					
	Performance Based Bonus					
1	The EAL bonus payment is performance based.					
2	If I perform well, I am certain that amount of					
	bonus increase					
3	The bones plan encourages to perform better					
	Benefits					
1	I am satisfied with the benefits I receive					
2	The benefits are as good as most other airlines					
	offer					
3	The benefit package of the EAL is equitable					
	Recognition					
1	I receive positive recognition for what I perform					
	better					
2	When I do a good job I receive a recognition for					
	that					
3	I feel that my job receives enough attention					
	from my company					
4	Proper recognition of high performer will					
	encourage low performer to work hard.					

	Work Condition				
1	I have freedom to try new methods of doing in				
	my job				
2	Company rules and procedures are conducive				
	for work				
3	There are high varieties of jobs in my work				
4	I have reasonable work autonomy in my job				
	Career Development				
1	The EAL has a clear career Development				
	procedure.				
2	EAL applies performance based career				
	development				
3	there are Opportunities for more career				
	advancement				
	Employee Performance				
1	Employee's performance has a strong link to the				
	benefits they earn.				
2	Here in my company I am rewarded for my				
	performance				
3	The reward system of the company affects my				
	performance				
4	The reward system of the company is fair for				
	employees performance				
	Employee motivation				
1	The reward system of the company can affect				
	the employees motivation				
2	Employee motivation linked with reward system				
	of the company				
3	The reward system of the company affects my				
	motivation				
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Part Three: Open Ended Ouestions

1.	How do you rate your working performance in Ethiopian Airline? (Low, good or
	excellent)? Is it equivalent or not from what you rewarded? Please explain.
2.	What do you suggest for the overall process of reward system in Ethiopian airline (Base
۷.	pay/salary, benefits, recognition, promotion, over time payment and working condition)

Thank you so much!!

Interview guideline

- 1. How do you see the reward practice of the company
- 2. What are the financial and non-financial reward that you provide for your employees
- 3. How do you see reward and employee performance in the company