



ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**THE EFFECT OF NON-FINANCIAL INCENTIVE SCHEME ON
EMPLOYEE PERFORMANCE: ETHIOTELCOM CUSTOMER
SERVICE DIVISION**

By:
Serkalem Wasse

May, 2024
ADDIS ABABA, ETHIOPIA

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**A THESIS SUBMITTED TO ST.MARY’S UNIVERSITY, SCHOOL
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LIST OF ACRONYMS

CD	Career Development
CSD	Customer Service Division
EP	Employee Performance
ET	Employee Training
ETC	Ethiopian Telecommunication Corporation
IBTE	Imperial Board of Telecommunications of Ethiopian
PF	Performance Feedback
SPSS	Statistical Packages for Social Sciences
WC	Working Condition

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ABSTRACT

This study investigates the effect of non-financial incentives on employee performance of ethiotelecom. More specifically, it entailed to examine how working conditions, employee training, career development and performance feedback influence the employee performance. A sample of 342 respondents from ethiotelecom headquarter office were selected from a target population of 2353 through stratified random sampling technique. To collect the data from sample respondents, self-administered closed-ended questionnaire with five-point Likert scale was used. A pre-test of the reliability of the questionnaire was made and the Cronbach's alpha coefficient was above 0.7 for the scale and each subscale. An explanatory research design and quantitative research approach were used. The data was analyzed by using descriptive statistics (frequency, percentage, mean and standard deviation) and inferential statistics (correlation and multiple regression analysis). The Statistical Package for the Social Sciences (SPSS) version 26 was used to process and generate descriptive and inferential statistics reports. The result finding revealed that there is a strong correlation between non-financial incentive scheme (working condition, employee training, career development and performance feedback) and employee performance of ethiotelecom. Moreover, the regression analysis evidenced that non-financial incentive scheme is predictors of employee performance in ethiotelecom. In addition, the regression model summary revealed that if working condition increased by one unit there is an increase of 0.203 unit in employee performance, if employee training increased by one unit there is an increase of 0.334 unit in employee performance, if career development increased by one unit there is an increase of 0.110 unit in employee performance and if performance feedback increased by one unit there is an increase of 0.188 unit in employee performance. It is concluded that, non-financial incentive determines employee performance of ethiotelecom. The researcher recommends that the company should create more efficient training so that the employee performance will be increased more.

Key words: *employee performance, non-financial incentive, employee training, working condition, career development, performance feedback*

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

All businesses and organizations aspire to success and continuous improvement. In the present period of intense competition, firms of all sizes, with varying technological capabilities and targeted markets, encounter difficulties in retaining their workforce. Employees and their organizations need to build and preserve a solid, positive relationship in order to overcome these limitations. An organization's human resources are its core. Therefore, it is necessary to influence and persuade them to complete the assignment. To achieve wealth, many businesses develop unique strategies to compete with their competitors and improve their performance.

Quantity of production, consistency of output, timeliness of output, participation at work and cooperativeness are all measures of employee productivity in the workplace (Güngör, 2011). An organisation's overall performance can be boosted by individual employee performance. Employee performance is described as a list of achievements for each job function over a period of time. a collection of parameters that define an employee's performance pattern over time (Macky and Johnson, 1999). Workplace success refers to how much each organisational member contributes to the achievement of the organisation's objectives (Gale et al., 2019).

One of the most urgent challenges facing modern companies is ensuring that their employees are highly motivated. Several studies have demonstrated that one of the best strategies to maintain employee motivation is to provide rewards. According to the study, there is a strategic significance between employee motivation, incentive, and working condition for an organization's performance. As a result, motivation is a component that propels our behavior and productivity. Thus, the goal of both monetary and non-monetary awards is to draw individuals to an organization and maintain their motivation to deliver excellent work. The practice of non-financial awards in ethiotelecom's customer service division and its effect on employees' motivation levels are objectives of this research project.

According to (Leslie, 1992) employee performance is the degree of accomplishment of the tasks that make up an employee job and it reflects on how well an employee is fulfilling the requirements

of a job. (Armstrong, 2010), also defined employee performance as it refers to the outcome, accomplishment of work as well as the results achieve. Armstrong Continues to indicate that performance has to be managed by taking systematic action to improve organizational, team and individual performance; where individual performance management process is associated with both financial and non-financial incentives. He concludes that Organizations are obliged to meet the needs of their stakeholders, in this case employees, by rewarding their employee equitably according to their contribution.

The introduction of telecommunication in Ethiopian dates back to 1894. Ethiopian Telecommunications Corporation is the oldest public telecommunications operator in Africa. In those years, the technological scheme contributed to the integration of the Ethiopian society when the extensive open wire line system was laid out linking the capital with all the important administrative cities of the country. Originally a division of the Ministry of Post, Telephone and Telegraph, what would become the ETC was established as the Imperial Board of Telecommunications of Ethiopia (IBTE) by proclamation No. 131/52 in 1952. Under the Derg regime, the IBTE was reorganized as the Ethiopian telecommunications service in October 1975, which was in turn reorganized in January 1981 as the Ethiopian Telecommunications Authority. In November 1996, the Ethiopian Telecommunications Authority became ETC by Council of Ministers regulation No. 10/1996. The subsequent Proclamation 49/1996 expanded the ETC's duties and responsibilities. For its international traffic links and communication services, ETC mainly uses its earth station at Sululta which transmits and receives to both the Indian Ocean and the Atlantic Ocean satellites. Engineering consulting firm Arup, were involved in the design and engineering of the early tower structures (during the 1970s) (Ethiotelecom, 2024).

1.2. Definition of terms

Incentive: the external temptations and encouraging factors that lead the individual to work harder (Palmer, 2012).

➤ **Non-financial incentive:** are the tangible rewards, social practices or job related factors that are used in an organization to motivate employees without direct payment of cash (Yavuz, 2004).

➤ **Performance:** the achievement of quantified objectives (Armstrong, 2009).

➤ **Employees:** An individual who works part or full-time under a contract of employment, whether oral or written, express or implied, and has recognized rights and duties. Also called worker (Oxford English Dictionary).

➤ **Employee's performance:** the outcome or contribution of employees to make them attain organizational goals (Herbert, John & Lee, 2000)

1.3. Statement of the problem

Most businesses organizations are more interested in financial reward system. But to increase employee's income other than financial reward, non-financial reward system is more important. Non-financial incentives inspire and engage employees in ways that money is incapable of doing. Non-financial incentives are the types of rewards that are not a part of an employee's pay. Typically, they cost the company little or no money, yet carry significant weight. There are many non-financial factors that increase employee satisfaction.

According to (Oburu and Atambo, 2016) sometimes difficult to find out what measures are brought out the best performance and improvement in workers. However financial incentives do not have the highest impact on employee motivation. When it comes to non-financial incentives, they have the highest impact on employee motivation. According to one of the literature reviewed, non-financial incentives have received little attention, with most studies (Gupta, 2018) focusing on promotion, opportunities for career development, training and others.

Employees of the company should perform to the best of their ability to maintain the continuity of the work in a powerful manner and help organizations to survive and broaden their skill to meet the organizational demands. For the fulfillment of the above performances the company needs to create and implement attractive non-financial incentives that lead to best performance of employees. However, failing to create appealing non-financial incentives can negatively impact employees' performance. This may result in increased absenteeism, reduced productivity for both individual employees and the organization as a whole, decreased employee commitment, diminished creativity and innovation, and a higher error rate among employees.

(Maslow, 1998) stated that, "many people are influenced more by non-financial incentives than financial considerations". Besides, the company tends to give more emphasis on increasing the

number of its external customers than administering wide-range of non-financial benefits to its employees, who are its internal customers and capable of determining its success. Such little attention for employees leads to low employee performance and competitiveness in terms of attracting competent personnel from the labor market. Besides these rewards are primarily unique to an organization and are less costly alternative to financial incentives. Organizations face negative consequences when they ignore the importance of non-financial incentives on employee's retention (Hijazi et al., 2007). Therefore, based on this problem, the researcher has a feeling to examine the current practice pertaining to non-financial incentive administration and uncover the effect of non-financial incentive on the performance of employees" at ethiotelecom.

1.4. Research Question

The main question of the study how non-financial incentive influence employee performance of ethiotelecom are: -

- ❖ How does working condition affect employee performance of ethiotelecom?
- ❖ How does employee training affect employee performance of ethiotelecom?
- ❖ How does performance feedback affect employee performance of ethiotelecom?
- ❖ How does career development affect employee performance of ethiotelecom?

1.5. Objective of the study

1.5.1. General objective

The general objective of the study is to analyze the effects of non-financial incentive schemes on employee performance of ethiotelecom.

1.5.2. Specific objective

The specific objectives of the study are: -

1. To examine the effects of working condition on employee performance of ethiotelecom.
2. To establish the effects of training on employee performance of ethiotelecom.
3. To explore the effects of performance feedback on employee performance of ethiotelecom.
4. To investigate the effects of career development on employee performance of ethiotelecom.

1.6. Significance of the Study

Organization can make a difference if they have qualified and competent work force who are motivated for work. Hence, owners and leaders have to be aware of that their employees are incentivized and motivated properly to bring the intended purpose of their organization. Having the above in mind the study shall add valuable insights for both theory and practice. From a theoretical perspective the study will contribute to the existing body of knowledge on the relationship between non-financial incentive schemes and employee performance. By examining the case of ethiotelecom, this research will provide valuable insights into the effectiveness of non-financial incentive schemes in a specific organizational context. From a practical standpoint, the findings of this study will be beneficial for ethiotelecom and other organizations seeking to enhance employee performance through non-financial incentive schemes. The research will help ethiotelecom to identify strengths and weaknesses in its existing non-financial incentive schemes and make informed decisions about potential improvements.

1.7. Scope and limitation of the study

The study covers non-financial incentives schemes working condition, career development, performance feedback and employee training. Geographically, the study focus on Addis Ababa ethiotelecom head quarter specifically customer service division. Because to cover all division there is a limitation of time and resource.

1.8. Organization of the Study

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

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter provides the literature review of all findings related to this research. The theoretical foundation has explained on the theory that is closely related with this research. Also, a review of past empirical studies which is related to this research topic is also included in this chapter.

2.1. Theoretical Literature

2.1.1. Incentives schemes

Incentive schemes as defined by (Ude and Coker, 2012), are special pay programs designed to motivate high performance. Incentive schemes attempt to link at least a portion of pay to job performance to encourage higher productivity. Incentives, as often called, should be aligned with the behaviours that help achieve organizational goals or performance. Incentives are either individual or group (organization wide). In this study, financial and non- financial incentives are designed to motivate employees to improve their performance, to increase effort and output and by producing better results expressed in such terms as objectives for profit, productivity, sales turnover, cost reduction, quality customer service and on time delivery. Incentive schemes relate compensation to productivity. A primary purpose of an incentive scheme is to encourage greater productivity from individuals and work groups.

The term incentive refers to something that intends to ignite one and/or calls for greater effort to act in a given manner. According to (Hicks and Adams, 2003), incentives are mechanisms aimed at achieving a specific change in behavior. Whereas performance refers to how well an employee fulfills assigned task through effort and skill, an incentive refers to an inducement for a desired action. Incentive pay is a form of compensation given to employees upon attainment of some form of job performance (Armstrong, 2010).

According to (Torrington et al., 2008), Incentive is here described as an element of payment linked to the working performance of an individual or working group, as a result of prior arrangement. This includes most of the payment by results schemes that have been produced by work study, as well as commission payments to sales people, skill-based pay schemes and performance related pay schemes based on the achievement agreed objectives. The distinguishing feature is that the

employee knows what has to be done to earn the payment, though he or she may feel very dependent on other people, or on external circumstances, to receive it.

Incentives are used by organizations in order to reach certain goals, encourage a certain behavior and team-spirit for collective awards. Incentive systems are not universally applicable, but are likely to play a role in enhancing individual effort or performance where the conditions and the scheme designed are right (Manjunath and Rajesh, 2012). Organizations use different type of incentive schemes to motivate employees. Incentives are designed to get the maximum performance from the employees and help retain the most productive among them. Incentives are divided into financial incentives and non-financial incentives which is also known as monetary or non-monetary incentives (Luthans and Youssef, 2004).

An incentive is something that motivates an individual to perform an action. An incentive program is a formal scheme used to promote or encourage specific actions or behaviour by a specific group of people during a defined period of time. Incentive programs are particularly used in business management to motivate employees, and in sales to attract and retain customers. All businesses use pay, promotion, bonuses or other types of rewards to encourage high levels of performance. There would almost certainly be a positive effect on motivation, especially if there is already an incentive scheme in place for employees (Holtmann and Grammling, 2005)

2.1.1.1. Types of incentives

Generally, incentive schemes are classified into two types: financial incentive and nonfinancial incentives which is also known as material or non- material incentives. Material incentives according to (Hongoro and Normand, 2011), are those provided for specific group of workers to motivate them for a specific behavior. Non-material (non-financial) incentive schemes on the other hand are directed at moral motivation to serve in the interest of the community.

I. Financial incentives schemes

Financial incentives mean the amounts paid to employees, either in the form of a lump sum or in the form of monthly payments including all additional income for the individual. They are considered the oldest forms of incentives which characterized by quick and immediate form that make individuals feel of an immediate feedback of their effort. Money whether it is in the form of wages, piecework or any other incentive pay, bonuses, stock options, company –paid insurance, or any other things that may be given to people for performance is important. The way to ensure

that money has meaning, as a reward for accomplishment and as a way of giving people pleasure from accomplishment, is to base compensation as much as possible on performance (Dwiliansyah et al., 2024). The following are the most financial incentive schemes.

- a. **Bonus incentives:** Bonus incentive is a payment on the accomplishment of planned specific objectives. The intent of this incentive scheme is to influence certain behaviours towards the attainment of goals or set objectives. Once the objectives are met, the payment is made (Martin et al., 2019)
- b. **Cash incentives:** This is payment for performance that meets established criteria. Employees are paid certain sum of money or savings bond. Successful suggestions, for example, are recognized with a sum of money equal to the fraction of the cost of the savings attributed to the suggestion
- c. **Piece rate:** a uniform price is paid per unit of production. Employees may therefore be compensated according to the number of pieces they produced or processed. Compensation is therefore directly proportional to the level of productivity or results obtained.
- d. **Commission:** Used typically with sales people, commissions are incentive compensation based on a percentage of total sales. A good number of sales people work on a salary (base pay) plus commission. Commission according to (Armstrong, 2010) is intended to act as an incentive, a reward and a means of recognizing achievement.
- e. **Profit sharing:** an incentive compensation plan that results in the distribution of a predetermined percentage of the company's profits to employees. This plan is used to integrate the employee's interests with those of the company.
- f. **Gain sharing:** (Armstrong, 2010) emphasizes that gain-sharing is a formula- based company or factory wide incentive plan that provides for employees to share in the financial gains resulting from increases in added value or another measure of productivity.
- g. **Golden handcuffs:** sometimes called retention or loyalty incentives, golden handcuffs are used by a company to retain talented employees by demonstrating that they are valued for their contributions and by working fairly and consistently. Golden handcuffs make it difficult and costly for an employee to leave the organization.
- h. **Share ownership:** this plan intends to make employees co-owners of the company. It creates a provision for employees to have a stake in the company and longer term compensation by giving them options to buy shares at a future date for their current market

price. Stock options are motivational to employees because they confer on employees the right to buy the company's stock at a specified price.

II. Non- financial incentives schemes

Non-financial incentives are those related to aspects of psychological needs, the increased attention to this aspect came after the emergence of human relations theories. Those incentives are based on respect of a human being who has feelings, hopes and aspirations. It could be in the form of participate in decision-making, training, career development (promotion) certificates of thanks and appreciation (Al-Nsour, 2012).

The following are the major non-financial incentive schemes:

- 1. Carer development:** a movement of a position in which responsibilities and presumably prestige are enhanced and empowerment is also the process which enables employees to set their own work goals and solve problems within their sphere of responsibility and authority can be considered as incentives.
- 2. Training:** the provision of a formal training scheme is important. As Herzberg stated, without training, workers will not be able to fulfil their potential. Training can be on-the-job, learning by doing, or off the job, such as studying at local or abroad training institutes. On the job training has costs such as management or supervisor time spent training, and potential reduction in quality of output. Off the job training, means lost production, and disruption, also the newly qualified worker may seek to use his qualifications to seek better employment elsewhere.
- 3. Working condition:** a positive working environment is an important element in efforts to recruit and retain staff. This includes providing a safe working environment for staff and proactively responding to emerging risks, as well as creating a positive organizational culture. In this sense, every member of an organization in the way that they deal with their own work demands, their colleagues and their customers can play a role in providing a positive environment where people will want to work.
- 4. Performance feedback:** effective feedback is critical to the success of each employee, team and company. It motivates employees to improve their job performance by enhancing ability, encouraging effort, and acknowledging results. If included in a managerial strategy and given consistently, effective feedback can reduce employee mistakes, enhance performance and increase efficiency within the workplace. It is therefore critical that

managers seeking to increase productivity and reduce costs provide effective feedback to their employees.

2.1.1.2. Purpose of incentives schemes

According to (Caruth et al., 1982), the general purpose of incentive schemes is to increase productivity in the organization. By relating compensation to output, an employer is attempting to induce workers to turn out a greater volume of work thereby lowering the cost of producing a single unit of output. Specifically, the purpose of incentives to both an employee and the organization is to:

- i. **Improve motivation:** the process of enhancing the drive, enthusiasm, and commitment of individuals, typically employees, to achieve their goals and perform their tasks effectively. This can involve various strategies and practices aimed at fostering a positive and engaging work environment.
- ii. **Tie pay to performance:** involves linking an employee's compensation directly to their individual or team performance. This approach aims to incentivize employees to perform at their best by offering financial rewards based on their achievements and contributions to the organization's goals.
- iii. **Recognize differences in employee performance:** involves acknowledging and rewarding the varying levels of contributions and achievements among employees. This approach ensures that high performers are appreciated and motivated while also identifying areas where others may need support or development.
- iv. **Increase competition among employees:** can drive higher performance and innovation, but it must be managed carefully to avoid negative consequences like unhealthy rivalry or decreased morale.
- v. **Attract and retain productive employees:** is essential for organizational success as it ensures a skilled and motivated workforce that contributes to achieving business objectives, maintaining competitiveness, and fostering innovation and growth. It involves creating an environment where employees feel valued, challenged, and supported, leading to higher job satisfaction, lower turnover rates, and increased overall productivity
- vi. **Reduce absenteeism:** minimizing the amount of time that employees are absent from work, whether planned (such as vacation or personal days) or unplanned (due

to illness or other reasons). It is an important goal for organizations because frequent absenteeism can disrupt productivity, increase workload on remaining staff, and impact overall team morale and performance.

- vii. **Reduce idle time:** involves minimizing periods when employees are not actively engaged in productive work. Idle time can occur due to various reasons such as waiting for tasks, equipment, or instructions, which can lead to decreased efficiency and productivity.
- viii. **Reduce or control costs:** the process of managing and minimizing expenses within an organization to improve profitability and financial stability. Cost reduction efforts can encompass various strategies and initiatives aimed at optimizing resource allocation, improving efficiency, and eliminating unnecessary expenditures.
- ix. **Utilize equipment more effectively:** involves maximizing the efficiency and productivity of machinery, tools, and other assets within an organization. This approach aims to optimize operational performance, reduce downtime, and minimize costs associated with equipment maintenance and operation.

2.1.2. Employee performance

Employee performance is referred to as whether a person executes their job duties and responsibilities well. Performance is a critical factor in organizational success. The maximum level of worker's performance happens when they feel their endeavor is rewarded and compensated completely. There are many factors that affect employee performance like working conditions, employee and employer relationship, training and development Opportunities, job security, and company's overall policies and procedures for rewarding employees.

According to (Armstrong, 2010), employee performance refers to the outcome, accomplishment of work as well as the results achieved, which is linked to the strategic goals of the organization, customer satisfaction and economic contributions. Armstrong continues to indicate that performance has to be managed by taking systematic action to improve organizational, team and individual performance; where individual performance management process is associated with both financial and non-financial incentives. The author concludes that Organizations are obliged to meet the needs of their stakeholders, in this case employees, by rewarding their employees equitably according to their contribution.

Measuring performance is of great importance to an incentive plan because it communicates the importance of established organizational goals. (Bohlander et al., 2001). In discipline of human resource management, different writers suggest the following indicators for measuring employee performance and they include: quality that can be measured by percentage of work output that must be rework or is rejected; Customer satisfaction that can be measure by the number of loyal customers and customer feedback. Also, timeliness, measured in terms of how fast work is performed by the employee when given a certain task; absenteeism/tardiness/early out observed when employees absent themselves from the work; and achievement of objectives measured when an employee has surpassed his/her set targets, he/she is then considered to have performed well to achieve objectives (Armstrong, 2010).

2.1.3. Employee Perceptions

According to Daft (2000), perceptions are the way people organize and interpret their sensory input, or what they see and hear, and call it reality. Perceptions give meaning to a person's environment and make sense of the world. Employee perception is a factor that can make a huge difference in the quality of the workplace. When employees view the employer, their work, and their relationships within that workplace as being positive, there is a good chance the employee will be productive and remain with the employer for a long time. Negative perceptions of the company and the working environment can cause qualified employees to seek Opportunities elsewhere.

Concerns about the accuracy of management perception of a direct link between pay and individual productivity will motivate employees to higher levels of performance. According to (Thorpe and Homan, 2000), such a view flies in the face of research which emphasizes the importance of a whole complex of factors when understanding motivation. Furthermore, even if this perception of a direct link between pay and productivity were valid, it is doubtful that it would remain unaffected by the influence of workplace pressures, social, economic and political.

2.2. Empirical Review

A number of studies were conducted to determine the effect of non-financial incentive scheme on employee performance. (Abubakar et al., 2020) studied the impact of financial and non-financial incentives on staff performance in Pennisula Resort, Lagos State. The data were gathered from 50 respondents of randomly selected customers and staff with the aid of a structured questionnaire

and then the data were analyzed by using descriptive statistics. The research findings showed that there is a positive significant impact of financial and non-financial incentives on staff performance of the Pennisula Resort in Lagos and it was concluded that financial and non-financial incentives are therefore necessary for stimulating the employee and guaranteeing desired performance.

(Hickenlooper et al., 2022) examined the influence of non-financial rewards on the performance of employees in WCMorgan chase & company in the USA. The non-financial rewards include rewards and working condition, career opportunity, promotion, participation of employees in decision-making and responsibility to identify their impact on employee motivation. The performance of the employees was stimulated after realizing they are more appreciated and recognized by the organization's management. The study findings indicated that non-financial reward has a positive effect on the performance of employees. It was concluded that non-financial rewards such as rewards and working condition, career opportunity, promotion, participation of employees in decision-making and responsibility could increase the performance of employees in WCMorgan Chase & Company in the USA.

(Sureephong et al., 2020) presented the effect of different non-monetary rewards on employee performance. Ninety volunteer employees from a food manufacturing company in Chiang Mai, Thailand participated in this research. The experiment was divided into two sections. The first section aimed to measure the motivation of employees which based on different non-monetary rewards and the second section aimed to reveal which type of non-monetary reward is the most suitable for motivating employees in participating and completing the assigned task.

(Holtmann and Grammling, 2005) contends that if incentive schemes are to be effective, they must be accepted by those they target. To assure acceptance, they should be in line with two principles, i.e. fairness and transparency, according to which employees' judge their remuneration. According to the author, fairness and transparency are the two most important requirements for staff incentive schemes in business organizations. Pertaining to fairness as (Holtmann and Grammling, 2005) mentioned that the goals or reference standards set out for employees must be attainable, staff members who perform better than others should receive higher compensation and the compensation system should reflect the hierarchical levels within the organization.

(Okereke and Asha, 2022) examined the effect of non-monetary rewards on employees' performance in Mount Meru Referral Hospital in Arusha, Tanzania. The sequential parallel design was employed to carry out the study. The target population was 355 while the sample size was 188. Questionnaire and interview guide were used for data collection. The quantitative data was analyzed using both descriptive and inferential statistics while the qualitative data was thematically analyzed. The study established that non-monetary rewards such as employee working condition, training, development, employee independence and flexible work schedules have a positive effect on the employees' performance.

(Jeffrey and Shaffer, 2007), state that non-financial tangible incentives are effective because they are very visible. Because of visibility, the symbolic value of non-financial tangible incentives is higher than other incentives. Another reason for the effectiveness of nonfinancial tangible incentives can be that these incentives are usually distributed right after performance. Instead in financial incentives' case it can take months before incentives are distributed to employees. In this case reward-compensation relation is not so tight than in situation where reward is given right after performance. This can have effect on motivation and performance. They also state that financial incentives are easily perceived as part of a basic pay. In this case financial incentives can lose their motivating impact. Instead non-financial tangible incentives are really noted and employees perceived them as extra reward. Because of that in some cases non-financial tangible incentives can be more effective than financial incentives.

One problem in non-financial tangible incentives is that people like different things. One can be motivated through football tickets whereas the other can find a holiday trip more attractive. It is challenging for manager to decide which would be appropriate incentive in different situations. Another problem is that at lower income level non-financial tangible incentives can be perceived worthless because of the need for money (Jeffrey and Shaffer, 2007). Non-financial gifts contribute a great deal to employee satisfaction and this satisfaction shows long-term results. (Kube et al., 2012) carries the social exchange phenomenon. In his study, results show the higher impact of non-financial incentives on social exchange theory compared to monetary rewards.

In accordance with productivity is the sustained rate at which employees are achieving the agreed minimum outputs of work as agreed to within an organization, it is the rate at which goods are produced, especially in relation to the time, money and workers required to produce them.

(Holtmann and Grammling, 2005) conducted a preliminary research on 86 institutions and found that 83% of the total respondents agreed on the fact that incentive schemes had a high effect on increasing the productivity of employees. They also said that many managers use incentive schemes to try to improve productivity. Thus, staff incentive schemes have powerful effects on the staff productivity of the organization and thereby are able to boost staff performance.

Non-monetary incentives are non-cash benefits given by company to employees to retain, reward and motivate them for their excellent job performance (Woodruffe, 2006). Nonmonetary incentives are deemed more valuable than monetary incentives as it shows respect and appreciation on employees' accomplishment (Gale et al., 2019). In the research of (Nelson, 2001) which is conducted in United States showed that there is a strong bond of relationship between non-monetary incentives and employees' job engagement.

According to (Houston, 2000), Non-financial incentives come in many forms such as gifts, rewards, travel. Some are more tangible than others since they are visible and/or can be compared to financial benefits. Less tangible incentives relate for instance to work flexibility, independence of working, working condition of one's work, the possibility of advancement. The value of non-financial material incentives seems to be perceived as a function of psychological processes.

(Kamwenji et al., 2022) conducted a research on the influence of non-financial rewards on employee performance in the state corporations in Kenya. The study used descriptive and explanatory research designs and targeted 6 respondents from the 107 sampled state corporations totaling 642. The study undertook a pilot study to pretest and validates the questionnaire. Probability and non-probability sampling was adopted and the study used stratified sampling and purposive sampling. The findings showed that non-financial rewards are a strong predictor of employee performance.

(Kerdasi and Azam, 2020) examined to inspect the relationship between non-monetary incentives (career advancement Opportunities and development Opportunities) and employee commitment among the workers working in the telecommunication companies of Libya. The moderating role of perceived supervisory support has been evaluated on the relationship between non-monetary incentives and employee commitment. The result showed that the theoretical model developed for

the sake of the present study effectively explained the significant effect of non-monetary incentives on employee commitment.

To summarize, the key practical messages of the effect of non-financial incentive schemes on employee's performance as (Armstrong, 2010) described that, financial incentives provided by employers will help to attract and retain employees and for limited periods, may increase effort and minimize dissatisfaction. Non-financial incentives related to responsibility, achievement and the work itself may have a longer-term and deeper impact on motivation. Incentive schemes should therefore include a mix of financial and non-financial rewards.

2.3. Conceptual Framework

Incentives are designed to encourage performance of individuals. Regardless of the incentive forms, incentives play an active role in pushing forward individual's capacity and moving abilities, motivating them to develop their skills and balance between organization requirements and the individuals' needs which enhance the employee performance efficiently and effectively.

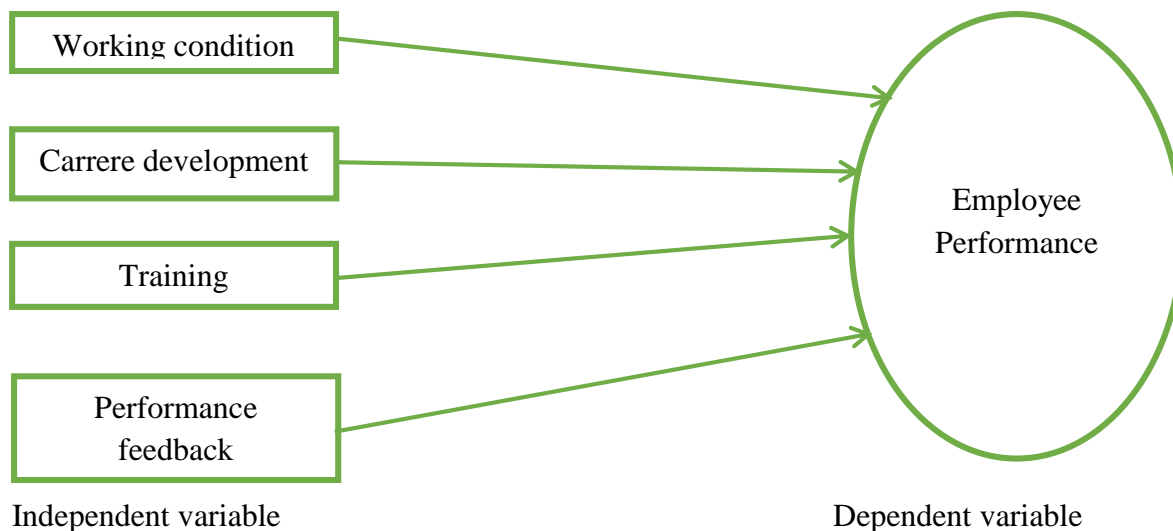


Figure 2.1 Conceptual framework (Abdullah and Wan, 2013, Olubusayo et al., 2014)

In this research, working conditions, employee training, career development, and performance feedback are considered very important compared to other non-financial incentives due to several key reasons:

- 1) **Impact on employee well-being:** working conditions directly affect the physical and psychological well-being of employees. A safe, comfortable, and supportive work environment can contribute significantly to employee satisfaction, morale, and overall happiness at work.
- 2) **Skill enhancement and job satisfaction:** employee training and career development opportunities not only enhance employees' skills and knowledge but also demonstrate the organization's investment in their professional growth. This fosters a sense of value and purpose, leading to higher job satisfaction and commitment.
- 3) **Continuous Improvement:** performance feedback provides employees with valuable insights into their strengths and areas for improvement. Regular feedback sessions promote continuous learning, skill development, and personal growth, which are crucial for enhancing performance and achieving career goals.
- 4) **Retention and Engagement:** employees who perceive their working conditions as favorable, receive ongoing training and development opportunities, and regularly receive constructive feedback are more likely to stay with the organization long-term. This reduces turnover rates and helps in retaining top talent.
- 5) **Sustainable Impact:** while other non-financial incentives such as recognition programs or social activities can boost morale and motivation temporarily, working conditions, training, career development, and performance feedback have a more sustainable impact on employee engagement and employee performance over the long term.

2.4. Research Hypothesis

Based on the research question and conceptual frame work the following hypothetical statements are developed.

- 1) H1: Working condition has a positive and significant effect on employee performance of ethiotelecom.
- 2) H2: Employee training has a positive and significant effect on employee performance of ethiotelecom.

- 3) H3: Career Development has a positive and significant effect on employee performance of ethiotelecom.
- 4) H4: Performance feedback has a positive and significant effect on employee performance of ethiotelecom.

CHAPTER THREE

RESEARCH DESIGN AND METHDOLOGY

This chapter presents the design and methodology used in the study. It includes the research approach, research design, target of population, sampling strategy, the data collection procedures, the sources of data, the instruments used for gathering data, data analysis, issues pertaining to validity and reliability, and ethics and the statistical techniques were used to analyses the summarized data.

3.1. Research Design

This study used both explanatory and descriptive design and the research method is quantitative. The study used descriptive research in the data gathered from all possible sources were described to investigate the effects of non-financial incentive on the employee performance, and also this study used explanatory or explanation study to explain, understand and predicting the relationship between variables.

3.2. Population and sampling technique

3.2.1. Target Population

The target of population for this study among the division of ethiotelecom the researcher choses one division that is customer service division. According to the data gathered from ethiotelecom Human Resource office, the total target population is 2353.

3.2.2. Sampling techniques

The sampling technique of this study is the probability-sampling technique. The probability sampling technique is choosing a Sample from a larger population using a method based on the theory of probability. This sampling method considers every member of the population and forms samples based on a fixed process. The employees is determined by using stratified sampling technique. Stratified sampling reduces the potential for bias by ensuring that each subgroup is represented in the sample in proportion to its presence in the population. This enhances the accuracy of estimates and conclusions drawn from the sample. In addition, it ensures that each subgroup is represented proportionally in the sample which reduces variability within each stratum and increases the precision of estimates for population parameters. With this technique the

sampling frame is organized into relatively homogeneous groups (strata) before selecting elements for the sample and follows a simple random probability sampling technique was used to distribute and collect questionnaire.

3.2.3. Sampling and sample size

The sample frames obtain from the ethiotelecom customer service division. The researcher uses the following sample size formula with the population of 50%, the margin error of 5% and 95% confidence level to determine the sample size of the population. Among the most important element of the research, the sample size is the one that addresses the characteristics of the whole file serious with confidence (Kothari, 2004). To stick with good satirical validity, the study used a representative sample size. For this study, maximum care is given to get the highest sample size, and accordingly, the sample size was determined using the following formula.

The sample size of population is determined by Taro Yamane (Yamane, 1973). Taro Yamane is a mathematical statistician, devised a formula based estimating or determining sample size in respect to the population under study, allowing inferences and conclusion drawn from the survey to be applied to the complete population from which the sample was drawn.

For this research there is 2353 employee total populations. This data is collected on March 10, 2024 and the data is gained from HR of ethiotelecom. The sample size calculation formula was shown below.

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

Where n = required sample size, N = target population and e = margin of error

Thus, the required sample size will be:

$$n = \frac{2353}{1 + 2353 * (0.05^2)} = 342$$

There are several alternative ways of taking a sample of 342 from the total of 2353 population size. The major alternative sampling techniques may be grouped into probability sampling techniques and non-probability sampling techniques. The simple random is the best-known probability sample, in which each member of the population has an equal probability of being selected.

Probability sampling designs are used when the representativeness of the sample is of importance in the interest of wider generalizability. When time or other factors, rather than generalizability become critical, non-probability sampling is generally used.

In this study, a stratified sampling technique was used. Stratified sampling is a type of random sampling method in which the total population is divided into smaller groups or strata to complete the sampling process. The strata are formed based on some common characteristics in the population data. In this study, the study population is divided into four groups: billing and customer care, contact center, maintenance, and operational support on their functions/tasks. The estimated numbers of employees were identified from each stratum. Then from each stratum, respondents were selected in the proportionate stratified method by considering their divisions in the sample size of the stratum. The researcher used a sample of **342** employees by using **Yamane's** formula, and the proportionate stratified sampling was obtained using the following formula:

Proportionate Stratified Sampling(n_h)

$$= \frac{\text{Sample size of entire sample } (N_h)}{\text{Population size } (N)} * \text{Stratum Size}(n)$$

Were

n_h = is the sample size for the stratum

N_h = is the population size for the stratum

N = is the total population size, and

n = is the total sample size

For example, for customer service:

$$n_h = \frac{348}{2353} * 342 = 51$$

The same method was used for the other division groups and each sex.

Table 3.1 Population of the study

Respondent	Population in Stratum			Strata Size		Sample
	M	F	Total	M	F	
Billing and customer care	93	255	348	17	34	51
Contact Center	1006	909	1915	146	132	278
Maintenance	8	6	14	1	1	2
Operation support	36	40	76	5	6	11
Total	1143	1210	2353	169	173	342

Source: Own Survey 2024

3.3. Types of data collection and sources of data

The relevant data for this research is collected using both primary and secondary sources. The primary data is obtained directly from the sample population and the secondary sources of information is collected from related researches, company profile, publication, reports and online repositories or website.

Primary data is collected from the respondents using a self-administered questionnaire designed to capture the variables of investigation in line with the research objectives. A five-point Likert scale (1=Not at all 2=Some extent 3=Moderate extent 4=Great extent 5=Very great extent) is used and hence the respondents can easily answer questions in this format. The questionnaires are divided into three sections; general information of the respondents, non-financial incentive scheme and employee performance indicators.

3.4. Validity and reliability test

The test of reliability is an important test of sound measurement. A measuring instrument is reliable if it provides consistent results (Kothari, 2004). To determine the internal consistency of the instruments of this study Cronbach's coefficient alpha was computed by using Statistical Packages for Social Sciences (SPSS). Cronbach's alpha is the most common measure of internal consistency or reliability. It is most commonly used when we have multiple Likert questions in a survey/questionnaire that form a scale and wish to determine if the scale is reliable. Therefore, ten questionnaires were distributed for the pilot test and used for reliability analysis, and the result is shown in table 3.2 below.

Table 3.2 Cronbach's Alpha to measure the reliability and internal consistency

	Variables Scale	Cronbach's Alpha	Number of Items
Non-financial incentive scheme	Working condition	.885	5
	Training	.806	5
	Career development	.771	4
	Performance feedback	.876	4
Employee Performance	Employee performance	.862	8

Source: Own Survey 2024

As clearly stated by (Taber, 2018), many papers offered indications of Cronbach's Alpha having a threshold or cut-off as an acceptable, sufficient or satisfactory level. This was normally seen as Cronbach's Alpha ≥ 0.70 (for five instances) or > 0.70 (for three instances) as acceptable. Accordingly, as indicated in table 3.2, the Cronbach Alpha of each item that consists of the study questionnaire is greater than 0.70 and hence the questionnaire is reliable.

3.5. Methods of data analysis

Analysis of data is the computation of certain indices along with searching for patterns of relationship that exist among the groups of data (Kothari, 2004). Analysis of data involves estimating the values in the population for unknown parameters and testing of hypotheses for drawing inferences. Methods of data analysis for this study may, therefore, be categorized as descriptive and inferential analysis.

In this regard, to describe the respondent's characteristics, frequency distribution (percent), central tendency (mean) and dispersion (standard deviation) is used. Since this study aimed to investigate the effect of the independent variables on the dependent variable, measuring the relationship of variables and testing the hypotheses in the study is done by employing Pearson's Product Moment Correlation Coefficient. To determine whether a group of variables together predict a given dependent variable, multiple linear regressions is attempted. The study used multiple linear regression analysis to test the statistical significance effect of the independent variables (non-financial incentive) on the dependent variable (employee performance). Multiple linear regressions are used in situations where the number of independent variables is more than one (Kothari, 2004).

3.6. Ethical consideration

To make the research process be ethical, the researcher take many efforts. The purpose of the study is explained clearly to the participants before they participated in this study and hence the participant will be informed that the information obtained from the respondents is only for academic purpose. Any communication with the concerned bodies is accomplished at their voluntarily consent without harming and threatening their personal and institutional wellbeing.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

This chapter presents data analysis and findings of research following the study objective and focuses on demographic results to show the general characteristics of respondents. The descriptive statistics of the responses is used to describe the basic features of data analysis to investigate the relationship between dependent and independent variable using correlation and regression.

4.1. Response Rate

Out of the distributed 342 questionnaires, 302 were collected back and found useful for the study giving a response rate of 88%. Such a response rate is considered sufficient for statistical reliability and generalizability (Fincham, 2008). After collection, the questionnaires were diligently checked, and those with excessive missing data were discarded, and then entered into SPSS version 26 (statistical package for social sciences) to generate descriptive statistical reports.

Table 4.1 Response Rate

Response	Population (Employee)	Percentage (%)
Questionnaire Distributed	342	100%
Questionnaire Completed	302	88.30%
Questionnaire not completed and not responded	40	11.7%

Source: Own Survey 2024

4.2. Demographic Information

Table 4.2 Demographic Information

Category	Frequency	Percentage (%)
Gender		
Male	149	49.3
Female	153	50.7
Total	302	100.0
Age		
18-26	109	36.1
27-35	122	40.4
36-44	56	18.5
45-53	13	4.3
> 53	2	.7
Total	302	100.0
Highest Level of Education		
Grade 12 and below		
Diploma/Certificate	10	3.32
Degree	205	67.88
Master's Degree	87	28.8
PhD.		
Total	302	100.0
Department		
Billing and customer care	46	15.24
Contact Center	243	80.46
Maintenance Monitoring	2	0.66
Operational support	11	3.64
Total	302	100.0

Category	Frequency	Percentage (%)
Position		
Manager	5	1.7
Supervisor	13	4.3
Coach	24	7.91
Advisor	240	79.47
Technician	20	6.62
Total	302	100.0
Experience		
Less than 3 years	27	8.9
4-6 years	101	33.4
7-10 years	115	38.1
11 years and above	59	19.5
Total	302	100.0

Source: Own Survey 2024

Table 4.2 shows that 149 (49.3%) of the study sample members were male and 153 (50.7%) of the sample population were female. This implies that the number of female respondents were greater by four than the male respondent. Here we can say that female involvement is higher. The highest number of respondents fall under the age group of 27 to 35 years, which accounts for 122 (40.4%) of the total sample, 109 (36.1%) of the respondents were between the age of 18 to 26, 56 (18.5%) of the respondents were in the age of between 36 to 44, 13 (4.3%) of the respondents were in the age of between 45-53 years and 2 (.7%) of the respondents were in the age of above 53 years. This implies that, most of the respondents are young aged; hence they can do their task with full of energy. For qualifications/highest level of education, 10 (3.32%) of the sample study were qualified by Diploma/Certificate, 215 (71.2%) of the sample study were qualified by Bachelor's degree which is the highest category and 205 (67.88%) were Master's Degree. The remaining categories Grade 12 and below and PhD show no frequency at all i.e., does not exist. This indicates that the customer service division issues are mainly handled by highly academic professionals; hence there will not be a lack of knowledge.

Departmentally the majority of respondents fall in the contact center department which accounts for 243 (80.46%) followed by Billing and customer care 46 (15.24%), operation support 11 (3.64%) and maintenance monitoring 2 (0.66%). This indicates that the majority job is covered by contact center division. According to positions, 5 (1.7%) of the respondents were manager, 13 (4.3%) of the respondents were supervisor, 24 (7.9%) of the respondents were coach, 240 (79.47%) of the respondents were advisor and 20 (6.62%) of the respondents were technician. This implies majority of the respondents were advisor. As shown in the above table 4.2, the majority of the sampled respondents 115 (38.1%) worked in the organization for 7 to 10 years, 101 (33.4%) of them were experienced from 4 to 6 years, 59 (19.5%) experienced for more than 11 years and 27 (8.9%) of them were experienced from less than three years. This implies that in total 47.6% of the respondents have more than 7 years of experience which have an advantage for the company.

4.3. Descriptive Analysis of Study Variables

A) Working Condition

Working conditions is the working environment in which one works, as influenced by factors such as working hours, physical aspects, legal rights and responsibilities etc. Poor working conditions can damage employees' health and put their safety at risk.

Table 4.3 Practice of working condition

Item	Mean	Standard Deviation
I am happy that the company provided me well-furnished offices	4.12	1.109
I have access to discounted services.	3.42	1.027
There is good relationship with colleagues.	3.79	1.134
The working hours are convenient for me.	3.16	1.131
The company ensures appropriate social security for employees	2.87	1.107
Overall	3.47	.77092

Source: Own Survey 2024

Table 4.3 shows working condition which is one of non-financial incentive scheme. According to the practice of working condition respondents rating depicted in table 4.3, most of the respondents tends to agree that working condition affect the employee performance of the company. The highest agreement

statement was *I am happy that the company provided me well-furnished offices* with a mean of 4.12 and *there is good relationship with colleagues* was the second highest statement with a mean of 3.79. *I have access to discounted services* and *the working hours are convenient for me* statements agreed the employee in moderate extent.

B) Employee Training

Employee training equips individuals with the skills and knowledge essential for success in their roles. Evolving with technology, this process now blends traditional methods, such as on-the-job training and mentorship, with modern digital techniques, adapting to various learning styles and organizational requirements.

Table 4.4 Practice of Employee training

Item	Mean	Standard Deviation
The training structure in my organization interests me because it is impactful	2.89	1.003
I do have clarity of the goals of the training every time I am engaged in	4.08	1.062
I am satisfied with the investment the organization makes for training	2.16	.802
I get to have improvement in my skills as a result of constant on-the-job training.	2.91	1.195
My organization provides regular training which I get to more insight to my job	4.23	1.024
Overall	3.52	.660

Source: Own Survey 2024

Table 4.4 shows companies' practice of employee training. As shown in table 4.4, most of the respondents tends to strongly agree that employee training influences employee performance. The highest agreement statement is *My organization provides regular training which I get to more insight to my job* with a mean of 4.23 and *I do have clarity of the goals of the training every time I am engaged in* was the second higher agreement statement with a mean of 4.08. The company held on-job-trainings so that the employees have improved their skills and the training structure in the organization interests the employees because it is impactful to a moderate extent with a mean

of 2.91 and 2.89 respectively. The investment the organization makes for training satisfied the employees to some extent with a mean of 2.16.

C) Career Development

Employee career development is a structured and strategic process organizations undertake to help employees enhance their skills, knowledge, and experiences to achieve career goals.

Table 4.5 Practice of Career development

Item	Mean	Standard Deviation
I satisfied with the available career advancement opportunities	3.85	1.128
The practice of career development in the organization helped me for my performance yielding development of my career	3.19	1.050
I get constructive criticism about my work which has been helping me to improve my career.	2.27	1.068
I feel that my efforts are being appreciated for career development	3.72	1.169
Overall	3.39	.738

Source: Own Survey 2024

Table 4.5 shows companies' practice of career development. According to the practice of career development respondents rating shown in table 4.5, the respondents tend to agree that the companies bring opportunities for career advancement and employees effort are being appreciated for career development to a great extent, as indicated by a mean of 3.85 and 3.72 respectively. The practice of career development in the organization helped the employees for their performance yielding development of job career to a moderate extent with a mean of 3.19. Getting constructive criticism about their work affects employee performance to some extent with a mean of 2.27.

D) Performance Feedback

Performance evaluations that provide meaningful and constructive feedback to employees are crucial for their organizational growth and development. A well-crafted evaluation comment can acknowledge an employee's accomplishments and offer guidance for improvement.

Table 4.6 Practice of performance feedback

Item	Mean	Standard Deviation
I have regular work performance feedback	2.75	1.254
My immediate boss assesses my performance equally	3.03	1.114
The organization fairly addresses employee performance feedback complain	3.90	1.107
The supervisor feedback is accepted by employee.	3.89	1.187
Overall	3.40	.797

Source: Own Survey 2024

Table 4.6 shows companies' practices of performance feedback. According to the practice of performance feedback respondents rating shown in table 4.6, the respondents tend to agree that the company fairly addresses employee performance feedback complain, the supervisor feedback is accepted by the employee and their immediate boss assesses their performance equally to a great extent, as indicated by a mean of 3.90, 3.89 and 3.03 respectively. The organization gives work performance feedback regularly to a moderate extent with a mean of 2.75.

E) Employee Performance

Employee performance is how a member of staff fulfils the duties of their role, completes required tasks and behaves in the workplace.

Table 4.7 Employee Performance

Item	Mean	Standard Deviation
I do my work activity according to rules of the organization	3.79	.733
I achieved the goals that were set for the review period	3.66	.814
I deal effectively with coworkers	3.60	.805
I have excellent communication ability to discharge my duties	3.65	.802
I take leadership in initiating productive work related activities	3.59	.820
I have demonstrated creativity while performing my daily tasks	3.63	.769
I take responsibility for the work I assigned for	3.70	.786
I am willing to work hard	3.75	.793
Overall	3.67	.607

Source: Own Survey 2024

The main question of the study was how non-financial incentive scheme practices influence the employee performance of ethiotelecom. The result outcomes listed in table 4.3 - table 4.7 can be summarized as follows in table 4.8.

Table 4.8 Results related to study questions

No	Dimensions	Mean	Standard Deviation	Rank
1	Working condition	3.4735	.77092	3
2	Employee training	3.5212	.65962	2
3	Career development	3.3849	.73828	5
4	Performance feedback	3.4020	.79658	4
5	Employee performance	3.6725	.60726	1

The descriptive statistics in table 4.8 showed that non-financial incentive influence the employee performance of the ethiotelecom (as the main dimension) with a mean of 3.6725. The responses mean of non-financial incentives ranged from 3.392 – 3.531. Whereas the highest mean is for employee training with a mean equal to 3.531, and the lowest mean is for career development with a mean equal to 3.3924.

4.4. Inferential Statistics Analysis

4.4.1. Correlation Analysis

To see the effect of non-financial incentive scheme on employee performance of ethiotelecom, a correlation analysis is used in addition to the descriptive statistical analysis used so far. To know the degree of influence of the independent variables (non-financial incentive) and the dependent variable (employee performance), Pearson's Product Moment Correlation Coefficient was conducted. This coefficient indicates the direction and strength of a linear relationship between two variables. Pearson's correlation coefficient (r) may vary from -1 to +1. The larger the value implies the stronger the relationship. A coefficient of +1 indicates a perfect positive relationship, a coefficient of -1 indicates a perfect negative relationship and 0 indicates that there is no linear relationship between the variables. More specifically, we can verbally describe the strength of the correlation using the guide that (Evans, 1996) suggests for the absolute value of r : 0.00 - 0.19 is grouped under *very weak*, r : 0.20 - 0.39 is grouped under *weak*, r : 0.40 - 0.59 is grouped under *moderate*, r : 0.60 - 0.79 is grouped under *strong* and r : 0.80 - 1.0 is grouped under *very strong*.

Correlation coefficient (r)	0.00 - 0.19	0.20 - 0.39	0.40 - 0.59	0.60 - 0.79	0.80 - 1.0
Correlation strength	<i>very weak</i>	<i>Weak</i>	<i>moderate</i>	<i>strong</i>	<i>very strong</i>

Table 4.9 Pearson Correlation

		Working condition	Employee training	Career development	Performance Feedback	Employee Performance
Working condition	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	302				
Employee training	Pearson Correlation	.706**	1			
	Sig. (2-tailed)	.000				
	N	302	302			
Career development	Pearson Correlation	.623**	.676**	1		
	Sig. (2-tailed)	.000	.000			
	N	302	302	302		
Performance Feedback	Pearson Correlation	.691**	.606**	.624**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	302	302	302	302	
Employee Performance	Pearson Correlation	.774**	.795**	.700**	.734**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	302	302	302	302	302

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

Source: Own Survey 2024

According to table 4.9, working condition and employee performance have a statistically significant linear relationship ($r = 0.774$ with $p < 0.00$). The coefficient $r = 0.774$ and its positive direction of relationship indicates that there is a strong positive relationship between working condition and employee performance which means the strongest working condition improves the employee performance of ethiotelecom.

The correlation between employee training and employee performance is 0.795 (with $p < 0.00$). Since the direction of the relationship is positive there is a significant statistical relationship between employee training and employee performance, which indicates that the higher the employee training, the higher employee performance will be achieved.

Career development and employee performance have a statistically significant linear relationship ($r = 0.700$ with $p < 0.00$). The coefficient $r = 0.700$ and its positive direction of relationship indicates that there is a strong positive relationship between career development and employee performance which means the strongest career development practice improves the employee performance of ethiotelecom.

The correlation between performance feedback and employee performance is 0.734 (with $p < 0.00$). Since the direction of the relationship is positive there is a significant statistical relationship between performance feedback and employee performance, which indicates that the higher the performance feedback practice, the higher employee performance will be achieved.

4.4.2. Results of Regression Analysis

To check the effectiveness of the data the following assumptions namely; normality, linearity, multicollinearity, and autocorrelation are conducted and discussed as follows.

A. Normality Test

The researcher employed a multiple regression model to regress independent variables and dependent variables. The fulfillment of the regression model assumption should be checked first. A normality test is used to determine whether sample data has been drawn from a normally distributed population. The dependent and independent variables of this research are normally distributed as shown in the figure below.

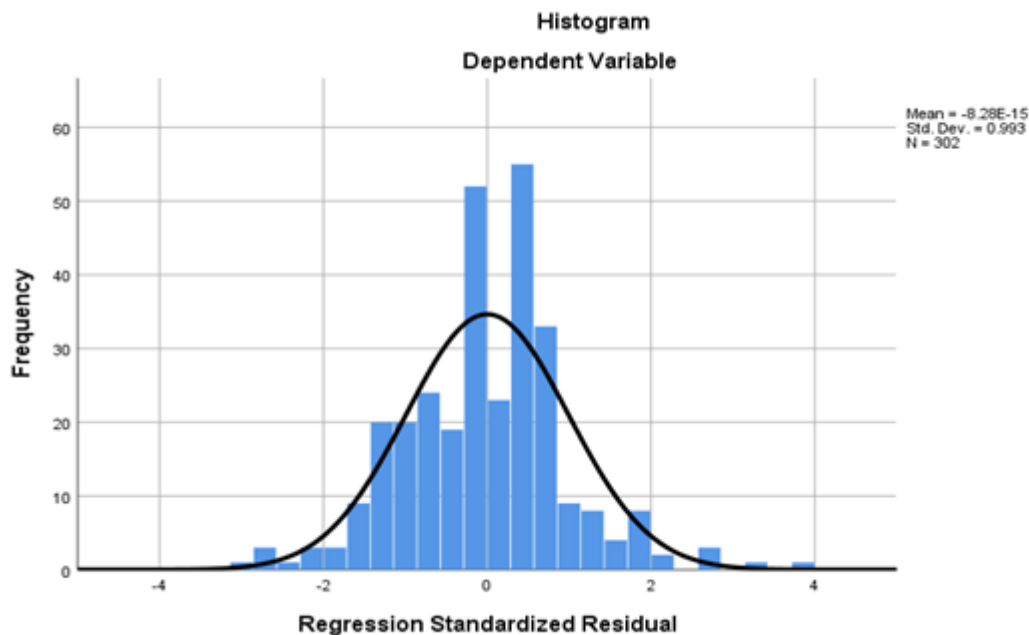


Figure 4.1 Graphical Test of Normality

Source: Survey 2024

From figure 4.1, we can see that the residuals of the model are approximately normally distributed because a straight line seems to fit the data reasonably well.

B. Linearity Test

The linearity of associations between the dependent and independent variables can be tested by looking at the P-P plot for the model. The closer the dots lie to the diagonal line, the closer to normal the residuals are distributed.

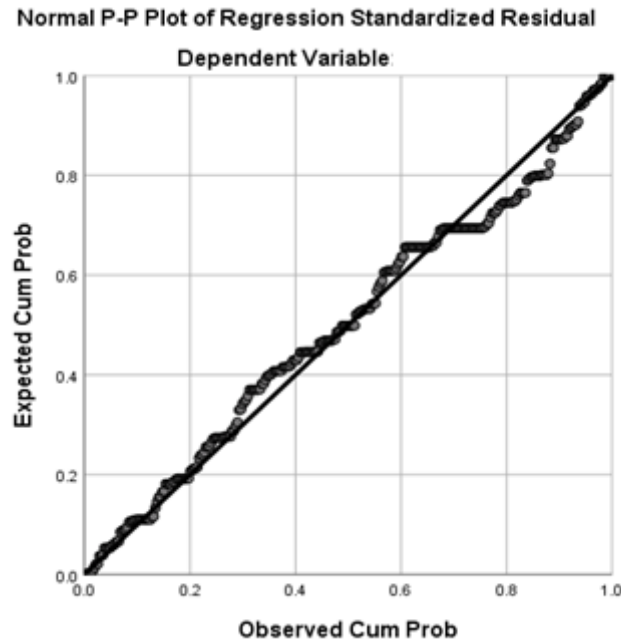


Figure 4.2 Graphical Test of Linearity

Source: Survey 2024

As depicted in the figure 4.2, the visual inspections of the p-p plot revealed that there exists a linear relationship between the dependent and independent variables.

C. Test for Multicollinearity

Multicollinearity exists when there is a strong correlation between two or more predictors in a regression model (Shrestha, 2020) there should be no perfect linear relationship between two or more predictors. The Variable Inflation Factor (VIF) technique was used. The VIF is a measure of the reciprocal of the complement of the inter-correlation among the predictors. The decision rule is a variable with a VIF value of greater than 10 indicating the possible existence of a multicollinearity problem. Tolerance (TOL) defined as $1/VIF$, is also used by many researchers to check the degree of collinearity. The decision rule for Tolerance is a variable whose TOL value is less than 0.1 showing the possible existence of a multicollinearity problem.

Table 4.10 VIF values of predictors

Coefficients			
Model		Collinearity Statistics	
		Tolerance	VIF
1	WC	.385	2.596
	ET	.406	2.461
	CD	.462	2.166
	EP	.456	2.191
a. Dependent Variable: Employee Performance			

Source: Survey 2024

Table 4.10 showed that VIF values for all variables became less than the tolerable value, i.e., 10. And Tolerance value of all variables also became above 0.1 which indicates that this model is free from multicollinearity problems between the independent variables.

D. Test of Autocorrelation

Regression analysis is based on uncorrelated error/residual terms for any two or more observations (Kothari, 2004). This assumption is tested for each regression procedure with the Durbin-Watson test, which tests for correlation between variables residuals. The test statistic can vary between 0 and 4 with a value of 2 meaning that the residuals are uncorrelated. A value greater than 2 indicates a negative correlation between adjacent residuals, whereas a value below 2 indicates a positive correlation. As a general rule, the residuals are independent (not correlated) if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50 - 2.50.

Table 4.11 Level of Autocorrelation

Model Summary^b							
Model	R	Change Statistics					Durbin-Watson
		R Square Change	F Change	df1	df2	Sig. F Change	
1	.878 ^a	.770	248.782	4	297	.000	1.892
a. Predictors: (Constant), WC, ET, CD, PB							
b. Dependent Variable: Employee Performance							

Source: Survey 2024

In this study the Durbin-Watson value was 1.892 as shown in table 4.11, which is close to two, therefore it can be confirmed that the assumption of independent error certainly has been met.

4.4.3. Multiple Regression Analysis

Analysis of Variance /ANOVA/ Test

ANOVA is the appropriate statistical technique to examine the effect of an independent variable on the dependent variable. If the F test result is not significant, the model should be dismissed and there is no need to proceed to further steps.

Table 4.12 ANOVA

ANOVA^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	85.484	4	21.371	248.782	.000 ^b
	Residual	25.13	297	.086		
	Total	110.997	301			
a. Dependent Variable: Employee Performance						
b. Predictors: (Constant), WC, ET, CD, PB						

Source: Survey 2024

The result in the ANOVA table (table 4.12) confirmed the significance of the overall model by a p-value of 0.000 which is below the alpha level, i.e., 0.05, which means, the independent variables taken together have a statistically significant relationship with the dependent variable under study.

Table 4.13 Model Summary

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.878 ^a	.770	.767	.29309
a. Predictors: (Constant), WC, ET, CD, PB				
b. Dependent Variable: EP				

Source: Own Survey 2024

As per table 4.13, it can be interpreted that $R = 0.878$, R represents a degree of correlation between the independent variables and employee performance. Its large value indicates the strength of the relationship. R square is 0.770 which shows that 77% of the variance in employee performance is significantly explained by independent variables. This depicts that the model accounts for 77% of the variations in influencing employee performance while 23 % remains unexplained by the regression model. The adjusted R square is 0.790, which measures the number of independent variables. R Square = 0.770 indicate that 77% of the variability in non-financial incentive can be accounted by or explained by working condition, employee training, career development, and performance feedback which is significant.

Table 4.14 Coefficient of the variables

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.747	.096		7.802	.000
	WC	.203	.035	.257	5.738	.000
	ET	.344	.040	.373	8.553	.000
	CD	.110	.034	.134	3.271	.001
	PF	.188	.031	.246	5.978	.000
a. Dependent Variable: Employee performance						

Source: Own Survey 2024

The model for the study that depicted the effects of non-financial incentives on employee performance is:

$$EP = \beta_0 + \beta_1 WC + \beta_2 ET + \beta_3 CD + \beta_4 PF + \varepsilon$$

Where; EP is = Employee Performance of ethiotelecom

β_0 = The Constant intercept

β_i = The coefficient of the independent variables

WC = Working condition

ET = Employee Training

CD = Career development

PF = Performance Feedback

ε = the error term

$$EP = 0.747 + 0.203WC + 0.344ET + 0.110CD + 0.188PF + \varepsilon$$

The SPSS output in the above table 4.14 provides details of the model parameters and the significance of these values. So, we can say that β_0 is 0.747 and this can be interpreted as when no consideration is given to the three variables (when $X=0$), the model predicts that 0.747 employee performance will result. The other value is the slope of the regression line, b represents the change in the outcome resulting from a unit change in the predictor, and that is if a predictor is having a significant impact on our ability to predict the outcome. And, then this b should be different from 0 (and big relative to its standard error). As a general rule of thumb, if this observed significance is less than 0.05, then the result reflects a genuine effect. Therefore, if working condition increases by one unit, then our model predicts that 0.203 increase in employee performance, when o increases by one unit then our model predicts that 0.344 increase in employee performance, if career development is increased by one unit then our model predict that 0.110 increase in employee performance and when performance feedback is increased by one unit then our model predict that 0.188 increase in employee performance.

In general, table 4.14 helps us to show which (i.e., the most important) among the four independent variables influences the dependent variable. If we look at the column Beta under the standardized coefficient, we see that the highest number in the beta is 0.373 for employee training.

4.5. Testing of Hypotheses

In this study, four hypotheses were formulated and the statistical tests for these hypotheses were briefly discussed below.

H1: Working condition has a positive and significant effect on the employee performance of ethiotelecom. Based on the correlation and regression model summary, ANOVA and coefficients results (table 4.9, 4.12, 4.13, and 4.14), working condition has a significant effect on employee performance (strong and positive, $r = 0.774$, $p < .000$ and $\beta = .203$) of ethiotelecom. This means that working condition has a significant effect on employee performance. Therefore, **H1 is accepted.**

H2: Employee training has a positive and significant effect on the employee performance of ethiotelecom. Based on tables 4.9, 4.12, 4.13, and 4.14, employee training has a significant effect on employee performance ($r = 0.795$, $p < 0.000$ and $\beta = 0.344$) of ethiotelecom. This means that employee training has a significant effect on the employee performance of ethiotelecom. Therefore, **H2 is accepted.**

H3: Career development has a positive and significant effect on the employee performance of ethiotelecom. Based on tables 4.9, 4.12, 4.13, and 4.14, career development has a significant effect on employee performance ($r = 0.700$, $p < 0.000$ and $\beta = 0.110$) of ethiotelecom. This means that career development has a significant effect on the employee performance of ethiotelecom. Therefore, **H3 is accepted.**

H4: Performance feedback has a positive and significant effect on the employee performance of ethiotelecom. Based on tables 4.9, 4.12, 4.13, and 4.14, performance feedback has a significant effect on employee performance ($r = 0.734$, $p < 0.000$ and $\beta = 0.188$) of ethiotelecom. This means that performance feedback has a significant effect on the employee performance of ethiotelecom. Therefore, **H4 is accepted.**

Table 4.15 Summary of the Hypotheses Test

Hypotheses	Status	Reason
H1: Working condition has a positive and significant effect on the employee performance of ethiotelecom	Accepted	$r = 0.774$ $p < .000$ $\beta = 0.203$
H2: Employee training has a positive and significant effect on the employee performance of ethiotelecom	Accepted	$r = 0.795$ $p < .000$ $\beta = 0.744$
H3: Career development has a positive and significant effect on the employee performance of ethiotelecom	Accepted	$r = 0.700$ $p < .000$ $\beta = 0.110$
H4: Performance feedback has a positive and significant effect on the employee performance of ethiotelecom	Accepted	$r = 0.734$ $p < .000$ $\beta = 0.188$

4.6. Discussion

The overall fitness of the model is discussed as follows.

In the ANOVA test results, the p-value is 0.000 which is below the alpha level, i.e., 0.05. This means the overall independent variables have a statistically significant relationship with that of the dependent variable, i.e., non-financial incentive has a significant relation with employee performance.

Pearson's Correlation Coefficient (r) measures the degree of linear association between the dependent variable and the independent variables jointly. It only measures the degree of association or covariation between the two variables (Kothari, 2004). Thus, from the correlation table, employee training has a strong relation with employee performance which is 0.795, followed by working condition which is 0.774, followed by performance feedback and career development which is 0.734 and 0.700 respectively.

The R-value indicates that 87.8% of the usage of non-financial incentives can be accounted by or explained by working condition, employee training, career development, and performance feedback which is good. Those independent variables are explained by 87.8% of the factors that affect the employee performance of ethiotelecom, which shows that non-financial incentives has a significant and valuable effect on employee performance.

The adjusted R square (Coefficient of Determination), indicates the proportion of the total variation or dispersion in the employee performance of ethiotelecom (dependent variable) that is explained by the variation in independent variables in the regression. So, with an adjusted R Square value of 0.770, meaning, 77% of the variation in employee performance of ethiotelecom is explained by the linear relationship with all the independent variables. Thus, when adjusted R square is high it means that the independent variables included in the study play an important part in affecting the dependent variable. Generally speaking, the regression model developed under the study can be considered a good fit or predictor of employee performance of ethiotelecom.

The individual effects of the independent variables can be explained by their respective beta coefficients. As per the regression result table, non-financial incentives of ethiotelecom and employee performance have the strongest positive effect. As can be observed from the table, keeping the other factor constant a one-unit increase in working condition increase 0.203 units in employee performance, which implies working condition has a significant impact on employee performance. This result aligns with (Alabi et al., 2022) whose findings revealed that working condition has a significant positive correlation with employee performance with profitability and market share. In addition the study result by (Saidi et al., 2019) revealed that the working environment significantly impacts employee performance.

The second variable under study was employee training and according to the regression result, it has a positive effect on employee performance. Keeping the other factor constant, a one-unit increase in employee training resulted a 0.344-unit increase in employee performance. This shows that employee training has a great influence on employee performance. This result aligns with other scholars finding. According to (Torrington et al., 2008) through training, a change of behaviors, knowledge and motivation of employees can be achieved in order to improve the compatibility between the characteristics and capabilities of the employee and the job requirements

The third variable under study was career development and according to the regression result, it has a positive effect on employee performance. Keeping the other factor constant, a one-unit increase in career development resulted a 0.110-unit increase in employee performance. This shows that career development has an influence on employee performance. The result finding by (Alabi et al., 2022) supported the above idea; the result showed that career development positively influences the employee performance.

The forth variable was performance feedback. This factor has a positive effect on employee performance with a magnitude of keeping the other factor constant, a one-unit increase in performance feedback resulted in a 0.188-unit increase in employee performance. This result aligns with (Payne and Hauty, 1955); providing employees with performance feedback can stimulate greater effort among workers so that it increases employee performance.

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary of Major Findings

Based on the analysis of data, the following major finding was presented.

- ✚ From the descriptive statistics, the mean score for components of non-financial incentives in ethiotelecom are working condition with $M = 3.4735$ and $SD = 0.77092$, employee training with $M = 3.5212$ and $SD = 0.65962$, career development with $M = 3.3849$ and $SD = 0.73828$ and performance feedback with $M = 3.4020$ and $SD = 0.79658$ were scored above 3.35 which implies there is a good exercise in non-financial incentive. In addition, the employee performance has mean score with $M = 3.6725$ and $SD = 0.60726$.
- ✚ In investigating the relationship between non-financial incentive and employee performance, the correlation coefficient result evidenced that, there exist a statistically significant relation between non-financial incentive and employee performance with ($r = .774$, $p < 0.01$ in case of working condition, $r = .795$, $p < 0.01$ in case of employee training, $r = .700$, $p < 0.01$ in case of career development and $r = .734$, $p < 0.01$ in case of performance feedback) which is strong and positive.
- ✚ The linear regression analysis result indicates that 77% of the variance in employee performance (dependent variable) can be explained by practices of non-financial incentives (independent variable). The remaining 23% of the variance is explained by other variables that are not included in this study. Therefore, non-financial incentives has a statistically significant effect on employee performance in ethiotelecom.

5.2. Conclusions

The aim of this study was to investigate the effect of non-financial incentive practices (working condition, employee training, career development, and performance feedback) on employee performance of ethiotelecom. In the mean-time, the study raised and addressed the following research questions.

The first research question was “How does working condition affect the employee performance of ethiotelecom?” The study result found that exercising working condition have a strong and positive

relationship with employee performance. This is because when working condition practiced, the company offers working condition opportunities for the employees in fair and transparent manner. This makes the employee to be more satisfied. Furthermore, the coefficient of working condition was found .203 implying a 20.3% effect on employee performance.

The second research question was “How does employee training affect the employee performance of ethiotelecom?” The study result found that giving employee training have a strong and positive relationship with employee performance. This is because when the employees take on-job-training, they improve their knowledge and skills. Furthermore, the coefficient of employee training was found .334 implying a 33.4% effect on employee performance.

The third research question was “How does career development affect the employee performance of ethiotelecom?” The study result found that practicing career development have a strong and positive relationship with employee performance. This is because when career development is practiced, helps the employee to improve their working experience. Furthermore, the coefficient of career development was found .110 implying a 11% effect on employee performance.

The fourth research question was “How does performance feedback affect the employee performance of ethiotelecom?” The study result found that exercising performance feedback have a strong and positive relationship with employee performance. This is because when performance feedback is given to employee, the constructive criticism about their work helps them to improve their work performance. Furthermore, the coefficient of performance feedback was found .188 implying 18.8% effect on employee performance.

The research result revealed that non-financial incentives is one of the best platforms to improve the employee's performance; hence the non-finance incentives used by the company has helped to improve its employee performance.

5.3. Recommendations

Based on the research findings and the conclusions, the researcher recommends the following important points.

- ✚ More attention should be given to employee training, as the result of the study indicated impact of employee training on employee's performance is more than the other non-financial incentive factors. So ethiotelecom managements should develop approaches to

enrich these factors so as to improve the performance of its employees and thereby make them committed to accomplish assigned tasks.

- ✚ In other side attention to be given for career development, as the result of the study indicated impact of career development on employee's performance is much less than the other non-financial incentive factors. This implies that the company is better to give infancies on career development to get better employee performance by establishing clear career path, implementing individual development plan and offering continuous learning opportunities.
- ✚ Regarding the working conditions, the company is better to ensures appropriate social security for employees because this statement has the lowest mean among the other four statements.
- ✚ The company is better to give more emphasis on fairly addressing employee performance feedback complain to achieve a better employee performance since this statement has largest mean among the other three statements.

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APPENDICES

Appendix I: Questionnaire

Questionnaire to be filled-in by ethiotelecom customer service division staffs

Dear Respondent,

I am in the process of completing my studies of MBA Degree in Business Administration at St Mary's University, School of Graduate Studies, Addis Ababa, Ethiopia. The purpose of this study is to analyze the effects of non-financial incentive scheme on employee performance of ethiotelecom.

I kindly request you to spent your precious time to fill this questionnaire as frank as and reasonable as possible. I want to inform you also that any information provided by you is for academic purposes only and all responses would be treated and handled with the strictest of confidentiality so that it will not be used to identify you in anyway.

Your co-operation is most valued and appreciated and I take this opportunity of thanking you in advance for your kind participation and timely return of your completed questionnaire. For more information you can contact me on the address given below.

Sincerely,

Serkalem Wasse

Part I: General Information

Please indicate your response by marking "X" against your choices or write your answer in the space provided. There is no need to write your name.

1. What's your gender?

Male: ☐

Female: ☐

2. In which age group do you fall?

18-25: ☐

26-35: ☐

36-50: ☐

> 50: ☐

3. Please indicate your highest level of formal education completed:

Grade 12 and below: ☐

Diploma/Certificate: ☐

Degree: ☐

Master's Degree: ☐

Ph.D.: ☐

4. What is your department?

Billing and CC: ☐

Operational support: ☐

Contact Center: ☐

Maintenance and monitoring: ☐

5. What is your position?

Manager: ☐

Supervisor: ☐

Technician: ☐

Coach: ☐

Advisor: ☐

6. How long have you been working for the company?

Less than 3 years:

4-6 years:

7-10 years:

11 years and above:

Part II: Non-financial incentive schemes

Please circle on the number that best reflects your opinion.

1=Not at all 2=Some extent 3=Moderate extent 4=Great extent 5=Very great extent						
No	Items	Your Ratings				
Working Condition						
1.	I am happy that the company provided me well-furnished offices	1	2	3	4	5
2.	I have access to discounted services.	1	2	3	4	5
3.	There is good relationship with colleagues.	1	2	3	4	5
4.	The working hours are convenient for me.	1	2	3	4	5
5	The company ensures appropriate social security for employees	1	2	3	4	5
Career Development						
6.	I satisfied with the available career advancement opportunities	1	2	3	4	5
7.	The practice of career development in the organization helped me for my performance yielding development of my career	1	2	3	4	5
8.	I get constructive criticism about my work which has been helping me to improve my career.	1	2	3	4	5
9.	I feel that my efforts are being appreciated for career development	1	2	3	4	5
Employee Training						
10.	The training structure in my organization interests me because it is impactful	1	2	3	4	5
11.	I do have clarity of the goals of the training every time I am engaged in	1	2	3	4	5
12.	I am satisfied with the investment the organization makes for training	1	2	3	4	5
13.	I get to have improvement in my skills as a result of constant on-the-job training.	1	2	3	4	5
14	My organization provides regular training which I get to more insight to my job	1	2	3	4	5
Performance Feedback						

15.	I have regular work performance feedback	1	2	3	4	5
16.	My immediate boss assesses my performance equally	1	2	3	4	5
17.	The organization fairly addresses employee performance feedback complain	1	2	3	4	5
18.	The supervisor feedback is accepted by employee.	1	2	3	4	5

Part III: Employee Performance

1=Not at all 2=Some extent 3=Moderate extent 4=Great extent 5=Very great extent						
No	Items	Your Ratings				
20.	I do my work activity according to rules of the organization	1	2	3	4	5
21.	I achieved the goals that were set for the review period	1	2	3	4	5
22.	I deal effectively with coworkers	1	2	3	4	5
23.	I have excellent communication ability to discharge my duties	1	2	3	4	5
24.	I take leadership in initiating productive work related activities	1	2	3	4	5
25.	I have demonstrated creativity while performing my daily tasks	1	2	3	4	5
26.	I take responsibility for the work I assigned for	1	2	3	4	5
27.	I am willing to work hard	1	2	3	4	5

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Asst. Professor Shoa Jemal. All sources of material used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of earning any degree.

Serkalem Wasse

Name

Signature

St. Mary's University, Addis Ababa

May, 2024

ENDORSEMENT

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

Shoa Jemal (Ass. Professor)

Advisor

St. Mary's University, Addis Ababa

Signature

May, 2024