

# Impact of Extrinsic Rewards on Instructors' Satisfaction at Assosa University, Ethiopia

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## Abstract

The purpose of this study was to examine the effect of extrinsic rewards on instructors' satisfaction at Assosa University in Ethiopia. The data collection instrument for the study was questionnaire. To gather primary data, 189 questionnaires were distributed to instructors and 149 useable questionnaires were returned. Data was analyzed through SPSS version 20. Correlation and regression analysis were employed to find relationship and effect. Results of Pearson correlation analysis indicated that the extrinsic rewards of Assosa University have positive relationship with the satisfaction of instructors. According to the results of regression analysis, it can be concluded that extrinsic rewards have significant contribution to the instructors' satisfaction of Assosa University. The majority of respondents were dissatisfied with the existing extrinsic practice of extrinsic rewards. The researcher recommended that Assosa university should have clear reward criteria, should reward only value adding contributions, and provision of attractive extrinsic rewards for valuable achievements.

**Keywords:** Extrinsic rewards, employee satisfaction, Instructors

## 1. INTRODUCTION

In today's competitive working environment every organization striving to achieve competitive advantage by using knowledgeable, skillful, competent, and committed employees through offering different satisfactory extrinsic rewards since satisfied employees are more committed and loyal to organizations. It is clear that employee satisfaction and commitment are affected by rewards. According to Humphrey (2009), rewards affect job satisfaction, job commitment, and performance so to understanding needs of employees and offering them the right reward are important in administrative and professional institutes. Neckermann (2008) stated that employee feels motivated and encouraged if they know that they will be rewarded by their employer.

Rehman et.al, (2010) cited that there is a valuable relationship between intrinsic rewards, extrinsic rewards and employee satisfaction, but extrinsic rewards and job satisfaction has efficacious relationship comparatively. Attracting and retaining competent and committed instructors through providing attractive extrinsic rewards are particularly vital for universities so as to improve quality of education as well as conducting and providing problem solving researches and community services.

Assosa University is one of Ethiopian public higher educational institutions located in Assosa, the capital of Benishangul Gumuz Regional State, Ethiopia. Instructors have a major role in achieving the goals of the higher institutions. The recognition and reputation of universities highly depends on the competency and commitment of its teaching staff. To maintain such staff Assosa University should have a good practice of extrinsic rewards. This study attempted to examine the impact of extrinsic rewards on instructors' satisfaction at Assosa University.

### 1.1 Statement of the Problem

It is not enough to get good people into the organization. They have to be kept there (Armstrong, 2010). A successful organization is a one which is willing to retain its employees, knows their needs and capable of satisfying it, keeps them involved and engaged all the time (Ghada et al., 2017). Employees exert their maximum efforts and loyalty to the organization when they feel they are treated fairly by organization especially by offering extrinsic rewards. Extrinsic rewards are considered as a good tool for boosting employee satisfaction.

Assosa University provides different extrinsic rewards to its instructors. Salary, house allowance, other financial reward for best performers, promotion, and opportunity for further education are the major extrinsic rewards currently available to instructors at Assosa University. However, instructors are dissatisfied with the existing practice of rewarding non-value adding contributions and unattractive amount of reward, i.e., about \$74 provided to those considered as best performers. Such practice discourages instructors to exert their effort for creativity and innovation at the university. In addition, many studies conducted in the topic in different organizations and locations. But no such kind of study has been conducted in Assosa University, Ethiopia. This gap necessitated the researcher to conduct this study so as to fill in it. Thus, this study examined the effect of extrinsic rewards of Assosa University on the instructors' satisfaction and identified the main problems related to the practice of extrinsic rewards of this university.

### 1.2 Objectives

- To examine the impact of extrinsic rewards on job satisfaction of instructors of Assosa University.
- Identify main problems that cause dissatisfaction of instructors with extrinsic rewards at Assosa

University.

### 1.3 Research Questions

- What is the impact of extrinsic rewards on satisfaction of instructors with extrinsic rewards at Assosa University?
- What are the main problems that cause dissatisfaction of instructors with extrinsic rewards at Assosa University?

### 1.4 Scope of the Study

The study conceptually focused on the impact of extrinsic rewards on satisfaction. The collection of data was limited to instructors who worked more than one year at Assosa University.

## 2. Literature Review

### 2.1 Rewards

Reward is the compensation which an employee receives from an organization for exchanging of the service offered by the employee or as the return for the work done (Zhou et al., 2009). There are two types of rewards: extrinsic and intrinsic rewards. The focus of this study was extrinsic rewards. Extrinsic rewards refer to tangible rewards or financial rewards that are provided to workers by their employers, such as salary, promotion, bonuses, and benefits. Extrinsic rewards play very considerable role in increasing employees' job satisfaction. When employees are furnished with financial rewards as compare to non financial rewards they become more satisfied (Noreen and Faiza, 2015). They are granted only if the employee satisfies the needs of the organization, and his/her work performance is exemplary. According to Porter et.al, (2003), rewards should be based on performance and contributions to the organization's success so as to boost the morale of employees and provide an avenue for excellence. It is generally recommended that no reward initiative should be under taken if it does not add value to the organization as a whole (Sarah et al., 2016).

### 2.2 Employee Satisfaction

Employee satisfaction is simply how content an individual is with his or her job (*Spector, 1997*). He also defined job satisfaction as the extent to which people like (satisfaction) or dislike (dissatisfaction) their jobs. Positive and favorable attitudes towards the job lead to engagement and therefore job satisfaction. Negative and unfavorable attitudes towards the job indicate job dissatisfaction (Armstrong, 2009). According to Porter et al (2003), high reward level leads to high satisfaction, which leads to lower employee turnover.

### 2.3 Extrinsic Rewards and Employee Satisfaction

Effective extrinsic rewards are crucial for employees' satisfaction which in turn increases their contribution to an organization. Rehman et.al, (2010), indicated that there is a valuable relationship between intrinsic rewards, extrinsic rewards and employee satisfaction, but extrinsic rewards and job satisfaction has efficacious relationship comparatively. They found that the existence of a strong relationship between satisfaction and extrinsic rewards and also proved that employees are more concerned about extrinsic rewards which are paid to them. They expect more extrinsic rewards from their organization when they perform well. After evaluating extrinsic rewards and intrinsic rewards with job satisfaction, extrinsic rewards are relatively more important than intrinsic rewards (Rafiq et. al, 2012). Khalid et al. (2011) also found that extrinsic rewards effectively influenced job satisfaction.

### 2.4 Theoretical Review

There are some motivation theories that are the basis for effective use of rewards in the organizations. Such theories include Maslow's hierarchy of needs theory, Equity Theory, Expectancy Theory, and Herzberg's two factors theory. These theories try to explain the role of rewards in motivating and satisfying employees.

#### Maslow's hierarchy of needs theory

Maslow's need hierarchy theory of motivation is the most commonly known theory of motivation according to which there are five fundamental needs of a person i.e., physiological, security, affiliation, esteem, and self actualization (Mary and Ann, 2011).

The first level of Maslow's Hierarchy of needs theory is the basic human needs. It is therefore paramount that organizations provide financial rewards to their employees to meet these fundamental needs. The second level of the theory addresses itself to the safety needs where the desires for security and stability are key. In this sense therefore, organizations help to satisfy employee's safety needs through a package of benefits and thus motives employees. The first two levels of Maslow' hierarchy of needs can be satisfied through extrinsic rewards and the remaining ones by intrinsic rewards (Mary and Ann, 2011).

### **Expectancy Theory**

The theory states that employee is motivated to exert high level of efforts when he believes that efforts will lead to good performance and therefore organizational rewards that will satisfy achievement of personal goals. Kondalkar (2007) described the three elements of this theory as follows: Expectancy (efforts - performance relationship). It is related to the probability perceived by individual that exerting a given amount of efforts will lead to performance. (b) Instrumentality (performance - reward relationship) - the degree to which the individual believes that performing a particular level will lead to attainment of desired outcome. (c) Valence (reward-personal goal relationship) - the degree to which an organizational reward will satisfy individual needs and its attractiveness for the individual.

### **Equity Theory**

Equity theory focuses on people's feelings of how fairly they have been treated in comparison with the treatment received by others. People expect certain outcomes in exchange for certain contributions, or inputs. People feel there is equity when the ratio of a person's total outcomes to total inputs equals the perceived ratio of other people's total outcomes to total inputs (Laurie, 2005). According to Laurie (2005), the person experiences a sense of inequity when there is an unequal comparison of ratios. The feeling of inequity might arise when an individual's ratio of outcomes to inputs is either less than, or greater than, that of other people. This theory is of the view that both under and over rewards lead to dissatisfaction. While the under-reward causes feelings of unfair treatment, over reward leads to feelings of guilt and discomfort (Edward, 1973).

### **The Herzberg Two-Factor Theory**

This theory classifies factors into hygiene factors and motivators. Hygiene factors include achievement, advancement, possibility of growth, recognition (Kondalkar, 2007). These factors have positive effect on morale, productivity, and job satisfaction and overall efficiency of the organization. On the other hand, motivators include company policy and administration, salary, supervision, interpersonal relationship with superiors, peers and subordinates, job security, personal life, working condition, status, work itself, and responsibility (Kondalkar, 2007). These factors are not an intrinsic part of a job. When they are absent they dissatisfy employees.

## **3. Research Methodology**

### **3.1 Research Design**

The research designed used for this study was descriptive and explanatory research design. Descriptive research design explains the current practices or conditions. Explanatory research design was also used to show the impact of extrinsic rewards on satisfaction of instructors at Assosa University.

### **3.2 Target population, sample size and sampling technique**

The target population of the study was 358 instructors currently working at Assosa University. To determine the sample size the researcher used Yamane (1967) formula.

$$n = \frac{N}{1 + Ne^2} = \frac{358}{1 + 358 (0.5)^2} = 39$$

Where: n is the sample size, N is the population and e is margin of error of the study set at  $\pm 5\%$ .

A sample of 189 instructors was selected from the target population using simple random sampling technique.

### **3.3 Data Collection Method**

The study was conducted from January to March, 2018. Primary data was collected directly from the selected respondents. The type of instrument used to collect data was questionnaire. The questionnaire contained close-ended and open-ended questions. The questionnaires were distributed in person to respondents. Respondents were asked to rate their opinion on a five-point Likert-type response scale, varying from strongly disagree (value = 1) to strongly agree (value = 5). Besides, respondents were also asked the main problems that cause their dissatisfaction with extrinsic rewards.

### **3.4 Data Analysis Methods**

Descriptive and inferential statistics were used to analyze the data. The data was screened and treated for errors and missing values. The data collected through questionnaire was analyzed using Statistical Package for Social Sciences (SPSS) Version 20. Pearson-product moment correlations and regression analysis were performed to find the relationship and impact of extrinsic rewards.

### **3.5 Reliability Analysis**

Cronbach's alpha was developed by Cronbach (1951) to provide a measure of the internal consistency of a test or scale; it is expressed as a number between 0 and 1, the acceptable values of alpha, is greater than or equals to

0.70. As illustrated in table 3.1, the Cronbach's alpha coefficients of extrinsic rewards and instructors' satisfaction are greater than 0.70 which means the instrument for this research is reliable.

Table 3.1 Reliability coefficients of Variables

No.	Variables	No. of Items	Cronbach's Alpha coefficient
1	Extrinsic Rewards	8	0.783
2	Instructors' satisfaction	12	0.798

Source: Own survey data 2018

#### 4. Analysis and Discussion

This section presents analysis and results of the study. The data gathered through questionnaire was classified, tabulated and summarized using percentages and frequency distribution tables. The discussion begins with the response rate followed by the descriptive statistics of demographic characteristics of respondents. The results of the correlation analysis and regression analysis were also presented. The data was collected and then analyzed in response to the objectives of the study. A total of 189 questionnaires were distributed and 149 usable questionnaires were returned from respondents. This represents a response rate of 79%.

##### 4.1 Demographic Characteristics of Respondents

Table 4.1 Respondents' Demographic Characteristics of

Item	Category	Frequency	Percent	Cumulative Percent
<b>Gender</b>	Male	121	81.2	81.2
	Female	28	18.8	100.0
	Total	149	100.0	
<b>Age</b>	20 – 35	133	89.3	89.3
	35 – 50	16	10.7	100.0
	>50	0	0	100.0
	Total	149	100	
<b>Educational level</b>	First degree	34	22.8	22.8
	Second degree	113	75.8	98.6
	PhD	1	0.7	99.3
	Above PhD	1	0.7	100.0
	Total	149	100.0	
<b>Working Experience</b>	1-3 years	62	41.6	41.6
	3-6 years	59	39.6	81.2
	>6 years	28	18.8	100.0
	Total	149	100.0	
	Total	81	100.0	

Source: Own survey data 2018

As illustrated in table 4.1, about 81.2% of respondents were male while the remaining 18.8% were female. This implies that majority of respondents were male. The results presented in Table 4.1 also show that the vast majority (89.3%) of the respondents were between the age group of 20-35 years, while the remaining 10.7% of were between the age group of 36-50 years. This indicates that the majority of instructors at Assosa University are in their most productive age group. Such employees are likely to perform better on their jobs. The respondents were also asked to indicate their highest level of education which they attained. Accordingly, the largest number (75.8%) of sample respondents were second degree holders, followed by first degree holders (22.2%) and the lowest number of respondents were PhD and above PhD holders both takes the same 0.7% of sample respondents.

Concerning respondents' experience, 41.2% of the respondents and 39.6% of them worked 1-3 years and 3-6 years, respectively. The remaining 18.8% of respondents worked for above 6 years at Assosa University. This indicates that 81.2% of the respondents have worked at this university for less than 6 years.

##### 4.2 Levels of Instructors' Satisfaction

As displayed in table 4.2, the mean satisfaction of instructors which is 2.97 with standard deviation of 1.1026 based on a scale ranging from 1 (strongly dissatisfied) to 5 (strongly satisfied). The mean of instructors' satisfaction level is not satisfactory which indicates that majority of the respondents were dissatisfied with the extrinsic rewards being provided to them for the work they accomplished. It is strongly suggested that more should be done in the practice of extrinsic rewards by Assosa University.

Table 4.2 Mean and standard deviation of Instructors' satisfaction level

Dependent variable	N	Minimum	Maximum	Mean	Std. Deviation
Instructors' Satisfaction Level	149	1.00	5.00	2.97	1.1026

Source: Own survey data 2018

The respondents were asked to state the main problems related to the reward practice in Assosa University. They responded that the problems related to reward practice are unclear criteria, selecting instructors for reward based on routine activities without considering professional value adding contributions to the university and community, and provision of unattractive extrinsic (financial) reward that was about \$74 annually for best performers. Such kind of reward practice may have negative effect on the creativity and innovation effort of the university.

#### 4.3 Correlation Analysis Finding

Correlation analysis was employed to show the relationship between extrinsic reward and instructors' satisfaction of Assosa University. According to the analysis, there is a positive relationship between extrinsic rewards and instructors' satisfaction with ( $r = .643$ ), significant at 0.01, 2-tailed. This means an improvement in extrinsic reward will result in an increase in satisfaction of instructors of Assosa University. This result is in agreement with Abdifatah et.al (2015).

#### 4.5 Regression Analysis Findings

As illustrated in table 4.3 the coefficient of regression for extrinsic reward is 0.799,  $P < 0.01$ . This means extrinsic reward has a significant contribution for satisfaction of instructors at Assosa University. The other 21.1% of the variance in instructors' satisfaction was explained by factors that are not in the study. This result is supported by Noreen and Faiza (2015) and (Rafiq et. al, 2012).

Table 4.3 Regression Coefficient

Variable	Unstandardized Coefficient	Standardized coefficient	t-value	P- value
Extrinsic rewards	0.799	0.763	14.293	0.000

Dependent Variable: Instructors' Satisfaction

Source: Own survey data 2018

### 5. Conclusion and Recommendation

#### 5.1 Conclusion

Effective extrinsic rewards are crucial for employees' satisfaction in order to increase their contribution to the success of an organization. The study indicated that extrinsic rewards have a strong positive relationship with satisfaction of instructors with  $r = .643$ , significant at 0.01. It is also found that the majority of instructors were not well satisfied with the extrinsic rewards provided by Assosa University. The study identified unclear criteria of extrinsic reward, rewarding of non-value adding contributions and unattractive amount of reward as the main problems related to extrinsic rewards of Assosa University. Finally, the study concluded that extrinsic rewards have a significant effect on instructors' satisfaction of Assosa University.

#### 5.2 Recommendation

Competent, committed and satisfied instructors are vital for any university since it is responsible for producing competent graduates, conducting problem solving researches and providing community services. Instructors are essential to achieve such main missions of universities. Hence, the researcher recommended that Assosa University should have clearly stated policy and criteria for rewarding that enable it to select the best performers of the university in a convincing manner. The provision of extrinsic rewards in the university should only be based on exemplary performances and value adding contributions to the university's success. It is also recommended that Assosa University should value and recognize its instructors' value adding contributions through the provision of attractive extrinsic rewards that highly satisfy them. Future study should be carried out in other universities of Ethiopia.

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