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**THE EFFECTS OF PERFORMANCE PAY PLAN ON THE PERFORMANCE OF
EMPLOYEES**

(THE CASE OF SOUTH WEST ACADEMY)

**A Thesis Submitted to St. Mary's University School of Graduate Studies in Partial
Fulfillment of the Requirements for the Degree of Master
of Business Administration (MBA)**

BY: TSEGAYE TEKLU

SGS/0162/2013A

ADVISOR: HABTAMU ABEBAW (PHD)

February, 2023

Addis Ababa, Ethiopia

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DECLARATION

I **Tsegaye Teklu**, Registration Number/I.D. Number **SGS/0162/2013A** do hereby declare that this thesis is my original work and that it has not been submitted partially; or in full, by any other person for an award of a degree in any other university or institution.

Name of Participant _____ Signature _____

Date _____

This thesis has been submitted for examination with my approval as a supervisor.

Name of Advisor _____ Signature _____

Date _____

APPROVAL

The undersigned certify that they have read and hereby recommend to St. Mary's University to accept the thesis submitted by **Tsegaye Teklu** and entitled "effect of performance-based pay plan on the performance of employees: the case of South West Academy.", in partial fulfillment of the requirements for the award of Master's Degree in Business Administration (MBA).

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ACRONYMS

PPP Performance Pay Plan

PRP Performance Related Pay

VIP Valency Instrumentality and Expectancy

ABSTRACT

This study aims to examine the effect of performance-based pay on employee performance within the context of South West Academy. Performance-related pay, also known as individual PRP or merit pay, serves as the focal point of investigation. A combination of random sampling for employees and purposive sampling for managers, directors, and administrative staff was employed to ensure comprehensive insights into the research problem. This sampling approach allowed for a deeper understanding of the subject matter from the perspectives of individuals with diverse levels of expertise and knowledge.

Data collection involved the use of questionnaires and interviews. Primary data was gathered through interviews with school administrators, while questionnaires were distributed to a sample of 150 respondents selected from a target population of 241 individuals. A total of 138 respondents successfully completed and returned the questionnaires, yielding a high response rate of 92%. The collected data was then analyzed using pie charts, tables, correlation, and regression analyses.

The findings of this study indicate that salary increment is predominantly utilized as a performance-based pay measure in South West Academy. The school employs the criterion of taking on additional work to implement their performance-based system. A significant majority of teachers (79%) responded positively, stating that the school's performance-based payment system has helped improve their performance. The data further suggests that financial incentives such as salary, bonuses, and allowances positively correlate with employee performance and productivity, demonstrating statistical significance. On the other hand, non-financial forms of incentives, such as praise, recognition, and accommodation, also exhibit a positive correlation with employee performance and productivity, but without statistical significance ($p > 0.05$).

However, the study reveals that respondents strongly disagree with the clarity of the criteria used by the school to evaluate staff performance. To address this issue, it is recommended that South West Academy revises and adopts more objective criteria and measurement checklists, ensuring that all staff members are familiarized with them. Consideration should be given to prominently displaying these criteria or attaching them to contractual agreements. By doing so, the Academy can enhance the authenticity of their performance-based pay criteria and effectively capitalize on the benefits derived from improved teacher performance.

In conclusion, this research provides valuable insights into the relationship between performance-based pay and employee performance within the specific context of South West Academy. The study's findings serve as a foundation for recommendations to optimize the effectiveness of performance-based pay systems in educational institutions, ultimately fostering improved employee performance and achieving the intended objectives.

Key words: Performance based pay & performance of employee

CHAPTER ONE

INTRODUCTION

This study will explain the effect of performance pay plan on the productivity of employees in South West Academy of Addis Ababa. This chapter explains the historical, theoretical, conceptual, and contextual background of the study, objectives, research questions, scope and significance of the study.

1.1 BACKGROUND OF THE STUDY

Today's reality in the global world is that people influence important aspects of organizational performance and productivity in a multitude of ways. People conceive and implement the organizational strategy while the mix of people and systems mostly determine an organization's capabilities, competence and profitability (Lawler, 2003).

In this highly competitive era organizations regardless of size, technology, and market are facing employee retention challenges. To overcome these restraints a strong and positive relationship and bonding should be created and maintained between employees and their organizations. To enhance this strong and positive relationship, employees should be motivated to put in their best by providing them lucrative employee benefits.

In the last four decades, a number of countries have adopted pay performance strategies in order to modify the traditional salary scales which were based on pay levels in a narrow band with a regular annual increase. Increases are meant for promotion, merit, cost of living etc. Performance pay plan (PPP) or Performance Related Pay (PRP) was first introduced in the UK on a wide scale in the 1980s and many organizations had high hopes that PRP would bring about cultural change and encourage higher levels of individual and organizational performance (Kessler and Purell, 1992). PRP now forms a key element of many organizations' reward strategies and encourages higher levels of motivation, commitment and productivity. PRP is built on the premise that reward can foster the right behavior and money is potentially a powerful incentive to influence the amount of effort that employees will exert on behalf of the organization.

Performance-based reward systems have a long history in education, particularly in the United States of America (Owen, 2003) the reward system in an organization consists of its integrated policies, processes, and practices for rewarding its employees in accordance with their contributions, skills, competences and market worth, according to Harvey-Beavis (2003).

In developing countries there have been several studies evaluating interventions aimed at increasing the performance of teachers. Most of these interventions have explicitly provided “hard” incentives to affect specific types of teachers’ behaviors. For instance, teacher’s presence has been incentivized conditional on presence and teachers’ contribution to students’ performance has been incentivized by providing financial rewards to teachers’ conditional on positive students test scores (Muralidharam & Sundaraman 2011, Kremer, P. Glewwe & N. Ilias 2010).

1.2 BACKGROUND OF THE SCHOOL

South West Academy is established by two individual business owners at Nifas Silk Lafto Sub city. It has four branches named Lafto Primary Campus, 58 Primary Campus, Lafto high school and the largest in size, number of employees, and students is located at Jemo 1. The latter includes nursery, kindergarten, primary, and secondary levels. In all branches there are 670 employees and 6000 students. South West Academy is highly notable for high scoring students in national exams particularly it is number one among Lafto Sub city private schools.

1.3 STATEMENT OF THE PROBLEM

In private schools in Addis Ababa, the majority of employees are teachers. Many of these teachers have years of teaching experience and hold diplomas, first degrees, and second degrees. However, a significant number of these experienced teachers are dissatisfied with their salaries, leading them to pursue additional degrees and seek employment in other industries, such as airlines, telecommunications, banking and finance, and marketing.

This high turnover rate of experienced teachers can disrupt the teaching and learning process, as it may take months to replace vacant positions and the quality of education may suffer as a result. Moreover, new employees may not have the same level of knowledge, skills, and quality of work as experienced teachers, requiring additional time and resources to train them.

To address this issue, private schools in Addis Ababa have implemented performance pay plans. However, it is unclear whether these plans are effective in ensuring productivity and meeting the demands and interests of employees. Furthermore, there is a lack of research on the relationship between pay plans and productivity in private schools in Addis Ababa, with most existing studies focusing on other industries, such as banks, factories, and breweries.

Therefore, this thesis aims to investigate the effectiveness of performance pay plans in private schools in Addis Ababa in ensuring productivity and meeting the demands and interests of employees. Specifically, the research will explore the congruence between the performance pay plans of schools and employee demands and interests, as well as the impact of these plans on employee productivity. By addressing this gap in the literature, this research will contribute to the development of effective strategies for retaining experienced teachers in private schools in Addis Ababa and improving the quality of education.

1.4 RESEARCH QUESTIONS

1. What specific type of performance-based pay plan is currently implemented at South West Academy?
2. What factors contribute to the successful implementation and functioning of the performance pay plan at South West Academy?
3. What is the effect of the performance pay plan on the performance and productivity of employees?

1.5 OBJECTIVE OF THE STUDY

1.5.1 GENERAL OBJECTIVE

The general objective of the study is to examine the effect of performance pay plan on the productivity of employees in South West Academy Addis Ababa.

1.5.2 SPECIFIC OBJECTIVES

- To analyze and describe the specific performance-based pay plan those is currently implemented in South West Academy.
- To identify and evaluate the critical success factors that contribute to the effective implementation and management of the performance pay plan at South West Academy, and determine how they can be optimized for employee retention, productivity, and satisfaction.
- To assess and quantify the impact of the performance-based pay plan on employee performance, productivity, and job satisfaction at South West Academy, and to solicit employee feedback and perspectives on the effectiveness and fairness of the pay plan in this particular school.

These specific research objectives are more refined and specific, and they reflect the key issues raised in the statement of problem. The objectives are designed to guide the research towards providing comprehensive answers to the problem statement, and they will help to uncover critical insights into the effectiveness of performance-based pay plans in private schools, specifically South West Academy.

1.6 SIGNIFICANCE OF THE STUDY

- The outcome of this research will give an outlook for the school owners and managers to regularly review its pay plan so as to enhance productivity and retain the most competent and highly skilled employees.
- This study will also help employees of South West Academy to address the problems and the potential solutions for enhancing productivity.
- The study will create awareness of the school's performance pay plan to the employees.
- It will bridge the gap between the employees' expectation and the employer's objective.
- It will be used as platform information for new researchers.

1.7 DELIMITATION/ SCOPE OF THE STUDY

The study is carried out to examine the effect of performance pay plan of the South West Academy on performance of employees. In this study the independent variable is Performance Pay Plan and the dependent variable is employee's performance. It focuses on gathering data mainly from teachers as they are the majorities of employees in the school, management and administration staffs, school directors and unit leaders. Due to time constraint cross sectional study is conducted which means the study focuses on 2021/2022 academic year only. More over the methodology to be used in the study applied both qualitative and quantitative research approach so as to increase the credibility and validity of the research finding and the explanatory research design is used because the research seeks to identify cause and effect relationship.

1.8 OPERATIONAL DEFINITION OF TERMS

Performance-related pay (PRP) is also known as individual PRP or merit pay. It is a financial reward which relates all or part of the salary of an individual or a group of people to performance, which is measured according to objectives that are agreed to be accomplished within a certain period of time. (Feeney, 1982; De Gieter and Hofmans, 2015)

Employee Performance: is job related activities expected of a worker and how well those activities were executed. Employee performance is a dependent variable of this research to be measure based on the data that will be collected from the research questions by using different testing instrument (Ann& Jerry, 2009).).

An employee is defined as an individual who works part-time or full-time under a contract of employment, whether oral or written, express or implied, and has recognized rights and duties. The individual is also called worker.

Productivity is how efficiently and effectively products and services are being produced.

1.9 ORGANIZATIONS OF THE STUDY

This study is organized into five chapters. Chapter one is the introduction part which Contains the back ground of the study, the statement of the problem, background of the school, objectives of the study, research questions, significance of the study, scope and limitation of the study, definition of terms and organization of the study. In Chapter two we find the literature review which overviews different scholars' perception and identification about performance pay plan and its effect on productivity of employees. The third chapter, chapter three, is about the research methodology involving the research design, source of data and collection method, sampling techniques and size, data analysis method, validity and reliability, and ethical consideration. The fourth chapter presents data analysis and interpretation. The last chapter, chapter five contains the main findings of the study, conclusion and recommendation based on the major findings of the study.

CHAPTER TWO

LITERATURE REVIEW

This section begins with a detailed review of the different performance-related pay (PRP) definitions, and then discusses the cultural background of the system and its impact on the performance of employees. Subsequently, it considers the rationale of the system and the concept of motivation from the point of view of the system itself and its relationship with performance.

2.1 DEFINITION OF PRP

Performance-related pay (PRP) is also known as individual PRP or merit pay. It is a financial reward which relates all or part of the salary of an individual or a group of people to performance, which is measured according to objectives that are agreed to be accomplished within a certain period of time (De Gieter and Hofmans, 2015). Recently, many organizations have shown great interest in performance pay; some have already implemented it, while others are in the process of doing so. Performance pay is a powerful tool for influencing culture and a powerful way to control employee behavior and enhance their performance if there is an effective organizational culture (Awadh and Alyahya, 2013). The difficulty of PRP lies in how to design implement and align it with the nature of the tasks in the organization. An effective PRP system can be very useful for employers and employees in many ways. The fair outcomes of the system will encourage employees to perform better and make them work more efficiently and effectively. Many studies indicate that organizations often struggle to achieve the goals for which the system has been introduced. Among the most common failures involve the achievement of equity and motivation of employees (Walsh, 2017). This is due to the lack of clearly defined planning goals (DeMenezes and Kelliher, 2016). There are many reasons which may drive organizations to implement PRP, such as to rationalize spending; to establish more control over employees; to change the organizational culture; to attract the best candidates; and to retain the best employees.

Although many studies have shown that the performance pay system has been proven to be more effective in improving performance, there is no special recipe for its success or even certain

recognized ways to apply it effectively (O'Halloran, 2012). Some people believe that the reasons for the failures of many performances pay systems were because their operations and practices were not based on scientific practices or evidence; in fact, they were implemented based on the experiences of other organizations. Some findings also indicate that small financial rewards have no effect and do not motivate employees (Voorberg et al., 2018) while other researchers argue that financial incentives must be accompanied by systematic operations, processes, objectives and clear tasks, as it is an integrated system (Sanders et al., 2018).

Some pay systems may seem very chaotic because of the lack of clear criteria, objectives and measures of success (Livy, 1988). Top managers often claim that the system is found to create fairness and motivate diligent employees, while many employees express their displeasure and dissatisfaction and complain about a lack of fairness. However, it has been demonstrated in some organizations that have successfully implemented a performance pay system that they had clear measures for the success of the system, which is why they were able to achieve its objectives.

2.2 PERFORMANCE RELATED PAY CULTURE

Among the positive aspects of the application of PRP is the creation of a unified culture characterized by transparency and clarity (Liao, 2018), especially with regard to the measurement of staff performance. Despite the fact that some PRP opponents suggest that it leads to inequality among staff, this depends mainly on how the PRP system is implemented and what criteria and policies are in place (Kavanag, Benson and Brown, 2007; DeNisi and Gonzalez, 2017). The rationale of introducing a PRP system is to give value to employees' achievements and contributions and to ensure that their performance continues at the same pace or even better. Moreover, it aims to make them feel that their outstanding efforts are appreciated by the organization, which increases their commitment to the organizational goals.

One of the important cultures that PRP seeks to produce is that of fairness. Fairness is seen as the basis of the PRP system because it eliminates favoritism and personal tendencies in dealing with

bias (Hartmann and Slapnicar, 2012). It is intended to make clear to staff what is required and expected from them, and accordingly employees are evaluated. The system should set clear criteria for dealing with employees, as it is not logical to evaluate or judge staff performance without objective criteria.

Linking pay to performance gives the organization the ability to direct the behavior of employees, to influence them, and direct their efforts towards the ultimate goals of the organization. This also reinforces management control and its ability to distinguish between exceptional and normal performance and to make rewards fairly and accordingly.

According to CIPD (2016), PRP involves three important topics: (1) relating performance to pay progression as a way of boosting performance; (2) promoting a high-performance culture in the organization; and (3) introducing the concept of fairness and equality. Competition is growing dramatically between markets. For an organization to survive and improve its productivity, it has to invest in its workforce. One of the tools that organizations are using to improve their workforce performance and productivity is PRP. According to Gielen et al. (2010), there are two reasons why PRP increases productivity. The first is that PRP can motivate employees to make the correct amount of effort for a specific task, which can help become aware of the abilities of each employee. The second reason is that during recruitment PRP can be used to encourage the most suitable candidates to apply for a specific job.

Salaman et al (2005) suggest that there are two types of individual performance-related pay schemes. The first is related to and measured according to performance; for example, the extent to which employees can achieve their specific individual objectives. The second is merit rating, which is related to behavior as a measure of performance; for example, it evaluates employees' performance based on their reliability, creativity, initiative, cooperation and problem-solving abilities. According to surveys reviewed by Kessler (1993, in Salaman et al., 2005), both types of

PRP are growing significantly, especially among employees who have fixed salaries and annual increments based on the length of their experience.

Despite this growth, individual PRP causes problems in some organizations due to the inefficient handling of the systems, and obsessions of employees associated with the system, which might make their performance too related to pay, ignoring other aspects of performance management, which can lead to demotivation. PRP can be very beneficial to an organization if it is well planned and handled.

2.3 THEORETICAL BASIS OF PERFORMANCE-RELATED PAY MODELS

The idea of the performance-related pay (PRP) system is grounded in theoretical frameworks that constitute a systematic approach through which the system can be applied effectively. These frameworks provide a set of process theories that help in addressing questions and drawbacks and challenge that surrounding the PRP system and also draw attention to circumstances in which pay might be effectively motivated. This section discusses the most important theories supporting the PRP system.

2.3.1 EXPECTANCY THEORY

There is no doubt that expectancy theory is one of the most widely accepted theories in the field of motivation, performance enhancement and employee behavior (Backes-Gellner and Pull, 2013). The general notion is that it is possible to influence employees' work behaviors once about the outcome that can result from their efforts or performance. According to Vroom (1964) "Expectancy is defined as a momentary belief concerning the likelihood that a particular act will be followed by a particular outcome".

The theory was developed in 1964 by Victor Vroom, and its origin concept contains three components: Valency, Instrumentality and Expectancy (VIE). Valency refers to the predictable value of the outcome, or in other words the value the reward that staff expect to obtain for their

performance (Wong and Kuvaas, 2018), while instrumentality refers to the relationship between performance and outcome, or the perception of employees that a certain performance level will lead to a certain value of reward/outcome.

The third element is expectancy, which represents the relationship between effort and performance; that is, employees believe that a certain effort will lead to a certain performance level. The theory suggests that the higher the employees' expectancies, the greater the efforts they will exert (Lloyd and Mertens, 2018).

2.3.2 GOAL SETTING THEORY

Goal setting theory assumes that setting specific objectives for employees leads to better performance and helps focus their efforts on organizational goals (London, Mone and Scott, 2004). The theory also states that linking goals to rewards enhances employees' commitment and performance (Porter and Latham, 2013). Previous findings suggest that the success of the PRP system depends on developing or adopting systematic approaches and criteria that support its operation. It can thus be claimed that among the important approaches and theories that underpin the PRP system is goal-setting theory, as it promotes objective and fair performance appraisal.

The theory was developed by Edwin Locke in the 1960s and was proven to be an effective approach to motivating employees through extensive field investigations (Locke and Latham, 1990; Fred, 2011). It assumes that employees should be assigned realistic and achievable goals related to their job tasks so that they can estimate the amount of effort required to achieve the desired results and effectively accomplish the given task.

The goal-setting approach may fail if it is not systematically applied, which may lead to staff underestimating their tasks. Consequently, goals should be clearly defined in terms of time, method of implementation and expected results. Findings indicate that the more difficult the goals, the more they motivate staff (Latham, 2003). The results also suggest that employees'

understanding of how their tasks and objectives relate to organizational end goals makes them appreciate their contribution (Asmus et al., 2015).

However, goal evaluation criteria are not easy to define objectively because some types of jobs or tasks are highly subjective and difficult to quantify, making them subject to bias and favoritism. Furthermore, if staff feels that the goals are not measurable and that the criteria set are not sufficiently objective, they will feel a loss of control over their achievements or even a loss of motivation to achieve the goals.

2.3.3 EQUITY THEORY

This theory provides insights into how employees position themselves and make decisions in their organization in general, as well as in terms of their performance and attitude. The theory is often seen as one of the important ones on motivation and as an important means of providing in-depth understanding of the perspective of fairness from the point of view of the organization (Cohen, 2015).

Equity theory was established by John Stacy Adams in 1963. It suggests that employees often expect fair compensation for their efforts at work (Mathis et al., 2017). It is "based on the premise that people are motivated to obtain and preserve equitable treatment for themselves" (Pride et al., 2010). The theory assumes that the greater the employees' expectations of fairness and equity, the greater their motivation to work hard.

However, if employees perceive unfair treatment, this will negatively impact their performance (Selvarajan, Singh and Solansky, 2018). The theory is based on the assumption that employees compare their input (performance, contribution and effort) and output (compensation and reward) with their co-workers, either in their organization or at industry level. Therefore, employees often expect fair outputs for inputs they provide.

Furthermore, fairness and equality are essential for the success of any pay or reward system (Odeku, 2014). The idea of the PRP system suggests that outstanding performers should be rewarded by increasing their pay to establish the principle of fairness, which is the core value of the system's working culture (Bos-Nehles and Veenendaal, 2019). Equity theory of motivation confirms that employees' productivity and performance expected by management can only be achieved if there is a balance between inputs (e.g., efforts) and outputs (e.g., reward), together with employees' sense and belief that there is a real fairness in the process (Cohen, 2015).

2.3.4 REINFORCEMENT THEORY

The theory is considered to be one of the important theories of motivation that focus on extrinsic reward and punishment. It suggests that behavior that achieves desired results can be rewarded, for example by promotion or pay increases (Latham, Ford and Tzabbar, 2012). On the other hand, undesirable or unwanted behavior will be punished; for instance, with demotion or no pay increases. Reinforcement theory concerns the relationship between behavior and its consequences, while the behavior of the staff is influenced by the optimal use of rewards or punishment. As a result, employees can either receive positive or negative reinforcement based on the consequences of their behavior.

It is noted that an effective reward system is a major driver of the theory, as it promotes the culture of positive behavior that the organization wants (Zuiderwijk and Spiers, 2019). In terms of positive reinforcement, the theory seems to be very similar to expectancy theory, in which workers believe that positive behavior will be recognized, appreciated and rewarded. On the other hand, staffs expect that undesirable behavior will not be accepted and inevitably will not be rewarded. The assumption is that employees will always try to adjust their behavior to avoid undesirable outcomes. Reinforcement theory stems from the premise that positive incentives can attract employees' attention and drive them towards behavior that serves organizational goals.

2.3.5 THE AGENCY THEORY

The agency relationship is often seen as a contractual one. For example, in the employment relations context, it is a contract made between agents (employee) to perform a service for an employer (principal) by delegating some authority to agents that will enable them to perform their work (Franco-Santos and Otley, 2018). According to Jensen and Meckling (1976) in their important paper in the context of corporate organizations about conflicts of interest between the directors (agents) and the owners (principals), it is difficult to expect managers to monitor the business with the same degree of vigilance that the owners themselves carry, and therefore it requires to align the interests of both parties to reach a win-win situation.

The theory assumes that the agents are likely to favor their own interests rather than those of the principal (Van Puyvelde et al., 2013). Consequently, the principals should develop controls and rewards that limit such behavior, so that their interests are aligned with those of the agents.

2.4 EMPLOYEES PRODUCTIVITY

According to Elliot (2009), employee productivity is basically related to performance in terms of individual goals. Again, performance measurement is one of the most difficult topics for managers. Measuring performance is similar to performance appraisal. Performance appraisal provides an assessment of how an individual employee is performing and gives an insight into what such an employee would have to do to raise their effectiveness. Some employers pay employee remuneration on the basis of their scores in performance measures. There are many aspects that are looked into during such exercises. The most prominent is arguably the rate of completion of assigned tasks, the accuracy and deliverability of such tasks. According to Coole, (2012) such measures are difficult and are often inaccurate.

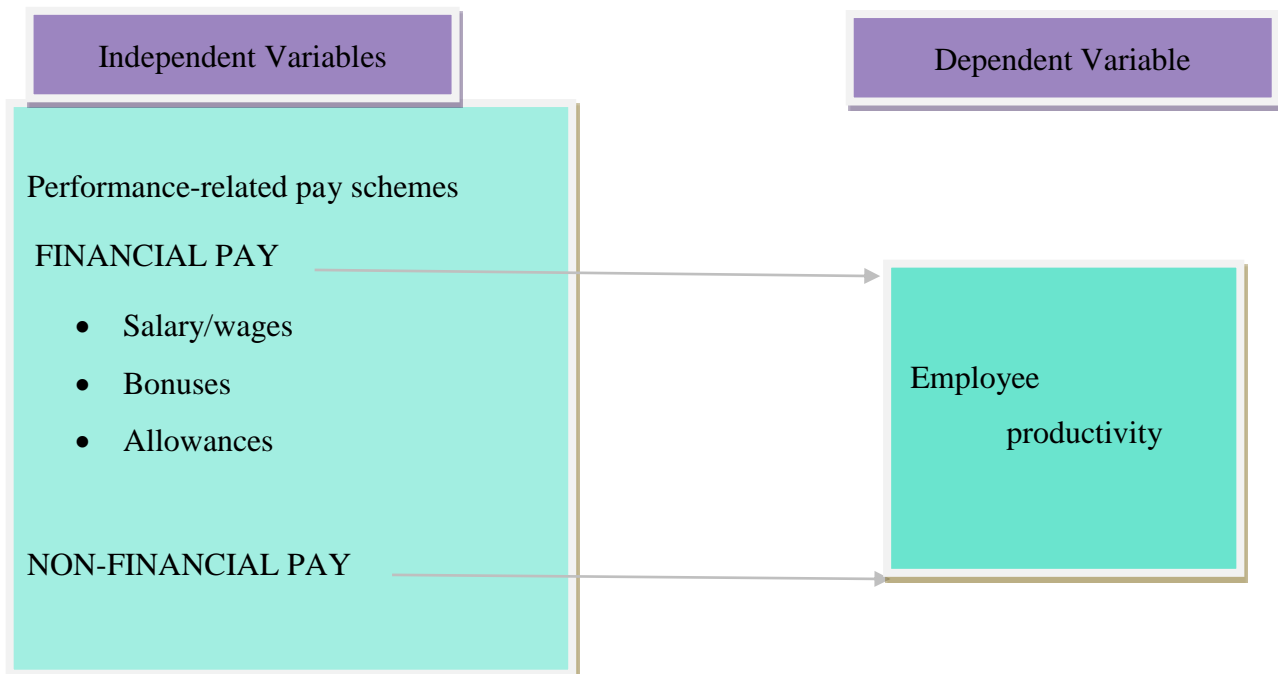
In such circumstances, relying on them for anything could be prejudicial to the employee. Coole adds that they are subjective rather than objective and as such should not be a basis for determining emoluments to employees.

Productivity has been described by Herti, et al (2011) as the level of an individual's work achievement after having exerted effort. They believe that productivity is an individual phenomenon. However, certain environmental factors will have a significant bearing on

performance. According to Herti, determining the individuals work as attempted by various evaluations gives the organization certain advantages. Evaluations and assessments could also have a negative influence on the individual. Herti, however, points out that successful organizations in the private sector are adherents of the various work measurement and evaluation schemes. Hatch (2006) gives the example of certain organizations that have seen sustained superior performance over the years. He also links these organizations' success to their superior organizational culture. Measuring performance is part of that corporate culture. Organizational structures and advanced human resource management practices, including the use of realistic job pre-view techniques as well as employee evaluation have also been cited as part of that organizational culture.

The concern of managers at different levels in organizations centers in effectiveness of improving productivity. The organizational culture should inspire co-operation and team work, from top to bottom in the company. The manager should provide incentives to workers in an organization, preferably by transferring a suitable kind of leadership to bring about the kind of organizational culture where people identify their interests with that of the cooperation, find dignity, and satisfaction in their work, with consequent effects on increased productivity, morale and pride in being part of the organization (Marten, 2012).

2.5 CONCEPTUAL FRAMEWORK



- Praise
- Recognition
- Accommodation
- Leave of absence

Figure 1 Conceptual Framework

2.6 EMPIRICAL REVIEW

Smith, A., & Johnson, B. (2018) conducted a comprehensive study in the education sector to explore the impact of performance-based pay plans on teacher motivation, job satisfaction, and retention. Their research sample consisted of private schools across different regions, with a specific focus on the relationship between pay plans and teacher performance.

The study employed a mixed-methods approach, combining quantitative surveys and qualitative interviews to gather data. Quantitative data was collected through self-report questionnaires distributed to teachers, while qualitative data was gathered through in-depth interviews with school administrators and selected teachers.

The findings of Smith and Johnson's study indicated a strong positive relationship between performance-based pay plans and teacher motivation and job satisfaction. Teachers who were incentivized by performance-based pay reported higher levels of engagement, commitment, and overall job satisfaction. These teachers were more likely to put in extra effort and take on additional responsibilities, leading to improved classroom performance and student outcomes.

The study also highlighted the importance of clear performance metrics and transparent evaluation processes in enhancing the effectiveness of performance-based pay plans. Teachers expressed the need for well-defined criteria and fair assessment methods that aligned with their roles and responsibilities. When teachers perceived the pay plan as fair and transparent, it positively influenced their motivation and commitment to the school.

Moreover, the research findings suggested that the effectiveness of performance-based pay plans extended beyond individual teachers' performance. Collaborative environments and supportive school cultures were identified as essential factors in leveraging the benefits of performance-based pay. Schools that fostered open communication, collaboration, and professional development opportunities were more successful in implementing and sustaining performance-based pay plans.

Overall, Smith and Johnson's study provided valuable empirical evidence supporting the positive impact of performance-based pay plans on teacher motivation and job satisfaction in the context of private schools. The research findings underscored the significance of aligning incentives with desired outcomes, implementing fair evaluation processes, and fostering a supportive work environment to maximize the effectiveness of performance-based pay plans in improving teacher performance and overall educational quality.

In a comprehensive study conducted by Lee, C., et al. (2020), researchers examined the impact of performance-based pay plans on student outcomes in private schools. The study aimed to investigate the relationship between performance-based pay and student achievement, as well as to explore the underlying mechanisms through which this relationship operates.

The study sample comprised a diverse range of private schools, including South West Academy in Addis Ababa, selected through a rigorous sampling process. Multiple data collection methods were employed, including student performance data, surveys administered to teachers and school administrators, and classroom observations.

The findings of Lee et al.'s study revealed a significant positive correlation between performance-based pay plans and student outcomes. Schools that implemented performance-based pay plans demonstrated higher student achievement scores compared to schools without such plans. This positive relationship was attributed to several factors.

Firstly, performance-based pay plans provided teachers with a clear incentive structure to improve their instructional practices. The prospect of financial rewards motivated teachers to

strive for excellence and invest additional effort in preparing and delivering high-quality lessons. As a result, students in these schools experienced improved academic performance.

Secondly, performance-based pay plans encouraged collaboration among teachers. The focus on performance and rewards fostered a sense of collective responsibility among educators, leading to increased collaboration, knowledge sharing, and the implementation of effective teaching strategies. This collaborative environment contributed to enhanced student learning outcomes.

Furthermore, the study highlighted the importance of aligning teacher incentives with desired student outcomes. Schools that established performance metrics directly linked to student achievement and growth witnessed the most significant improvements in academic performance. By aligning teacher incentives with the desired educational outcomes, performance-based pay plans effectively motivated teachers to prioritize student success.

It is important to note that the study acknowledged the contextual factors that may influence the effectiveness of performance-based pay plans. Factors such as school leadership, instructional resources, and supportive school culture were identified as critical elements in facilitating the successful implementation of performance-based pay plans and maximizing their impact on student outcomes.

In conclusion, Lee et al.'s study provided empirical evidence supporting the positive impact of performance-based pay plans on student achievement in private schools. The findings underscored the importance of clear incentives, collaboration among teachers, and the alignment of performance metrics with desired student outcomes. The study suggested that implementing performance-based pay plans with a focus on student success can lead to improved academic performance and enhance the overall educational quality in private schools.

2.7 RESEARCH GAP

On the process of investigating the effect of performance-based pay plan on performance and productivity of employees, the researcher tries to refer different empirical and theoretical literature. On this way the researcher tries to find out the research gaps.

One research gap that can be identified is: The existing literature lacks a comprehensive analysis and justification of the chosen research methodology, sampling techniques, and research design in studies examining the effect of performance-based pay on employee performance. Many researchers fail to provide clear explanations for their selection of these methodological aspects, leaving a gap in understanding the rationale behind their choices.

Furthermore, there is a gap in the literature regarding: The limited exploration and explanation of the multiple regression correlation (R) between dependent and independent variables in studies related to performance-based pay and employee performance. The literature does not sufficiently elaborate on the strength and significance of the correlation, hindering a deeper understanding of the relationship between these variables.

Moreover, a research gap can be identified in relation to the use of variables: The existing studies exhibit significant variability in the selection and operationalization of variables in the context of performance-based pay and employee performance. This indicates a lack of consistency and standardization in defining and measuring variables, with researchers relying more on subjective perceptions rather than drawing upon empirical studies and theoretical literature. There is a need for a more comprehensive and theoretically grounded approach to variable selection and operationalization in future research.

CHAPTER THREE

RESEARCH METHODOLOGY

INTRODUCTION

This chapter describes the frame work within which the research is conducted. The chapter represents the research design and approach, data type and source, target population, sampling method and sample size determination, data collection methods, method of data analysis, ethical considerations and validity and reliability of the instrument.

3.1 RESEARCH DESIGN AND APPROACH

The study uses a cross-sectional survey, descriptive and explanatory design; the descriptive type of research design helps to portray accurately the characteristics of a particular individual, situation or a group (Creswell, 2014). The design has an advantage of producing good number of responses from a wide range of people. At the same time, it provides a more accurate picture of events at a point in time. According to (Gay, 1992) descriptive design describes and provides understanding of a phenomenon usually with simple descriptive statistics. Gay (1992). qualitative and quantitative research approach is applied for the sake of triangulation, offsetting, and completeness of the study. According to Creswell et al. (2003), qualitative research helps in getting an in-depth analysis of the problem under investigation while qualitative research method is considered to be very efficient for questions answered in number for breadth (Cresswell,2014). Moreover, the outcome of qualitative research is easy to measure and the results can be clearly shown through objective data.

3.2 DATA TYPE AND SOURCE

The study is conducted based on primary data. To collect the primary data based on the objective of the study and the research design and approach chosen questionnaires are distributed and in-depth interview is administered.

3.3 TARGET POPULATION

The target population of this study comprises all employees of South West Academy across its four branches in Addis Ababa. This includes management and administration staff as well as teachers. The total number of employees in the academy is currently 670.

To collect primary data for the study, a random sampling technique is employed. Random sampling involves selecting participants from the target population in a way that gives each individual an equal chance of being included in the sample. This method helps ensure that the sample is representative of the larger population and can provide valid insights and findings.

By utilizing random sampling, the study aims to gather data from a diverse group of respondents, including both management and administration staff and teachers. This approach allows for a comprehensive examination of the research objectives and facilitates a more accurate understanding of the impact of performance-based pay on employee performance within South West Academy.

3.4 SAMPLING METHOD AND SAMPLE SIZE DETERMINATION

It is not feasible to collect data from the entire population due to its size and the limitations faced by the researcher. Therefore, it is necessary to select a representative sample from the population. Cooper and Schindler (2006) highlight the importance of sample size, which is a smaller subset of the larger population.

In this study, a random sampling technique is employed to select respondents from the employee population. This technique ensures that each individual has an equal chance of being included in the sample, enhancing the generalizability of the findings. Additionally, purposive sampling is utilized to select managers, directors, and administration staff members. This approach is chosen to gather in-depth information from individuals who possess a higher level of knowledge and expertise regarding the research problem.

Moreover, to address the larger and heterogeneous group of teachers, stratified random sampling is employed. This sampling method divides the population into subgroups or strata based on certain characteristics, and then a random sample is selected from each stratum. This approach ensures representation from different segments of the teacher population, improving the validity of the study's conclusions.

The target population for this study specifically focuses on the high school branch of South West Academy. The total population in the target area is 241 individuals. From this population, a sample size is determined based on a desired precision level of 5% or 0.05, utilizing Yamane's (1967) sample size determination formula. Thus, 241 employees are assigned for the study, which examines the impact of the performance-based pay plan on employee performance and productivity.

In adhering to academic standards and research protocols, it is crucial to use appropriate vocabulary and follow established methodologies for sample selection, ensuring the reliability and validity of the study's findings.

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

n=the sample size

N=the size of the population

e=the error of 5 percentage

So, the sample size is calculated: $n = \frac{241}{1 + 241(0.05)^2} = \frac{241}{1 + 241(0.0025)} = 150.39$ which is approximately 150 respondents were taken by simple random sampling method.

3.5 DATA COLLECTION METHODS

The researcher uses primary data which is collected using self-administered questionnaires to get information from teachers and guiding questions (interview guide) are designed for focus group discussions with managers, administrations and school directors.

3.5.1 SELF-ADMINISTERED QUESTIONNAIRE

This researcher uses self-administered questionnaires for the respondents. These are distributed among the teachers in their respective schools. The justification for using this instrument is that questionnaires are easy to quantify and analyze. In addition, the questionnaires are used because the study focuses on opinions, attitudes, feelings and perceptions of teachers.

3.5.2 INTERVIEWS

An interview guide consisting of structured questions was designed and administered to the managers, administrations and school directors. Information solicited by this instrument helped the researcher enhance responses from the self-administered questionnaires and will make it possible for the researcher to cross examine some key issues in the research. The choice of this instrument is made because it is considered a good method for producing data which dealt with the topic in depth. Interviewing is also a good method for producing data based on informants' priorities, opinions and ideas.

3.6 METHOD OF DATA ANALYSIS

Qualitative data collected from interview is analyzed by using thematic analysis whereas the quantitative data from questionnaires are checked for completeness and consistency and are analyzed through Statistical Package for Social Science/ SPSS. As a result, frequency, percentage, and average mean score are employed to present analysis and discuss the result of the paper.

3.7 DATA VALIDITY AND RELIABILITY

3.7.1 DATA VALIDITY

Validity refers to the extent to which a test accurately measures what it claims to measure (Creswell, 2009). In the context of this research, validity is defined as the accuracy and

meaningfulness of the inferences drawn from the research results. It reflects the degree to which the data analysis results truly represent the phenomena being studied.

One critical factor influencing the validity of questionnaire data is the respondents' ability and willingness to provide the requested information. The researcher acknowledges this relationship and recognizes that the validity of the data relies on the respondents' cooperation and honesty.

To refine the research methodology and the data collection instrument (i.e., the questionnaire), a pilot test was conducted before the final phase. This pilot test helped identify any areas that required improvement and ensured that the questionnaire's objectives were clear, relevant, and suitable for addressing the research problem.

As stated by John et al. (2007), questionnaires were administered to potential respondents to test the effectiveness of the data collection instrument. This process aimed to ensure that the questionnaire was objective, relevant, and reliable in gathering the necessary data.

In summarizing, the validity of the data collected in this study is crucial for drawing accurate and meaningful conclusions. By addressing the relationship between respondents and data quality, conducting a pilot test, and testing the questionnaire's effectiveness, efforts have been made to enhance the validity of the research findings.

3.7.2 RELIABILITY TEST

According to Creswell (2009), the reliability of a standardized test is commonly assessed using a correlation coefficient, which measures the strength of the relationship between variables. This coefficient ranges from -1.00 to +1.00, where a value of -1.00 indicates a perfect negative reliability, and a value of +1.00 indicates a perfect positive reliability. In other words, the correlation coefficient reflects the degree of consistency or agreement between the variables being measured.

In the context of assessing the reliability of a quantitative questionnaire for internal consistency, Nunnally and Bernstein (1994) suggest using Cronbach's alpha. Cronbach's alpha is a statistical measure that estimates the internal consistency or reliability of a scale or set of items within a

questionnaire. It quantifies how closely related the items are to each other and whether they are consistently measuring the same construct.

Typically, Cronbach's alpha values range from 0 to 1. A lower limit of 0.7 is commonly considered as an acceptable threshold for internal consistency, indicating a strong relationship among the items in the questionnaire. However, it is important to note that higher values, such as 0.8 or above, indicate even stronger internal consistency.

Therefore, in this study, the researcher aims to demonstrate the reliability of the questionnaire by calculating Cronbach's alpha. If the resulting alpha value measures 0.7 or higher, it would provide evidence of strong internal consistency and support the reliability of the study's measures.

3.8 ETHICAL CONSIDERATIONS

The researcher obtained an authorization letter from St. Mary's University student center and the researcher carried the letter during data collection and presents it to appropriate authorities to be allowed to conduct research. The respondents in this study are not required to use their names or provide any form of identification.

Full consent of all respondents is sought before the questionnaires are administered. All subjects will be assured of total confidentiality and the data obtained is used for research purpose only. The study avoided creating any form of risk to the participants. There will no direct benefits to the respondents but the results are expected to have valuable result to the entire school and the school community.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

This study was conducted at South West Academy with the objective of investigating the impact of a performance-based pay plan on the performance and productivity of employees. The analysis utilized data collected from both primary and secondary sources. The employees were categorized based on five demographic variables, namely gender, age, educational level, marital status, and experience in the school.

The primary data for the study was collected through interviews with school administrators and the distribution of questionnaires to a sample of 150 respondents selected from a target population of 241. Out of the distributed questionnaires, 138 respondents successfully completed and returned them, resulting in a response rate of 92%. The data collected through the questionnaires are presented in the following sections using pie charts and tables.

This chapter provides an overview of the demographic profile, educational background, and work experience of the respondents. Additionally, it includes the opinions of the respondents regarding the current impact of the performance-based pay plan on the performance and productivity of employees. The chapter also presents the respondents' levels of agreement with respect to the effect of the performance-based pay plan on performance and productivity.

The presentation of data in this chapter aims to provide a clear understanding of the characteristics and perspectives of the respondents, laying the groundwork for the subsequent analysis and discussion of the findings related to the impact of the performance-based pay plan on employee performance and productivity.

4.2 RELIABILITY ANALYSIS

In order to assess the consistency and reliability of the questionnaire, particularly the Likert-type scale, reliability analysis was conducted. The reliability analysis provides an indication of the overall reliability of the constructs being measured. Cronbach's Alpha (α) is the most commonly used measure of scale reliability, and a value greater than 0.5 is generally considered acceptable.

In this analysis, the sample consists of 138 valid cases, which represents 100.0% of the total cases. There were no cases excluded based on the list-wise deletion method that was applied to all variables in the procedure.

The reliability of the questionnaire was assessed using Cronbach's Alpha coefficient, which measures the internal consistency or reliability of the items. In this case, the calculated Cronbach's Alpha value is 0.637, indicating moderate internal consistency. The questionnaire includes a total of 30 items.

Table 1 Case Processing Summary

Case Processing Summary			
		N	%
Cases	Valid	138	100.0
	Excluded	0	.0
	Total	138	100.0
a. List wise deletion based on all variables in the procedure.			

Reliability Statistics	
Cronbach's Alpha	No of Items
.637	30

4.3 RESPONDENTS' DEMOGRAPHICS CHARACTERISTICS

In order to have a clear understanding about the result of the study, it is important to be familiar with demographic characteristics of the sample respondents who are employees of south West Academy. 138 respondents returned filling the questioner from the total of 150 distributed questioners. This means 12 of the respondents did not return the distributed questioners. Due to that it becomes obligatory to analyze and present data that collected from 138 respondents. Then in this subsection, variables such as sex, educational level, work experience and qualification of the respondents by using frequencies and percentages were analyzed. The information processed by SPSS is summarized as follows

Table 2 Respondents' Demographics characteristics

NO	Items	Respondents	percentage
1	Age <ul style="list-style-type: none"> • 18-25 • 26-40 • 41-60 Above 60	10 93 35 -	6.8 67.4 25.4
	Total	138	100%
2	Sex <ul style="list-style-type: none"> • Male • Female 	100 38	72.5 27.5
	Total	138	100%
3	Educational status <ul style="list-style-type: none"> • College diploma • Bachelor degree • Masters and above • PHD and above 	102 33 3	73.9 23.9 2.2
	Total	138	100%
4.	Marital status <ul style="list-style-type: none"> Married Single Divorce 	49 86 3	35.5 62.3 2.2
	Total	138	100%
5.	Work experience <ul style="list-style-type: none"> • <1 • 2-5 • 5-10 	- 9 58	- 6.5 42.1

	• Above 10	71	51.4
	Total	138	100%

Source; -own survey data, 2022

Based on the data presented in Table 4.1, it can be observed that 6.8% of the respondents fall within the age range of 18-25, indicating a relatively small percentage. The majority of respondents, comprising 67.4%, fall within the age range of 26-40. Additionally, 25.4% of the respondents belong to an older age group (above 40). This suggests that the majority of the employees at South West Academy are in the young and adult age groups, with a significant portion falling between 26 and 40 years old.

Turning to the gender distribution presented in Table 4.1, it is evident that males represent the majority of respondents, accounting for 72.5% of the sample. Females, on the other hand, constitute 27.5% of the respondents. This implies that in South West Academy, there is a higher proportion of male teachers compared to female teachers. The data indicates a dominance of men in terms of numbers.

Regarding educational status, as shown in Table 4.1 item 3, the majority of respondents (73.9%) possess a bachelor's degree, while 23.9% hold a master's degree. Only a small percentage of 2.2% have a PhD. Notably, there were no participants with certificates or diplomas included in the study. The predominance of degree holders in the sample reinforces the reliability of the study outcomes, as individuals with higher levels of education can provide valuable insights.

Examining Table 4.1 item 4, it is notable that none of the respondents have less than one year of work experience. Instead, 6.5%, 42.1%, and 51.4% of the respondents have 2-5, 5-10, and above 10 years of work experience, respectively. This indicates that a significant number of respondents have more than 10 years of work experience, making them well-equipped to provide valuable information on the effect of performance-based pay plans on the performance and productivity of teachers at South West Academy. It is worth mentioning that almost half of the

respondents have worked for less than 10 years. Nevertheless, given that the majority of them hold permanent job positions, they possess the necessary information required for this study as individuals who have remained in one place for an extended period.

Overall, these findings highlight the age distribution, gender representation, educational backgrounds, and work experience of the respondents, providing important contextual information for understanding the impact of performance-based pay plans on the performance and productivity of teachers at South West Academy.

4.4 QUESTIONERS RELATED TO THE TYPES PERFORMANCE-BASED PAY IMPLEMENTED BY THE SCHOOL.

Table 3 Types of Performance related pay system

When you work in south west Academy what types of Performance related pay system do the school uses to enhance the performance of the teacher?		Frequency	Percent
Valid	Bonus	1	.7
	Allowance	12	8.7
	Salary increment	91	65.9
	Recognition	30	21.7
	Other	4	2.9
	Total	138	100.0

The first research question aimed to identify the types of performance-based pay plan implemented by the school.

Results in table 4.2 show that the most common PRP used by the school includes: - salary increment (65.9%), recognition (21.7%), duty allowances (8.7%) and bonus (0.7%).

The analysis of the results reveals that salary increment is the most commonly used Performance-Related Pay (PRP) method implemented by the school, as reported by the interviewed respondents. However, it is important to note that the COVID-19 pandemic has had

a significant impact on the school's financial situation, leading to minimal salary increments or even maintaining similar salary levels. Furthermore, there has been a government intervention in limiting the percentage of school fee increases in private schools. Consequently, employees have faced challenges in coping with the rising cost of living.

During discussions with administrators, it was frequently mentioned that staff appreciation is preferred as a form of reward, as it holds value beyond financial compensation during implementation. Appreciation can take both financial and non-financial forms. The best teachers are nominated based on their performance efficiency and are awarded a financial bonus of 700 birr every quarter. Additionally, staff members who have made special contributions are recognized and awarded certificates as a form of recognition.

However, the study conducted among teachers indicates that they primarily prefer salary increments over other forms of rewards. They expressed the need for clear criteria and guidelines for promotions within the school. One respondent highlighted that salary increments for teachers are mainly based on factors such as regular attendance and years of service rather than performance. Moreover, concerns were raised about the adequacy of the salary increase corresponding to the promoted position.

In summary, the findings highlight the utilization of salary increments as the primary PRP method in the school. However, the financial constraints caused by the COVID-19 pandemic and government regulations on fee increases have impacted the school's ability to provide substantial salary increments. The preference for staff appreciation as a reward is acknowledged, but teachers' aspirations for salary increments and transparent promotion criteria are evident.

Table 4 The measurability of performance based pay check list

How do you believe on the measurability of performance based pay check list?		Frequency	Percent
Valid	Very low	3	2.2
	Low	42	30.4
	Good	64	46.4
	Very good	28	20.3
	Excellent	1	.7
	Total	138	100.0

Results in table 4.3 show that many respondents respond there is no doubt on the measurability of performance check list with frequency of 64(46.4%). On the other hand, 30.45% of them do not believe on the measurability of check list. The remaining respondents said that 20.3% very good, 0.7% excellent and 2.3% very. Analysis of the results indicates that most of the respondents believe on measurability of performance based pay check list.

Table 5 The school 's performance-based pay system

Does the school have performance-based pay system?		Frequency	Percent
Valid	Yes	120	87.0
	No	18	13.0
	Total	138	100.0

Table 4.4 is about the PRP system of the school. It is evident the presence of the PRP system of the school shown in the table that the majority of respondents said that yes (87%) the school has performance-based pay system, while (13%) responds no. This implies that the South West Academy has performance-based pay system and most of the staff are aware of it.

Table 6 Criteria of performance-based pay

Based on the above question if your answer is yes, which criteria of performance-based pay is implemented?		Frequency	Percent
Valid	Based on quality of work	2	1.4
	Knowledge and skill based	18	13.0
	teaching experience	47	34.1
	taking additional work	59	42.8
	Other	12	8.7
	Total	138	100.0

Findings in Table 4.5 Most teacher's performance are assessed based on taking additional work is implemented. This was indicated by (42.8%) of respondents. It was also found out that 34.1% of the respondents pointed out that it was based on teaching experience. Teachers were also assessed based on knowledge and skill criteria, based on work quality and other criteria respond as 13%, 1.4 % and 8.7% respectively. Therefore, South West Academy uses taking additional work as criteria to implement performance-based system.

Table 7 Express the school performance-based pay system impact on your productivity

How do you express the school performance-based pay system impact on your productivity?		Frequency	Percent
Valid	Highly demoralizing	5	3.6
	Demoralizing	7	5.1
	Not change	8	5.8
	Improved	109	79.0
	highly improved	9	6.5
	Total	138	100.0

According to the findings in the Table 4.6, many teachers respond (79%) that the school's performance-based system help to improve their performance and productivity. However, in South West Academy performance-based pay system has positive impact on teachers' productivity. Statistics show that 6.5%, 5.8%, 5.1% and 3.6% of respondents disclosed that they are highly improved, not change, demoralizing and high demoralizing by the school's performance-based pay system on their productivity.

How do you express the school performance based pay system impact on your productivity?

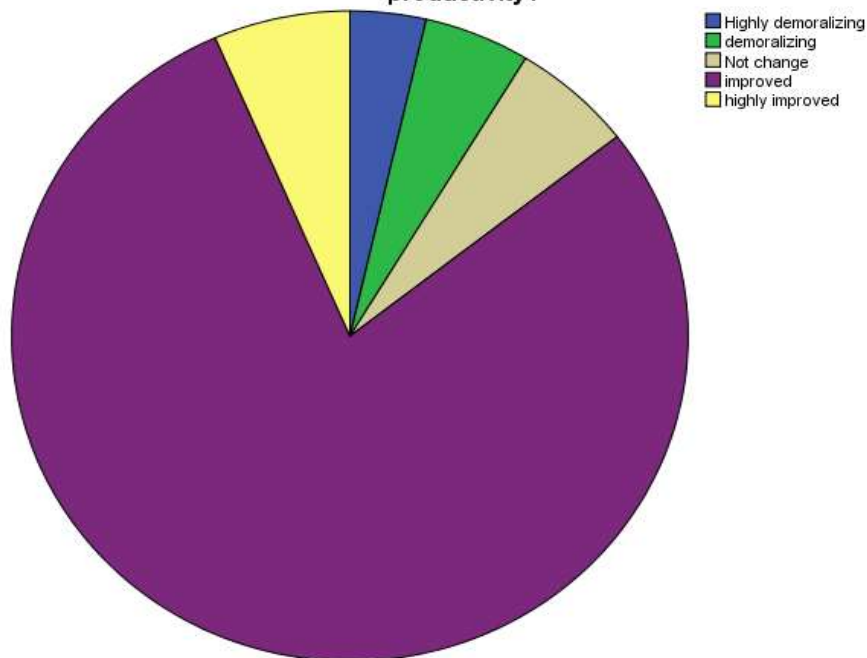


Figure 2 Academy performance-based pay system

As the above pie chart 4, 1 shows many teachers respond (79%) that the schools' performance-based system helps to improve their performance and productivity. However, in South West Academy performance-based pay system has positive impact on teachers' productivity.

Table 8 Results expected after a performance-based pay

1. How often do you receive the results expected after a performance-based pay?		Frequency	Percent
Valid	Never	2	1.4
	Rarely	13	9.4
	don't bother with the result	40	29.0
	Always	83	60.1
	Total	138	100.0

According to those who always receive the results of performance-based pay this was due to higher level of performance accomplishment activities at school. Nevertheless, 29% respondents don't bother with the result. Results show that 9.4% and 1.4% participants receive rarely and the rest are not willingness to receive. This implies that teachers were ready to receive all that is needed to ensure their performance.

4.5 ASSESSMENT OF EMPLOYEES PERFORMANCE AND PRODUCTIVITY

What are factors leading to success of employees' performance and productivity?

Table 9 Analysis of factors leading to success of employees' performance and productivity

NO	Statement	Response	No of response	Mean	Std. deviation
1	Fairness and equality are essential success of employee's performance and productivity (Q8)	Strongly Disagree	(.7%)	3.9565	.75329
		Disagree	7(5.1%)		
		Neutral	15(10.9%)		
		Agree	89(64.9%)		
		Strongly Agree	26(18.8%)		
		Total	138(100%)		

2	Employees expect fair output (compensation and reward) for inputs (contribution and effort) (Q9)	Strongly disagree	7(5.1%)	3.2029	1.10182
		Disagree	36(26.1%)		
		Neutral	32(23.2%)		
		Agree	48(34.8%)		
		Strongly Agree	15(10.9%)		
		Total	138(100%)		
3	Performance based pay scheme have a positive effect on employees' performance and productivity (Q10)	Strongly disagree	6(4.3%)	3.3333	1.20421
		Disagree	45(32.6%)		
		Neutral	15(3.6%)		
		Agree	61(44.2%)		
		Strongly Agree	21(15.2%)		
		Total	138(100%)		
4	Setting specific objectives for employees leads to better performance (Q11)	Strongly Disagree	1(.7%)	3.9493	.80439
		Disagree	10(7.2%)		
		Neutral	12(8.7)		
		Agree	87(63.0%)		
		Strongly Agree	28(20.3%)		
		Total	138(100%)		
5	The school sets clear criteria to evaluate the performance of staff (Q12)	Strongly Disagree	12(8.7%)	3.2246	1.35096
		Disagree	47(34.1%)		
		Neutral	7(5.1%)		
		Agree	42(30.4)		
		Strongly Agree	30(21.7%)		
		Total	138(100%)		
6	Since I strive consistently to be accurate in all aspects of my work, I am a	Strongly Disagree	2(1.4)	3.3406	1.18072
		Disagree	51(37.0%)		
		Neutral	6(4.3%)		

	productive teacher(Q13)	Agree	56(40.6%)		
		Strongly Agree	23(16.7%)		
		Total	138(100%)		
7	The staff room culture is highly contributed for the successfully implemented of performance-based pay. (Q14)	Strongly Disagree	15(10.9%)	2.2899	.77557
		Disagree	80(58.0%)		
		Neutral	31(22.5%)		
		Agree	12(8.7%)		
		Strongly Agree	-		
		Total	138(100%)		
8	Job security and level of commitment to the schools' objectives are all crucial to the level of performance of teachers. (Q15)	Strongly Disagree	4(2.9%)	3.3551	1.05194
		Disagree	29 (21.0%)		
		Neutral	38(27.5%)		
		Agree	48(34.8%)		
		Strongly Agree	19(13.8%)		
		Total	138(100%)		
9	The school apply financial incentive schemes compared to non-financial incentives and this will lead to higher performance. (Q16)	Strongly Disagree	8(5.8%)	3.1159	.96714
		Disagree	32(23.2%)		
		Neutral	35(25.4%)		
		Agree	62(44.9%)		
		Strongly Agree	1(.7%)		
		Total	138(100%)		
10	The school salary administration system affects pay plan(Q17)	Strongly Disagree	44(31.9%)	2.5580	1.26155
		Disagree	21(15.2%)		
		Neutral	25(18.1%)		
		Agree	48(34.8%)		
		Strongly Agree	-		

		Total	138(100%)		
11	I am satisfied the school's performance pay scheme(Q18)	Strongly Disagree	10(7.2%)	3.0217	1.07028
		Disagree	88(63.8%)		
		Neutral	5(3.6%)		
		Agree	35(25.4%)		
		Strongly Agree	-		
		Total	138(100%)		

Own survey study, 2022

The above table 4.8 item 1 shows that 15(10.9%) responded neutral on the fairness and equality as essential success of employees' productivity. The remaining 89 (64.9%) and 26(18.8%) agreed and strongly agreed respectively. This means the majority of the respondents agreed with mean value of 3.9565 and standard deviation of .75329 to express fairness and equality are essential success of employees' performance and productivity in South West Academy.

Table 4.8 item 2 indicates the majority 48(34.8%) of respondents responded agreement on employees' expectation on fair output for their effort. In other ways 36(26.1%) respondents disagree on this statement. The remaining 15(10.9%) responded as strongly agree, 7(5.1%) of respondent respond as strongly disagree and 32(23.2%) of respondent respond as neutral. So, majority of teachers expect fair output for their effort.

The same table item 3 indicates 6(4.3%) of respondents respond strong disagreement and 45(32.6%) disagree to reflect as performance-based pay scheme have a positive effect on employees' performance and productivity and the remaining 15(3.6%) and 61(44.2%) respond as neutral and agree respectively. According to this data the majority of respondents showed their agreement to reflect a performance-based pay scheme have a positive effect on employee's performance and productivity in South West Academy. The responses of the respondents have mean value of 3.2029 and standard deviation value of 1.10182.

The above table 4.8 item 4 shows, 10(7.2%) of respondents respond Disagreement and the remaining 15(3.6%), 61(44.2%) and 21(15.2%) responded as neutral, agree and strongly agree respectively. Based on the data we can infer that setting specific objectives for employees leads

to better performance since the majority 61(44.2%) respond agreement with the mean value of 3.9493 and standard deviation value of .80439.

As the table 4.8 item 5 indicates, 12(8.7%) and 47(34.1%) of respondents respond as strongly disagree and disagree the school sets clear criteria to evaluate the performance of staff and remaining 7(5.1%), 42(30.4%) and 30(21.7%) of respondents respond as neutral, agree and strongly agree. Based on the data the majority of the respondents disagreed. So, we can generalize that South West Academy did not set clear criteria to evaluate the performance of teachers. Information obtained from interview indicates that the school has two formats to assess the performance of teachers to be used during formal evaluation and the other is during informal evaluation.

The first one is used for assessing teachers' performance and had impact on performance of teachers within the academic year while the later format is used to assess the ongoing progress of teachers.

According to the findings in the Table, many teachers 56(40.6%) are striving consistently to be accurate in all aspects of their work; therefore, they consider themselves as productive teacher. However, Statistics show that 51(37%) of respondents disclosed that they never wanted to strive consistently to be accurate in all aspects of their work. The remaining 1.4%, 4.3% and 16.7% respondents are strongly disagreeing, neutral and strongly agreeing respectively on this theme. This implies that teachers are striving consistently to be accurate in all aspects of their work in South West Academy.

Further still results in Table 4.8 indicate that 58.0% respondents disagree on the staff room culture is highly contributed for the successful implementation of performance-based pay. The rest respond strongly disagree, neutral, and agree with the percentage of 10.9%, 22.5% and 8.7% respectively. Therefore, we can conclude that the school staff room culture is not contributed for the successful implementation of performance-based pay.

According to the findings in the Table4.8, many teachers agree 34.8% job securities and level of commitment to the school's objectives are all crucial to the level of performance of teachers. However, Statistics show that 27.5%) and 2.9% of respondents disclosed that they disagree job

securities and level of commitment to the school's objectives are not all crucial to the level of performance of teachers. The remaining 13.8% and 27.5 % respondents are strongly agreeing, and neutral on this idea. This implies that job security and school's objectives have crucial effect on performance and productivity of teachers with the mean value of 3.3551 and standard deviation value of 1.05194.

As the table 4.8 item 9 indicates as the majority of respondents respond agreement (44.9%) the school apply financial incentive schemes compared to non-financial incentives and this will lead to higher performance. In other way 23.2% respondents disagree on this statement. The remaining 0.7% respond as strongly agree, 5.8% of respondent respond strong disagreement and 25.4% of respondent respond as neutral. This implies that financial incentive has greater effect on performance of teachers than non-financial incentives with the mean value of 3.1159 and standard deviation value of .96714.

The same table item 10 indicates 31.9% of respondents respond as strongly disagree and 15.2% disagree to reflect the school salary and wage administration system affect pay plan and the remaining 18.1% and 34.8% respond as neutral and agree respectively. According to this data the majority of respondents respond as agree to reflect the school salary and wage administration system affect pay plan in South West Academy. The responses of the respondents have mean value of 3.1159 and standard deviation value of .96714

According to the findings in the Table, many teachers are satisfied on the school's performance pay scheme and they respond agree (73.2%) on this statement. However, Statistics show that 18.1%) of respondents disclosed that they disagree on the level of satisfaction due to performance pay plan. The remaining 4.3 % respondents are strongly disagreed, and neutral on this idea. This implies the school performance pay plan system create satisfaction on teachers with the mean value of 3.0217 and standard deviation value of 1.07028

4.6 CORRELATION ANALYSIS

Table 10 Result of correlation

Correlations								
		Level of employee performance and productivity	Salary	Bonus	Allowance	Praise	Recognition	Accommodation
Level of employee performance and productivity	Pearson Correlation	1	.745**	.699**	.239**	.203*	.152	.149
	Sig. (2-tailed)		.000	.000	.005	.017	.074	.080
	N	138	138	138	138	138	138	138
Salary	Pearson Correlation	.745**	1	.893**	.179*	.155	.157	.224**
	Sig. (2-tailed)	.000		.000	.036	.069	.067	.008
	N	138	138	138	138	138	138	138
Bonus	Pearson Correlation	.699**	.893**	1	.196*	.169*	.146	.251**
	Sig. (2-tailed)	.000	.000		.021	.047	.089	.003
	N	138	138	138	138	138	138	138
Allowance	Pearson Correlation	.239**	.179*	.196*	1	.298**	.451**	.129
	Sig. (2-tailed)	.005	.036	.021		.000	.000	.131

	tailed)							
	N	138	138	138	138	138	138	138
Praise	Pearson Correlation	.203 [*]	.155	.169 [*]	.298 ^{**}	1	.220 ^{**}	.010
	Sig. (2-tailed)	.017	.069	.047	.000		.010	.910
	N	138	138	138	138	138	138	138
Recognition	Pearson Correlation	.152	.157	.146	.451 ^{**}	.220 ^{**}	1	.061
	Sig. (2-tailed)	.074	.067	.089	.000	.010		.481
	N	138	138	138	138	138	138	138
Accommodation	Pearson Correlation	.149	.224 ^{**}	.251 ^{**}	.129	.010	.061	1
	Sig. (2-tailed)	.080	.008	.003	.131	.910	.481	
	N	138	138	138	138	138	138	138
**. Correlation is significant at the 0.01 level (2-tailed).								
*. Correlation is significant at the 0.05 level (2-tailed).								

Table 4.10 presents the correlation between the dependent variable, which is employee performance and productivity, and the independent variables. The results indicate the relationships between financial and non-financial forms of incentives or pays and their impact on employee performance and productivity.

In summary, the results indicate that financial forms of incentives, such as salary, bonus, and allowance, have a strong positive correlation with employee performance and productivity. On the other hand, the non-financial forms of incentives, including praise, recognition, and accommodation, do not show significant correlations with employee performance and productivity.

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Level of employee performance	.494	138	.000	.446	138	.000
a. Lilliefors Significance Correction						

Generally, salary, bonus and allowance are categorized under financial forms of incentive or pays and all are positively correlate with employees' performance and productivity as well as significant, whereas the non –financial form are including praise, recognition and accommodation have a positive correlation with employees' performance and productivity, but all are insignificant since $p > 0.05$.



4.7 MULTIPLE REGRESSION ANALYSIS

Multiple regression analysis forecast to what extent dependant variables determine by independent variables.

Table 11 result of model summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.758 ^a	.575	.559	.51131

- a. Predictors: (Constant), Recognition, Bonus, Praise, Allowance, Salary

Based on the model summary, the multiple regression analysis reveals a significant relationship between the independent variables and the dependent variable, which is employees' performance and productivity. The correlation coefficient (R) indicates a relationship of .758, indicating a strong positive correlation between the independent variables and the dependent variable. The coefficient of determination (R²) is calculated as .575, which means that 57.5% of the variation in the dependent variable can be explained by the independent variables.

The coefficients of the multiple regression analysis further demonstrate the impact of the independent variables on the dependent variable. Out of the six independent variables examined, four of them show significant effects on the dependent variable with $p < 0.05$. These significant independent variables include salary, bonus, allowance, and praise. This implies that these variables have a positive influence on employees' performance and productivity.

In conclusion, the multiple regression analysis confirms that the independent variables, specifically salary, bonus, allowance, and praise, have a significant and positive impact on employees' performance and productivity. These findings suggest that providing financial incentives and recognition in the form of salary increments, bonuses, and allowances, as well as offering praise, can contribute to improving employee performance and productivity.

Table 11 ANOVA Analysis Results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	46.707	5	9.341	35.730	.000 ^b
	Residual	34.510	132	.261		
	Total	81.217	137			

a. Dependent Variable: Level of employee performance
b. Predictors: (Constant), Recognition, Bonus, Praise, Allowance, Salary

Anova table basically represents the mean values. Here in table 11, the mean is 9.341 and the significant value is 0.000 which is statistically significant and smaller than 0.05. So, the $p=0.000$. It shows that all the dependent variables fluctuate according to the independent variable. Every variable has its own significant level according to the survey results which will be interpreted in the coefficient table.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.300	.386		.777	.438
	Salary	.592	.126	.595	4.713	.000
	Bonus	.139	.124	.142	1.124	.263
	Allowance	.142	.100	.094	1.422	.158
	Praise	.071	.068	.063	1.044	.298
	Recognition	-.018	.064	-.017	-.272	.786
a. Dependent Variable: Level of employee performance						

The Standardized Coefficients is measured in units of standard deviation. A beta value of 0.595 indicate that change of one standard deviation in the independent variable say take salary results in a 0.595 standard deviation increase in the dependent variable. So, beta values change of one standard deviation in bonus allowance, and praise of independent variables results in different value of standard deviation increase in the dependent variable except recognition since it shows negative value.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This part of paper sums up the major finding of the conclusion and concluding what are the finding relating to the objective of the study. Lastly it consists of the recommendation given to the concerned body special for the case study area which is South West Academy.

5.1 SUMMARY

Demographic Characteristics: South West Academy predominantly employs male teachers, indicating a gender imbalance in the teaching staff. The majority of respondents have more than 10 years of work experience, which positions them as valuable sources of information regarding the impact of performance-based pay on employee performance and productivity. Additionally, a significant number of respondents have worked between 5 and 10 years, indicating a mix of experienced and relatively newer teachers.

Performance-Based Pay Plan: Salary increment is the primary form of performance-based pay utilized by South West Academy. However, due to the COVID-19 pandemic and state interventions on school fees, the school has faced limitations in providing substantial financial increments to employees in recent years. Administrators expressed a preference for staff appreciation as a reward, combining both financial and non-financial elements. Best-performing teachers are recognized and financially rewarded, while special contributions are acknowledged through certification.

Preferences of Teachers: The study revealed that teachers generally prefer salary increments as a form of reward. However, they also emphasized the need for transparent and fair promotion criteria and equitable remuneration corresponding to the position given during promotions.

Measurability of Performance: A majority of respondents expressed confidence in the measurability of performance through the use of performance checklists, indicating that the school has a performance-based pay system in place.

Impact of Performance-Based Pay: The majority of respondents agreed that the performance-based pay system implemented in South West Academy helps improve their performance and productivity. Fairness and equality were highlighted as crucial factors for the success of employees' performance and productivity in the school.

Clear Criteria for Evaluation: The study found that there is a lack of clear criteria for evaluating the performance of teachers, as indicated by a significant number of respondents disagreeing or strongly disagreeing. The school uses both formal and informal evaluation formats, with formal evaluations influencing teachers' performance within the academic year and informal evaluations monitoring ongoing progress.

Staff Room Culture: Respondents generally disagreed that the staff room culture significantly contributes to the successful implementation of performance-based pay. This suggests that the staff room environment does not play a significant role in enhancing performance and productivity.

Financial vs. Non-Financial Incentives: The majority of respondents believed that financial incentives have a greater impact on performance compared to non-financial incentives. This implies that the school's emphasis on financial incentive schemes may lead to higher performance among teachers.

School's Salary and Wage Administration: A significant number of respondents agreed that the school's salary and wage administration system affects the implementation of the pay plan. However, many teachers expressed dissatisfaction with the school's performance pay scheme, indicating a negative impact on their perception of the system.

5.2 CONCLUSIONS

In conclusion, the findings of this study shed light on the effect of performance-based pay on employee performance in the case of South West Academy. The analysis revealed several key points that can be summarized as follows:

- Firstly, salary increment was found to be the primary form of performance-based pay used by the school. The administration preferred to use staff appreciation as a reward, which had value in terms of salary increment during the implementation period. However, the majority of teachers expressed a preference for salary increment as the most desired form of reward.
- Secondly, the measurability of the performance checklist was widely accepted by respondents. This indicates that the evaluation criteria were deemed reliable and effective in assessing employee performance.
- Thirdly, South West Academy implemented a performance-based system based on additional work criteria. Teachers perceived this system as beneficial, as the majority agreed that it helped improve their performance.
- Furthermore, the study confirmed that performance-based pay schemes had a positive effect on employee performance in South West Academy. This finding suggests that the implementation of such schemes can be a motivating factor for teachers.
- However, it is worth noting that the Academy did not establish clear criteria for evaluating teacher performance. This lack of clarity may have implications for the fairness and transparency of the evaluation process.
- Additionally, the staff room culture was not found to contribute significantly to the successful implementation of performance-based pay. This highlights the need for the Academy to focus on transforming the organizational culture to foster unity and support among staff members.
- Lastly, the analysis showed that financial incentives such as salary, bonus, and allowance positively correlated with employee performance, while non-financial incentives like praise, recognition, and accommodation did not demonstrate a significant correlation.

5.3 RECOMMENDATION

Based on the conclusion of the finding the following suggestion are forwarded to South West Academy

1. **Revise Performance Evaluation Criteria:** The Academy should revise and enhance the criteria used to evaluate the performance of teachers. It is crucial to make the criteria more objective and measurable rather than subjective. Clear and well-defined criteria should be established and communicated to all staff members. Consider attaching the criteria to contractual agreements or displaying them in staff areas to ensure transparency and familiarity.
2. **Implement a Balanced Incentive System:** While salary increment has been the primary form of performance-based pay, it is recommended that South West Academy diversify its incentive system to include both financial and non-financial rewards. Financial incentives such as salary, bonus, and allowance can be complemented with non-financial incentives like praise, recognition, and accommodation. This comprehensive approach caters to the preferences and motivations of teachers, enhancing their overall satisfaction and performance.
3. **Cultivate a Supportive Staff Culture:** It is essential for the Academy to focus on transforming the staff room culture into a supportive and unified environment. Building a positive staff culture that fosters collaboration and support among teachers can contribute to the successful implementation of performance-based pay. Efforts should be made to promote transparency, fairness, and equal opportunities for all staff members, attracting and retaining the best talent.
4. **Strengthen Performance-Outcome Alignment:** South West Academy should ensure a stronger alignment between performance-based pay and employee performance outcomes. This can be achieved by setting specific objectives for employees and providing regular feedback and evaluations. By clearly defining expectations and providing opportunities for growth and development, teachers' performance and productivity can be further improved.

5. Monitor and Evaluate Performance System Effectiveness: The Academy should establish a mechanism to monitor and evaluate the effectiveness of the performance-based pay system regularly. This includes collecting feedback from teachers, conducting surveys, and analysing performance data. By continuously assessing the system's impact, necessary adjustments and improvements can be made to maximize its benefits.

By incorporating these recommendations, South West Academy can enhance the effectiveness of its performance-based pay system, improve employee performance and productivity, and create a positive and motivating work environment for teachers.

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7. APPENDIX

St. Mary University

BUSINESSADMINISTRATION

Questionnaire to be filled by respondents

Dear Participant:

I am conducting research on the effect of performance-based pay plan for the performance and productivity of employee. It will be a great contribution if you may complete all the items covered in the questionnaire since your opinion is of greatest significant. Filling out, these questionnaires may not take that much of your time. Any information provided will only be used for academic purpose. As a result, it will be kept confidential and utmost anonymity.

For the Linker scale five alternatives are given to the questionnaire being abbreviated in the table indicated by key at the bottom defined as: 1. Means, Strongly Disagree., 2. Means, Disagree, 3. Means, Neutral, 4. Means, Agree and 5, means, Strongly Agree

Note: Please put a tick (✓) mark in the box that matches your agreement with each of position below.

Part I. Demographic Information

I. Personal Information

1. Age

18-25 ☐

26-40 ☐

40-60 ☐

2. Sex

Male ☐

Female ☐

3. Educational level

College diploma: ☐

Bachelor's Degree: ☐

Master's Degree: ☐

PhD and above ☐

1. Maternal status

Married ☐ single ☐ divorce ☐

2. Years of service in the school

≤ 1 ☐ 2-5 ☐ 5-10 years ☐ above 10 years

Part II. Questioners related to the type's performance-based pay are implemented by the school.

1. When you stay in south west Academy what types of Performance related pay system do the school uses to enhance the performance of the teacher?

Bonus ☐ Allowance ☐ Salary increment ☐ Recognition ☐ Other ☐

2. How do you believe on the measurability of performance based pay check list?

Very low ☐ Low ☐ Good ☐ Very good ☐ Excellent ☐

3. Does the school has performance-based pay system?

Yes No ☐

4. Based on the above question if your answer is yes, which type of performance-based pay is implemented?

Basis of quality ☐ teaching experience ☐

Knowledge and skill based ☐ taking additional work ☐ other ☐

2. To what extent you are satisfied with the current performance-based pay?

Not satisfied at all ☐ Lower satisfied ☐ moderately satisfied ☐ highly satisfied ☐

3. How do you express the school performance-based pay system impact on your productively?

Highly demoralizing ☐ demoralizing ☐ not change ☐ improved

highly improved ☐

4. How often do you receive the results expected after a performance-based pay?

never ☐ Rarely ☐ don't bother with the result ☐ Always ☐

Part III. Assessment of Employees performance and productivity

In the table below, questions rise to examine factors leading to the success of employees' performance and productivity. So, you have to respond your own point of view about factors leading to the success of employees' performance and productivity. Please use the following scale to indicate your level of agreement with each of the identified issues and put a tick mark (✓) in the box in front of the items of your choice.

1= Strongly Disagree

2= Disagree

3= Neutral

4= Agree

5= Strongly Agree

Table 12 Questionaries' table

No.	What are factors leading to success of employees' performance and productivity?	Response				
		1	2	3	4	5
8	Fairness and equality are essential success of any pay					
9	Employees expect fair output (compensation and reward) for inputs (contribution and effort)					
10	Performance based pay scheme have a positive effect on employees' performance and productivity					
11	Setting specific objectives for employees leads to better performance					
12	The school sets clear criteria to evaluate the					

	performance of staff					
13	Since I strive consistently to be accurate in all aspects of my work, I am a productive teacher					
14	The staff room culture is highly contributed for the successfully implemented of performance-based pay.					
15	Job security and level of commitment to the school 's objectives are all crucial to the level of performance of teachers.					
16	The school apply financial incentive schemes compared to non-financial incentives and this will lead to higher performance.					
17	The school salary administration system affects pay plan					
18	I am satisfied the school's performance pay scheme					

Part IV. Questioners related with the effect of performance-based pay plan on the performance and productivity.

Put the degree of your agreement on the effect of performance-based pay plan on the performance and productivity.

No.	Criteria	Strong Influence	Moderate Influence	Neutral	Weak Influence
19	Salary				
20	Bonus				
21	Allowance				

22	Praise				
23	Recognition				
24	Accommodation				
25	Leave of absence				

Write if there are others-----

Interview questions

1. How do you express about the practice of performance-based pay plan in South West Academy?
2. Do you think employee's performance and productivity affected by performance-based pay?
3. How do you express the effect of performance-based pay plan on employee's performance and productivity?

Thank you in advance for Your cooperation.