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The Role of Reward and Benefit Management to wards Employee Satisfaction Practices: The case of Commercial Bank of Ethiopia

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Acronyms and Abbreviations

CBE	Commercial bank of Ethiopia
CSM	Customer service manager
HRM	Human resources management
HR	Human resource
BPR	Business process reengineering

Abstract

The study focus on the role of reward and benefit management practices to wards employee satisfaction the case of Commercial Bank of Ethiopia at selected branches in Addis Ababa. To meet the objectives, the researcher adopted descriptive research design by using qualitative data approaches. The primary data were collected through questionnaire from a sample of 100 clerical employees and through interview from the top management of the bank. The data had been analyzed by using descriptive statistics such as frequency, tables and charts. From the research it is observed that employees perception toward current benefit and reward are subjective, Employees are not participating in benefit and reward decision and finally the researcher has found out that Commercial Bank of Ethiopia has a routine of rewarding and motivating its employees to let them work to its best interest, the rewarding systems are not based on performance. They are instead bonus and salary increments which are given to all employees once annually. The performances of the employees are not considered in these processes. It is just based on the salary scale, which is not advisable according to the theoretical frameworks this researcher used. This is also something that the respondents witnessed. The conclusion is, therefore, the reward system does not motivate its employees to be competitive and work to the best interest of the company given that the reward systems does not take competitiveness and performance in to account.

Keywords: reward, compensation, Commercial Bank, selected branch

Table of Contents

List of tables

List figures

List of histograms

Chapter One

Introduction

1.1. Background of the Study

Reward is the remuneration received by an employee in return to his/her contribution to the organization. It is considered to be the most important task in any human resource management process. It occurs periodically, demand accuracy and must not be delayed. It is also concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization. It requires integrating human resource information with business process and strategies to achieve the organizational goals and objectives. Fair and reasonable reward will always help the organization to retain the employees to get desired goals and objectives. This practice helps in maintaining good industrial relations by providing monetary and non-monetary benefits to all the employees. A fair reward system always helps the organization in enhancing the satisfaction, productivity, performance, attendance and retention of employees. Reward is output and the benefit that employee receive in the form of pay, wages and also same rewards like monetary exchange for the employee's to increases the Performance (Holt,1993). Reward is the segment of transition between the employee and the owner that the outcomes employee contract. As the prospective of employee pay is the necessary of life. The payment receives from work done on the behalf of people getting the employment. From the employee prospective one of the most important part of cash flow. Reward is mostly equal to half of cash flow of the companies. But in the service sector it is more than half. It is the major to attract the employee and motivate employee to increases the performance (Ivanceich and Glueck, 1989).

No organization in today's' competitive world can perform at peak levels unless each employee is committed to the organizations' objectives and works as an effective team member. The work place is changing dramatically and demands for highest quality of products are increasing. Appointment of good workers is critical but of greater significance is the organizations ability to create a committed workforce. According to Hancock et al, (2013) commitment is the main predictor of turnover and performance; hence organizations that are concerned about employees and want to keep high performing employees should consider increasing commitment. The literature suggests that positive work related behavior and attitudes largely depends on employee perceptions on extend their employer values their contribution and cares about their wellbeing (Allen et al, 2003). To remain competitive in the face of these pressures employee commitment is crucial. Without employee commitment there can be no improvement in any business area. To succeed in the face of increasing competition organizations need improved productivity at all levels. This requires commitment on the part of all employees which can only be achieved through better management practices in the area of managing rewards and benefit, by creating a perception of fairness through competitive wages and benefits (Coetzee, 2005).

Commercial bank of Ethiopia was established in 1963. It was the first bank to introduce modern banking to the country. The bank has more than 1160 branches in the country. It was also the leading African bank with assets of 384.6 billon birr as on June 30th 2016. Commercial bank of Ethiopia was the first bank to introduce ATM and western union money transfer to the country. The bank has more than 13.3 million account holders and 1,352,000 mobile and internet users. Active ATM users reached more than 3 million (61% active users). The bank has more than 29,000 talented employees and CBE has reliable and long-standing relationships with many internationally acclaimed banks throughout the world (CBE).

It is argument that mostly individuals that getting higher education they are not satisfied their jobs and their turnover is more than so that organizations are overcome to that problem design the compensation plain to retain the employees as well plays more to attract, retain and motivate to give man power. Different banks objectives make their benefits and compensation packages to attract as possible (HRM Process BPR term report June, 2009) mostly employees believe their abilities that knows that if they perform well pay can be increasing. In other words you can say that compensation and rewards affects the employee decision making to stay their organizations and also accepted the responsibility (Bratian & Gold 1995).

1.2. Statement of the problem

The environment of banking sector have been experiencing rapid changes reflected by the intense growth of competition between banks and increased expectation of current and potential customers**.** Human resources are very important elements in achieving organizational goals and objectives. Therefore, proper utilization of human resources needs to be the focus of any organization. To achieve this, HR plans, polices, and procedures should be developed and implemented based on organizational culture and contexts. It is also required to have a continuous assessment and evaluation of actions so that corrective actions are made as per the approved plan.

The bank has been implementing different change initiatives in the various aspects of HRM functions. If we take reward and benefit evaluation as an example, its arrangements are available in the corporation. But it has not been implemented properly.

Concerning reward and benefit, the following programs are not implemented in the bank

- There is no payment by results in the bank, but every employee has been entitled to get salary increment and bonus without his/her performance or results.
- There is no tangible system to implement non-monetary benefits.

Commercial bank of Ethiopia is suffering with high labor turnover and has high flow of employees from one bank to another bank to facilitate their life style by comparing their bank pay scale and benefit package with other banks. Employees are also finding the most preferred or perceived reward and benefit management system this may affect the productivity of the organization From the earlier searches it is observed that compensation management is mainly to improve the behavior, productivity, performance and effectiveness. It is also useful to retain, motivate, satisfy and improves the attendance of the employees. It focuses mainly on the core function of human resource management such as recruitment, performance, satisfaction and relationship. It should be focused on the employee agenda like what for the employee is working and their desires. Some focused on differential rewards, fringe benefits and non-financial rewards. Some observed in balancing the cost of compensation. But I like to focus on the internal desires and satisfaction of the employees and how these will be fulfilled. So, the researcher initiated to evaluate the employees roll towards the current Reward and benefit management practices policy in some selected commercial banks in Addis Ababa town.

1.3. Research Questions

The research try to answer the following basic questions:

1. What looks like employees perception toward the current compensation and benefit of the bank?

2. Which types of reward and benefit packages are effective?

3. To what extent the qualification and experience of employees have an effect on reward and benefit?

4. on what way employee participation on reward and compensation practice in CBE?

1.4. Objectives of the Study

1.4.1. General Objective

General objective of this study of the current system of reward and benefit evaluation in commercial bank of Ethiopia (CBE). Branches and to what extent it is appropriate to measure satisfaction of employees.

1.4.2. Specific Objectives

- To examine the perception of employees on current reward system and benefit policy.
- To identify the most favored type of benefit policy available with the organization.
- To observe the difference between qualification and experience in determining reward and benefit policy.
- To show the role of employees in reward and benefit decisions and degree of communications about benefit practices.

1.5. Significance of the Study

The study has given insight about the impacts of assessment of reward and benefit management in Commercial Banks of Ethiopia employees. It would also help the stakeholders to understand the impact of reward and benefit management. Besides, the findings of the study were important for reward and compensation management in commercial bank of Ethiopia better to motivating employees. This study is benefited the human resource management of Commercial Banks of Ethiopia to improve the employees de-motivating factors at work. Finally, this study is served as a ground work for further studies to be carried out in this line.

1.6. Organization of the study

This thesis is organized into five chapters. The first chapter is an introduction which consist background of the study, problem statements, research question, objectives, significance of the study, methodology of the study. The second chapter addresses review of related literatures which consists theoretical backgrounds, review of previous empirical studies and conceptual frameworks. The third chapter consists of the description of the data applied in the study. Chapter four focused on the result and discussion of the study. Finally, chapter five focused on conclusions and policy recommendations of the study

Chapter Two

Review of Related Literature

2.1. Reward Systems Advocated During the Scientific Management Era

The scientific management era is ripe with offerings of management principles and philosophies that are still prevalent today. Frederick (1963) even credits this era with providing a first approximation of the meaning of management. This meaning was characterized by a search for efficiency and systematization. In particular, the use of reward systems played an integral part in the successful implementation of the philosophy of scientific management. Drury (1915) notes that when the American Society of Mechanical Engineers (ASME) first promoted the art of management they were not interested equally in all of management's different aspects. The problem which they considered almost exclusively was termed the "wage problem" (Drury, 1915: 32). Further, Taylor's paper titled, "A Piece-Rate System: A Step Toward Partial Solution of the Labor Problem," presented to the ASME in 1895, was the first formal presentation of a system of management which he had devised and which was later called "scientific management" (Merkle, 1980). Despite this seemingly important role that reward systems played during the scientific management era, few writers have stressed their importance specifically. Instead, articles abound of those criticizing and defending Taylor's philosophies (Fry, 1976; Locke, 1982; Wrege&Perroni, 1974), as well as narratives about Taylor's life (Feiss, 1924; Copely, 1969). Other writers have focused on Taylor's and his disciples' implementation of scientific management (Nadworny, 1957; Nelson & Campbell, 1972; Petersen, 1986; Petersen, 1989), while others have described the advent of scientific management in international contexts (Daito, 1972; Rowlinson, 1988; Sasaki, 1992; Sheldon, 1925; Wren, 1980). An exception to this literature described is an analysis by Peach and Wren (1992) who trace "the evolution of pay for performance from antiquity through the 1950s, viewing it from the perspective of four overlapping eras" (p. 6). Although one of the time periods included in their article is the scientific management era, only a brief overview of the reward systems prevalent during that time is described. Thus, in order to gain a deeper understanding of the reward systems prevalent during the scientific management era five key contributors will be presented: (1) Frederick W. Taylor (2) Harrington Emerson, These two contributors were well known during this era, and actually, as Nadworny (1957) explains, “The label ‘scientific management’ is the one with which we are most familiar today, but in 1915, and earlier, management programs were most likely to be identified with the names of the management engineers themselves, e.g., ‘Taylor system,’ ‘Gantt system,’ ‘Emerson system,’ and so forth” (p. 23). By viewing these writers individually and collectively, a more thorough and careful analysis of reward systems can be presented. Although much information about reward systems can be found in these writers’ works, the largest and most relevant material can be found in the writings of FrederickW.Taylor.

2.1.1. Frederick W. Taylor

During Taylor’s testimony before the Special House Committee concerning various aspects of his scientific management philosophy, he defined what scientific management is *not* by stating, among other characteristics, that “it is not a new scheme of paying men; it is not a piecework system; it is not a bonus system; it is not a premium system; it is no scheme for paying men” (Taylor, 1947: 26). Additionally, he noted that “under scientific management, the particular pay system which is adopted is merely one of the subordinate elements” (1911: 34). However, he also contended that the task and the bonus constituted “two of the most important elements of the mechanisms of scientific management” (1911:122). The latter of these three statements seems to be the most representative of Taylor’s true thoughts concerning reward systems. A significant portion of his book *Shop Management* is actually devoted to the subject of wage incentive plans. In particular, he discussed the need for these plans to offer high wages to the worker and low labor costs to the employer, and to promote individual pay for performance. He proposed his own payment system, the differential piece –rate plan, as the best choice for attaining the “one best way.”

A. High Wages/Low Labor Cost

One of Taylor’s main goals in advocating the philosophy of scientific management was to ensure a mutuality of interests between employee and employer. He believed that one of the keys to forging this relationship was to understand the basic premise of how to motivate these individuals. This premise relates to Taylor’s belief that what “the workmen want from their employers beyond anything else is high wages, and what employers want from their workers most of all is a low labor cost of manufacture” (1903: 22). Indeed, Taylor did hold strong views that workers would not increase their productivity "unless assured a good liberal increase, which must be permanent" (1903: 26). However, this belief of man as a total economic being motivated by money alone has prompted much criticism (Fry, 1976). Nelson and Campbell (1972) provide an explanation for Taylor's concept of money and motivation by noting that "Taylor was first of all an engineer, and his technical outlook apparently accounted for his simplistic view of human nature, particularly his beliefs that workmen desired only higher wages and that other benefits were demeaning and unmanly" (p. 4). Nevertheless, Taylor's book, *Shop Management*, was "written with the object of advocating high wages and low labor costs as the foundation of the best management" (1903: 22).

B. Individual Pay for Performance

Another common theme throughout the writings of the scientific management era centered on individual pay for performance. Merkle (1980) asserts that Taylor's differential piece-rate system was:

The first plan to stress individualism, to discard utopian ideas such as profit-sharing, to appeal to individual desire for higher wages in a way expressly designed to break up "groups, combinations, and classification" of workers leading to "soldiering" and trade unionism, and to do this by a process which was "scientifically" based on records of labor productivity, thus eliminating the "guesswork" in rate-setting on the part of management (p. 7).a

Taylor's main reason for promoting individual, as opposed to group or cooperative, rewards was his belief that "personal ambition always has been and will remain a more powerful incentive to exertion that a desire for the general welfare" (1903: 95; 1911: 37). This individual ambition was just one of Taylor's reasons for criticizing cooperative systems. He also blamed their ineffectiveness on the remoteness of the rewards, the lack of worker control in attaining the reward, and the increase in soldiering, or slacking off, such systems tended to promote. In terms of the remoteness of the reward, Taylor believed wages could only be effective in motivating workers to excel if they came soon after the work was completed. He noted that "the average workman cannot look forward to a profit which is six months or a year away" (1903: 37). In terms of worker control, Taylor understood that in many cases, it was "neither right nor just that they should share either the profits or the losses, since those may be due to in great part to causes entirely beyond their influence or control, and to which they do not contribute" (1911: 95). But Taylor's harshest criticism about cooperative systems concerned with the few misplaced "drones" who did not produce but were free to share in the profits with the group. Additionally, Taylor felt that "gang work almost inevitably results in a falling off in earnings and consequent dissatisfaction" (1903: 53). The most prevalent cooperative payment system during the scientific management era, as well as during the systematic management movement that preceded and greatly influenced this era, was profit sharing (Litterer, 1963). While profit sharing and gain sharing are both based on group incentives, gain sharing is based on cost savings as opposed to profit increases (Milkovich et al., 2011). It was Henry Towne who, as president of the ASME in 1889, presented the first paper to the society under the title, "Gain-Sharing" (Drury, 1915). Towne's plan ensured workers a guaranteed wage rate, or "gain," plus an even split of the cost savings between the workers and management (Wren, 1987a). As with profit sharing, Taylor (1911) was also not impressed with gain sharing by contending that "while workmen are always ready to share the profits, they are neither able nor willing to share the losses" (p. 95). Nevertheless, Towne's gain sharing system prompted other new payment schemes to emerge, most notably, Frederick Halsey's premium plan. It was in 1891 that Halsey presented his paper titled, "The Premium Plan of Paying for Labor" before the ASME. With the Halsey plan, workers received a guaranteed day rate, plus a premium rate based on time saved which was derived from past production records (Drury, 1915; Wren, 1987a). Taylor referred to the Towne and Halsey plans as one, calling it the Towne-Halsey Plan, noting that Mr. Halsey had simply improved upon the plan originated by Mr. Towne (Taylor, 1903). The common element in both plans was the sharing of gains between management and workers (Peach & Wren, 1992). While Taylor approved of the Towne-Halsey plan's use of a standard time to calculate incentives, he felt that the plan still did not promote the true meaning of the scientific management philosophy (Taylor, 1903, 1911). Taylor, therefore, devised his own plan called the differential piece-rate system.

C. Differential Piece-Rate System

As Taylor's remedy to the Towne-Halsey plan and other cooperative reward systems, he proposed a differential piece-rate system. This system greatly rewarded workers who attained the standard, while giving a much lower pay to those who did not meet the standard (Wren, 1987a). The high rate was set so that the average employee who met the standard could earn 125 percent of the standard base pay; the low rate was set at 90 percent of the base (Peach & Wren, 1992). Taylor (1903) noted that the one feature that his plan had in common with the Towne-Halsey plan was that if compensated fairly, employees would be motivated to work harder and to be more productive. However, the two plans had several major differences. One difference centered on who controlled how the work was accomplished. Taylor's plan emphasized the need for management to have this control, while the Towne-Halsey plan encouraged the workers to devise their own means to determine their tasks and speed. Another major difference between the two plans was in how the standard was determined. The Towne-Halsey plan used an historical base while Taylor's plan emphasized a scientific study of unit times. The use of time study also distinguished Taylor's differential piece-rate system with straight piece-rate systems as well as with day-rate systems. According to Taylor, straight piece-rate systems encouraged systematic soldiering because employers arbitrarily cut rates that, in turn, caused workers to reduce their output. Taylor also believed that a uniform standard rate of pay per day encouraged workers to "take it easy" and, thus, "under this plan the better man gradually but surely slow down their gait to that of the poorest and least efficient" (1903: 31). Despite flaws with these payment plans, Taylor saw a need to use a contingency approach to reward systems. He explained that "each of these systems has its own special conditions under which it is to be preferred to either of the other" (1903: 71). In particular, he praised the use of Henry L. Gantt's task work with a bonus system.

2.1.2. Harrington Emerson

In Harrington Emerson's book, *The Twelve Principles of Efficiency*, he placed the efficiency reward last. This placement may have been due, in part, to his firm belief that "no other subject is as disturbing as wages or requires so much of the 'fair deal'" (Emerson, 1917: 188). Although he approved of Taylor's differential piece-rate system and Gantt's task work with a bonus system and their emphasis on establishing a standard time for each task, Emerson felt the worker needed more flexibility in being able to receive a bonus. Thus, he "found it undesirable to make the line of demarcation so sharp between efficiency and inefficiency" (1917: 360). Based on this need for flexibility, Emerson established a bonus system which grouped efficiency ranges and equated a percent bonus for each range. Accordingly, a worker would receive a bonus for simply reaching the 100 percent efficiency level and an additional bonus above this level based on actual time saved (Peach & Wren, 1992; Wren 1987a). In addition to Emerson's contribution of devising a unique incentive plan, he also advocated market pricing and non-monetary rewards, as well as the importance of basing wages on both quantity and quality. Emerson agreed with the concept of market pricing which involves setting pay structures based on rates paid in the external market (Milkovich et al., 2011). He asserted that “the worker cannot be expected to work for an employer for less pay than is paid under similar conditions for the same class of work by another employer,” and “the wage payer cannot be asked to pay higher wages than the current rate” (1917: 188). In terms of non-monetary rewards, Emerson noted that his efficiency reward was not simply a money payment. Further, he explained that “men have been willing to die for a smile” (1917: 365). The importance of basing wages on both quantity and quality stemmed from his philosophy of his efficiency reward that required accurate measurement of work based on these two elements. In addition to Harrington Emerson’s original contributions, Frank and Lillian Gilbreth also contributed several unique and relevant ideas concerning reward systems that are still valid today.

2.1.3. Reward Systems in Existence Today

In several recent articles focusing on strategic compensation management, common themes emerge, including establishing pay structures to attract and retain top performers, establishing pay equity, and developing clearly articulated pay for performance systems (Downes& Choi, 2014; Gupta & Shaw, 2014; Larkin et al., 2012). These same themes were also espoused by Taylor, Gantt, Emerson, and the Gilbreths a century ago. What is new today are mainly the names given to these reward systems, such as skill/knowledge-based pay, merit-based pay/pay for performance, and variable-based pay. In reality, are these plans actually new or recent, or are their underlying premises different than those advocated and implemented during the scientific management era? A closer look at each will help us realize that the founding premise of reward systems, which focuses on motivating employees to improve and be more productive.

A. Skill/Knowledge-Based Pay

Skill/knowledge-based pay, and its close derivatives called competency-based pay and values-based pay, is an individual incentive system that rewards employees for skills, knowledge, and competencies, as opposed to the positions they hold (Moriarty, 2014; Snell &Bohlander, 2013). A key benefit of this pay scheme is that it encourages continuous learning and allows employees to increase their pay, even when promotions are not available. Contributors during the scientific management era also advocated individual incentives and the need to encourage workers to become "first-class men" in order to perform tasks in the most efficient way (Taylor, 1911; Gilbreth, 1914). In particular, Taylor denounced systems that paid workers "according to the position they fill, and not according to their individual character, energy, skill, and reliability" (Drury, 1915: 33). Further, the notion behind values-based pay is that employees with better skills and knowledge are able to the do the same quality work in less time, and therefore, should be paid accordingly (Milkovich et al., 2011; Solano, 1992). This efficiency view of pay was clearly evident in the writings of Emerson and Gantt whose reward systems paid bonuses based on the amount of time saved.

B. Merit-Based Pay/Pay for Performance

Merit-based pay systems that reward employees for their individual and oftentimes, group performance, have their roots in equity theory. A central tenet of equity theory asserts that employees' perceived contributions should be rewarded equitably in comparison to other employees' contributions. Thus, if employees perceive that they are not being rewarded fairly, they may reduce their output and lower their commitment to the organization (Adams, 1965). Organizations must then balance the need to reward top performers without alienating the remaining workforce (Downes & Choi, 2014; Miller, 2014a). Taylor and most of his scientific management colleagues were not specifically concerned about the psychological impact of paying top performers above and beyond those of the average employee. Larkin et al. (2014) advocate that pay based on individual performance encourages employers to work harder and if work can be easily counted, then individual merit is more likely to be successful than using a flat or hourly-based pay. And while profit sharing and gain sharing plans are still popular today, these types of plans were often criticized during the scientific management era. Indeed, Taylor (1903) argued that these plans encouraged mediocrity because of "drones" who did not produce, but shared in the profits or gains regardless of their input. In today's terminology, "drones" are called "free-riders" and there is still concern that these workers have a negative influence on limiting the productivity

C. Variable-Based Pay

Variable-based pay, which includes the use of bonuses, stipends, and other forms of incentivized rewards, offer organizations more flexibility in implementing their compensation strategies in comparison to fixed-based pay programs (Milkovich et al., 2011). In particular, during volatile economic times, the use of variable pay allows a company to reward individuals and teams based on current profits and productivity, without the promise or expectation that such rewards will be offered continuously. According to Snell and Bohlander (2013), more than 80 percent of global companies utilize variable-based pay in some form. In the United States, where individualized pay is highly promoted, 91 percent of companies offer a variable pay plan (Miller, 2014b). Thus, Taylor and Gantt, who both strongly recommended employee bonuses, would likely not be surprised to see that the use of variable pay as an employee motivator is a popular and common compensation strategy today.

2.1.4. Lessons Learned from the Scientific Management Era

A comparison of reward systems popular today with those of the scientific management era reveals that strategies recommended a century ago still have reverence and meaning today. Wren (1987b) offers a number of reasons why it is important to study the history of management, one of which is history's ability to "provide a framework for building and integrating knowledge" (p. 342). This paper provides such a framework in relation to reward systems. By reviewing the ideas from key contributors of the scientific management era, we know have a clearer understanding of reward systems in use today. In turn, a number of lessons from this historical period are offered. These seven lessons are certainly not all inclusive, but do integrate the major premises related to reward systems prevalent at that time, which are still prevalent and viable.

A. Lesson One: Reward systems should link individual pay with performance.

The individual employee is an important and critical contributor to an organization's effectiveness. The use of individual, as opposed to group or cooperative incentives, is likely the most fair and equitable way to compensate employees. Additionally, individual incentives focus on the person and not strictly the position held.

B. Lesson Two: Reward systems should reflect the situation at hand.

A contingency-based reward system will ensure that the right pay mechanisms are used for the particular work being performed. For example, if an employee's job is to greet customers, this employee should be paid by the hour or day, not by the number of customers greeted.

C. Lesson Three: Reward systems should promote increased productivity and efficiency without sacrificing quality.

Increased output, coupled with high quality, will help an organization remain competitive. In theory, this will then provide employees with high wages and employers with lower labor costs.

D. Lesson Four: Reward systems do impact labor-management relations.

Management has a right to demand a high level of performance from their employees, but only if they offer fair and equitable wages in return. Moreover, management must ensure that the workforce has the proper skills, training, and resources for the work to be done in the most efficient and effective way possible.

E. Lesson Five: Reward systems should be accepted and understood by employees.

In order to reduce free-riding, the reward system must be fully explained and understood by the employees. A clear communication plan will help to ensure that the employees will accept the system so that they will produce at their highest levels without fear of reprisal.

F. Lesson Six: Reward systems should be timely.

The timing of the reward helps link pay with performance. This, in turn, helps motivate employees to continue to improve. In particular, bonuses should be paid as soon as possible after the work has been completed.

G. Lesson Seven: Reward systems should be designed with the notion that money is a motivator.

Although there is still controversy over the ability of money to motivate, the saying that "people work to live" rather than "people live to work" makes intuitive sense. How powerfully money can motivate is still questionable, but it is necessary to consider the impact money has when contemplating any reward system. These seven lessons are not only evident in the writings of Taylor, Gantt, Emerson, and the Gilbreths, but also in the current compensation management literature as well. And though we tend to think of today's circumstances as being unique, there are often patterns that appear from one time period to the next. "Mark Twain once said that history doesn't repeat itself but sometimes it rhymes" (Kantrow, 1986: 83). Reward systems of the scientific management era certainly "rhyme" with those of today. And now that we have a better understanding of the past we will have better insight into shaping the present, as well as the future

2.2. What is Compensation Management?

Human resources are the most vital resources for every organization. Pay has a significant impact on employee behavior, performance and effectiveness in organizations. (Edwards and Gilman, 1999 as cited by Fitsum Ghebregiorgis and Karsten, 2006). According to Bowman (2006) compensation management can be defined as all the employers' available tools that may be used to attract, retain, motivates and satisfy employees. This encompasses every single investment that an organization makes in its people and everything its employees value in the employment relationship. It is also useful in recruitment, job performance and job satisfaction. The notion of compensation management just says that there is more' to rewarding the people than throwing money at them. Understanding the construct of compensation systems, its impact upon the organization's structure, strategies, and employees has been an important area. Popoola and Ayeni (2007) to use compensation as a motivator effectively, personnel managers must consider four major components of a pay structures in an organization these are

(a) Job rate, which is the importance the organization attaches to each job;

(b) Payment, which encourages employees by rewarding them according to their performance;

(c) Personal or special allowances and

(d) Fringe benefits such as holidays with pay, pensions, and so on.

Akintoye (2000) the success in attaining goals in human resource planning related to attracting and recruiting human capital is directly linked to compensation offered. Also, the ability to motivate workers and retain desired employees is largely influenced by compensation offered Dulebohn and Werling (2007). Mulis and Watson in Armstrong (2008) put it "the monetary value in the compensation package is still matterbut they are not only the factor". They also stress that compensation policies are based on “building a much deeper understanding of the employee agenda across all elements of reward". In the words of Brown as quoted by Armstrong (2008) compensation and reward process are flow of events that determine the level, differentials of financial rewards, fringe benefits and non-financial rewards received by each member of the organization. In recent years, the inclusion of non-financial measures has gained more popularity in compensation management systems. Some scholars demonstrate positive effects of incorporating non- financial measures into the compensation management system. Empirically (world at work, 2008). Thus Dalton McFarland asserted that "among the various devices for eliciting the loyalty, corporation and effort of individuals are the various forms of economics reward both financial and non-financial". Compensation includes direct cash payments, indirect payments in the form of employee benefits & incentives to motivate employees to strive for higher level of productivity are critical component of employment relationship. Compensation is affected by many factors like labor market factors, collective bargaining, government legislation & top management philosophy regarding pay benefits (world at work, 2008) The compensation management process was summed up by work force (2008)as follows: Creating a fun, challenging empowering work environment in which individual are able to use their abilities to do meaningful jobs for which they are shown appreciation is likely to be a more certain way to enhance motivation and performance even though creating such an environment may be more difficult and take more time than merely turning the reward lever. According to Brown in Armstrong (2008), Compensation strategy defines what the organization intends to do in the longer term to develop and implement reward policies and process that will further the achievement of its business goals. It establishes priorities for developing reward plan that can be aligned to' business and human resources strategies. According to Brown in Armstrong (2008), compensation strategy is ultimately a way of thinking that you can apply to any reward Issue arising in your organization, to see how you can create value from it. To him, it is necessary to recognize that effective compensation strategies have three components: The compensation management is concerned with the financial aspects of needs, motivation and rewards. Managers, therefore, analyze and interpret the needs of their employees so that reward can be individually designed to satisfy these needs. For it has been rightly said that people do what they do to satisfy some need. Before they do anything, they look for a reward or pay-off. The reward may be money or promotion, but more likely it will be some pay-off-a smile, acceptance by a peer, receipt of information, a kind word of recognition etc. (world at work, 2008). Thus, Rao and Rao in workforce management (2008), asserted that the main objective of job evaluation are: To gather data and information relating to job description, job specification and employee specifications of various jobs in an organization, to compare the duties, responsibilities and demands of a job with that of other job, to determine the hierarchy and place of various jobs in an organization and to ensure fair and equitable wages on the basis of relative worth or value of jobs. According to Armstrong (2008), an organizational compensation management system includes anything an employee's value and desire that an employer is able and willing to offer in exchange for employee's contribution. More specifically such compensation includes financial and non-financial rewards. Compensation management is an integral part of human resource management that helps in motivating the employees and improving organizational effectiveness (Naukrihub 2009, 37). They are responsible for each decision taken, work done and for every results. The proficiency of employees plays a vital role in the context of diverse challenges faced by the modern organizations. It is an organized practice that involves balancing the work employee relation by providing monetary and nonmonetary benefits to employees. Bhattacharya (2009), says that balancing the cost of compensation and retaining employees has now become the most important priority for today's organization (pp.2). The most previous studies focus on the relationship between compensation and human resources outcomes like satisfaction, productivity, performance, attendance, and retention. According to Naukrihub (2009) compensation provided to an employees can be direct in the form for monetary benefits and or indirect in the form of non-monetary benefits known as perks, time off etc. compensation does not include only salary but it is the sum total of all rewards and allowances provided to the employees in return for their' services. If the compensation is effectively managed, it contributes to high organizational productivity. Bob (2011) described in his study that compensation processes are based on compensation philosophies and strategies. These contain arrangement in the shape of policies, strategies, guiding principles, structures and procedures. These are devised and managed to provide appropriate types, levels of pay, benefits and other forms of compensation. Faheem Ghazanfar (2011) Relationship between Satisfaction with Compensation and Work Motivation: There is no firm basis for the assumption that paying people more will encourage them to do better work or even, in the long run, more work. Bob (2011) Compensation processes are based on Compensation Philosophies and strategies and contain arrangement in the shape of Policies and strategies, guiding principles, structures and procedures which are devised and managed to provide and maintain appropriate types and levels of pay, benefits and other forms of compensation.

2.3. What is Reward Management?

Reward management deals with the strategies, policies and processes required to ensure that the contribution of people to the organization is recognized by both financial and non-financial means. It is about the design, implementation and maintenance of reward systems (reward processes, practices and procedures), which aim to meet the needs of both the organization and its stakeholders. The overall objective is to reward people fairly, equitably and consistently in accordance with their value to the organization in order to further the achievement of the organization's strategic goals (Armstrong &Stephens, 2005). Reward management is not just about pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility.

2.4 The Aims of Reward Management

According to Armstrong & Stephens (2005), said that the aims of reward management are to: reward people according to the value they create, align reward practices with business goals and with employee values and needs, reward the right things to convey the right message about what is important in terms of behaviors and outcomes, help to attract and retain the high-quality people the organization needs, motivate people and obtain their engagement and commitment and develop a high-performance culture. From my personal observation from the above aim of reward most of them are not applicable on the company. The aims of reward management are achieved by developing and implementing strategies, policies, processes and practices that are founded on a philosophy, operate in accordance with the principles of distributive and natural justice, function fairly, equitably, consistently and transparently, are aligned to the business strategy, fit the context and culture of the organization, are fit for purpose and help to develop a high-performance culture.

2.4.1. Reward Philosophy

Reward management is based on a well-articulated philosophy – a set of beliefs and guiding principles that are consistent with the values of the organization and help to enact them. The philosophy recognizes that, if human resource management (HRM) is about investing in human capital from which a reasonable return is required, then it is proper to reward people differentially according to their contribution (i.e. the return on investment they generate). The philosophy of reward management also recognizes that it must be strategic in the sense that it addresses longer-term issues relating to how people should be valued for what they do and what they achieve. Reward strategies and the processes that are required to implement them have to flow from the business strategy (Armstrong & Stephens, 2005). Reward management adopts a 'total reward' approach, which emphasizes the importance of considering all aspects of reward as a coherent whole that is linked to other HR initiatives designed to achieve the motivation, commitment, engagement and development of employees. This requires the integration of reward strategies with other HRM strategies, including talent management and human resource development. Reward management is an integral part of an HRM approach to managing people within the organization like commercial bank of Ethiopia.

2.4.2. Distributive Justice

As defined by Leventhal (1980), distributive justice refers to how rewards are provided to people. They will feel that they have been treated justly if they believe that the rewards have been distributed in accordance with the value of their contribution, that they receive what was promised to them and that they get what they need. Distributive justice perceptions are those related to the felt-fairness of locative decision-making outcomes (as opposed to decisional processes). Clearly, reward outcomes are especially pertinent to distributive felt-fairness and, in particular, to feelings of reward injustice and dissatisfaction. As we shall see, employee cognitions here are likely to be informed by both absolute and relative considerations. Theories developed to explain distributive justice perceptions tend to highlight both considerations. The 'norm of contribution' – also known as the 'equity norm' – proposes that rewards should be commensurate with the effort or contribution made. To this, however, must be added the norm of relative or comparative worth. This asserts that for an employee to regard her rewards as fair she must see them as being proportional to the rewards received by some comparison group or individual. Importantly, the comparator individual may be another person altogether or an imagined past or future self. The stronger the perception that the rewards allocated are unfair in either absolute or relative terms, the greater the potential for breach of the psychological contract (Shields, 2007).

2.4.3. Procedural Justice

Procedural justice refers to the ways in which managerial decisions are made and reward policies are put into practice. There is nothing to indicate that either assessors or assesses have received prior training in system content, nor that system purpose has been communicated to stakeholders in advance. As such, none have received adequate notice of assessment procedures. Given the system's evaluative intent, the application of a single ranking system to individuals performing in different job categories is unfair as well as in valid. Uniform ranking of this type also assumes reliable assessment across different assessors and job categories yet, as we have seen, this instrument is riddled with potential for inter-rater inconsistency and hence for unreliability and felt-unfairness. For those liable to be retrenched, the absence of adequate notice and opportunity to improve is a violation of due process (Shields, 2007). According Tyler and Bies (1998), the five factors that affect perceptions of procedural justice are:

1. The viewpoint of employees is given proper consideration.

2. Personal bias towards employees is suppressed.

3. The criteria for decisions are applied consistently to all employees.

4. Employees are provided with early feedback about the outcome of decisions.

5. Employees are provided with adequate explanations of why decisions have been made.

2.4.4. Fairness

A fair reward system is one that operates in accordance with the principles of distributive and procedural justice. It also conforms to the 'felt-fair' principle formulated by Eliot J. (1998). This states that pay systems will be fair if they are felt to be fair. The assumptions underpinning the theory are that: there is an unrecognized standard of fair payment for any level of work, unconscious knowledge of the standard is shared among the population at work, pay must match the level of work and the capacity of the individual to do it and People should not receive less pay than they deserve by comparison with their fellow workers. This felt-fair principle has passed into the common language of those involved in reward management. It is sometimes used as the final arbiter of how a job should be graded, possibly overriding the conclusions reached by an analytical job evaluation exercise (the so-called 'felt fair test'). Such tests are in danger of simply reproducing existing prejudices about relative job values.

2.4.5. Equity

Equity is a theory that attempts to explain relational satisfaction in terms of perceptions of fair/unfair distributions of resources within interpersonal relationships. Considered one of the justice theories, equity theory was first developed in 1963 by John Stacey Adams, a workplace and behavioral psychologist, who asserted that employees seek to maintain equity between the inputs that they bring to a job and the outcomes that they receive from it against the perceived inputs and outcomes of others (Adams, 1965). The belief is that people value fair treatment which causes them to be motivated to keep the fairness maintained within the relationships of their co-workers and the organization. The structure of equity in the workplace is based on the ratio of inputs to outcomes. Inputs are the contributions made by the employee for the organization. Equity is achieved when people are rewarded appropriately in relation to others within the organization. Equitable reward processes ensure that relativities between jobs are measured as objectively as possible and that equal pay is provided for work of equal value.

2.4.6. Consistency

A consistent approach to reward management means that decisions on pay do not vary arbitral without due cause between different people or at different times. They do not deviate irrational from what would generally be regarded as fair and equitable. The problem with rating scales is that it is difficult to ensure that a consistent approach adopted by managers to rating throughout an organization. There is plenty of room for subject and biased judgments and this creates difficulties when rating decisions are converted contingent pay decisions. Performance-related pay schemes have often failed because the peon affected do not trust their managers to be fair. According Armstrong .M and Stephens .T, (20 the approaches that can be adapted to achieving consistency are forced distribution, rank systems, training, calibration (peer reviews) and monitoring.

2.4.7. Transparency

Transparency, as used in science, engineering, business, the humanities and in a social context more generally, implies openness, communication, and accountability. Transparency is operating in such a way that it is easy for others to see what actions are performed. It has been defined simply as "the perceived quality of intentionally shared information from a sender". For example, a cashier making change after a point of sale transaction by offering a record of the items purchased (e.g., a receipt) as well as counting out the customer's change on the counter demonstrates transparency (encyclopedia). Transparency exists when people understand how reward processes function and how they are affected by them. The reasons for pay decisions are explained at the time they are made. Employees have a voice in the development of reward.

2.4.8. Strategic Alignment

The strategic alignment of reward practices ensures that reward initiatives are planned by reference to the requirements of the business strategy and are designed to support the achievement of business goals (Henderson and Venkatraman, 1999).14

2.4.9. Contextual and Culture Fit

The design of reward processes should be governed by the context (the characteristics of the organization, its business strategy and the type of employees) and the organization's culture (its values and behavioral norms). Account should be taken of good practice elsewhere, but this should not be regarded as best practice, i.e. universally applicable. Best fit is more important than best practice.

2.4.10. Fit for Purpose

The formulation of reward strategy and the design of the reward system should be based on an understanding of the objectives of reward management and should be developed to achieve the purpose.

2.4.11. Developing a High-Performance Culture

A high-performance culture is one in which people are aware of the need to perform well and behave accordingly in order to meet or exceed expectations. Employees will be engaged in their work and committed to the organization. Such a culture embraces a number of interrelated processes that together make an impact on the performance of the organization through its people in such areas as productivity, quality, levels of customer service, growth, profits and, ultimately in profit-making firms, the delivery of increased shareholder value. In our more heavily service and knowledge-based economy, employees have become the most important determinant of organizational success. According to Armstrong & Stephens, (2005) Lloyds TSB has produced the following definition of what they mean by a high-performance organization

- People know what's expected of them – they are clear about their goals and accountabilities.

- They have the skills and competencies to achieve their goals.
- High performance is recognized and rewarded accordingly.
- People feel that their job is worth doing, and that there's a strong fit between the job and their capabilities.
- Managers act as supportive leaders and coaches, providing regular feedback, performance reviews and development.
- A pool of talent ensures a continuous supply of high performers in key roles.
- There's a climate of trust and teamwork, aimed at delivering a distinctive service to the customer
- Haigh-performance culture can be developed by taking into account characteristics such as those listed above and applying an integrated set of processes, of which reward is an important part. Besides reward, the processes will include those concerned with resourcing and talent management (ensuring that the organization has the high performing people it needs), learning and development, performance management, the enhancement of the working environment (for example, work design and work/ life balance) and communication.

2.5. The Reward System

The approaches to achieving the aims of reward management as described above are incorporated in the reward system of an organization. This consists of: (Armstrong &Stephens, 2005, 8)

1, **Reward strategies**, which set out what the organization intends to do in the longer term to develop and implement reward policies, practices, processes and procedures that will further the achievement of its business goals. For example, an organization may have a strategy to maintain competitive rates of pay.

2, **Reward policies**, which set guidelines for decision making and action. For example, an organization may have a policy that sets the levels of pay in the organization compared with median market rates.

3, **Reward practices**, which consist of the grade and pay structures, techniques such as job evaluation, and schemes such as contingent pay used to implement reward strategy and policy. For example, the policy on pay levels will lead to the practice of collecting and analyzing market rate data, and making pay adjustments that reflect market rates of increase.

4, **Reward processes**, which consist of the ways in which policies are implemented and practices carried out, for example the way in which the outcomes of surveys are applied and how managers manage the pay adjustment and review process.

5, **Reward procedures**, which are operated in order to maintain the system and to ensure that it operates efficiently and flexibly and provides value for money. For example, a procedure will be used for conducting the annual pay review

2.5.1. Elements of a Reward System

The reward system is allocation of compensation and benefits to employees that follow the standards, rules and procedures established according to the second edition of Law Dictionary, (2002).

A, Business strategy

The starting point of the reward system is the business strategy of the organization. This identifies the business drivers and sets out the business goals. The drivers are unique to any organization but will often include items such as high performance, profitability, productivity, innovation, customer service, quality, price/cost leadership and the need to satisfy stakeholders – investors, shareholders, and employees and, in local authorities, elected representatives.

B, Reward strategy and policy

The reward strategy flows from an analysis of the business drivers. The question is: 'How can these are supported by reward in order to achieve the goals of the business?' The reward strategy will define longer-term intentions in such areas as pay structures, contingent pay, employee benefits, and steps to increase engagement and commitment and adopting a total reward approach.

C, Reward management and people

Reward management is concerned with people – especially the employees who are rewarded for their efforts, skills and contribution but also the directors, managers and reward specialists who plan, manage and administrate rewards.

2.5.2. Essentials of Reward Management

In conjunction with one another to ensure that the contribution people make to achieving organizational, departmental and team goals is recognized and rewarded. It consists of a related set of activities that impinge and impact on all aspects of the business and the HRM practices within it. As White, (2005) points out, in an integrated approach 'each individual element of reward supports the other to reinforce organizational objectives.'

As mentioned by Armstrong .M (2005, 2007, and 2010) integration takes three forms:

1, Strategic integration: the vertical integration of reward strategy with business strategy.

2, HRM integration: the horizontal integration of reward strategies with other HR strategies, especially those concerned with high performance, engagement, talent management and learning and development.

3, Reward integration: the internal integration of reward to ensure that its various aspects cohere and that a total reward philosophy is adopted that means a full range of mutually supporting financial and non-financial rewards is used.

The integrated approach adopted by Aegon UK is: (MICHAEL R. 2008, 15)

1, Reward: market driven, with overall performance dictating rate of progress of salaries within broad band's rather than existing grades.

2, Recruitment: competency based, with multi-assessment processes as the basic approach.

3, Performance management: not linked to pay, concentrated on personal development, objective setting and competency development.

4, Training and development: targeted on key competencies and emphasizing self-development.

2.6. Managing Employee Performance and Reward

With the firm's celebrated high-commitment work culture and its focus on a high-skill, high quality competitive strategy (Beer & Cannon, 2004). Yet it was not to be. There were unintended consequences aplenty; the company was badly burned and continued to lose market share. Most of the plans impaired employee satisfaction and morale while failing to show a positive return on investment. In some plants, the competition for cash set team against team in a destructive cycle of talent hoarding, while peer evaluation caused a breakdown in intra-team relationships. Even those initiatives that appeared to have enhanced performance proved far more costly than anticipated. All but a few of the new pay plans were abandoned within a few short years. At H-P's San Diego site, employees even organized a party to celebrate the demise of management's experiment with skill pay and team incentives (Beer & Cannon 2004: 6–9). So why did these seemingly laudable initiatives founder? Was it more a case of the wrong ideas full stop, the wrong ideas for the time and context, too much change too soon, naive optimism – faddism even – on the part of the management innovators, or just a case of good ideas badly applied? Some commentators (e.g. Kohn 1993a & b) argue that all incentive schemes that is, reward plans that seek to elicit greater work contribution by promising higher rewards for higher contribution – are doomed to failure because they are based on supposedly invalid assumptions about the true wellsprings of employee motivation and effort. In essence, their argument is that once incentives come into play, employees are all too easily distracted from their real work responsibilities by the pursuit of rewards themselves. Others like Beer and Cannon (2004), suggest that small-group financial incentive plans of the type applied at the H-P plants were incompatible with the company's once-prized high-commitment, high-trust culture, and that other means, such as expanded training and development programs, would have been a better choice for enhancing workforce capability and contribution. Still others contend that the problem lay not in the plans themselves but in the way they were conceived and applied. Heneman, Kochan and Locke (commentaries in Beer & Cannon 2004) note that most of the plans were badly designed, were poorly communicated to line employees, team leaders and supervisors, were conceived and applied with minimal employee consultation, involvement andtraining, and were subject to arbitrary changes to team performance standards. Locke (in Beer & Cannon, 2004) is particularly critical of the attempt to combine performance incentives and skill-based pay, which, he suggests, sent conflicting signals to Managing employee performance and reward. The descriptive approach, which is typical of much of the mainstream academic literature on human resource management, is evidence-based in nature and grounded in a 'positivist' epistemology. On this basis, human resource management is a phenomenon worthy of empirical inquiry – for its own sake. So, a researcher might wish to discover why and how a certain management 'problem' arises; or she may wish to establish why certain reward practices are more effective in certain types of organization than others, and perhaps to identify the main predictor variables and mediating variables of pay plan effectiveness. Descriptive research of this sort is one of the mainstays of academic journal publishing, and it also plays an important part in the generation of management theory and models and, to a lesser extent, in giving rise to new management practices. In general, and in contrast to the unitary typical of most purely prescriptive orientations, a descriptive approach is apt to acknowledge the legitimacy of a multi-stakeholder or 'pluralist' perspective on organizational life and, in particular, to see employees as having interests that are distinct from, yet overlapping with, those of the organization and its managers. As such, the descriptive view is also likely to be open-minded about the possibility of mutual gains arising from people management practices. Two exemplars of the descriptive positivist approach are University of London academic David Guest (1997, 1999, 2001, and 2002) and University of Wisconsin academic Barry Gerhart (Gerhart & Rynes 2003; Rynes & Gerhart 2000). While both Guest and Gerhart do express strong views about appropriate and inappropriate human resource practices, their prescriptions are grounded firmly in solid research evidence. A critical approach, by contrast, is one that eschews any supportive association with management purpose; rather it focuses, first, on analyzing and critiquing the intentions and impact of management actions on employees and their families and, second, on exploring how employees respond individually and collectively. The critical approach is also premised on the assumption that the relationship between employee and employer is inherently antagonistic and unequal. Beyond this, however, we encounter a significant complication, since there are actually two distinct variants of the critical approach. One, the critical structuralize (or critical–realist) approach, tends to focus on the role of 'material' factors in reproducing inequalities in the employment relationship, on the indeterminacy of the relationship itself, and on the ways in which employees accommodate themselves.

2.6.1. What is 'Performance'?

The trite response is that it depends on who you ask. A critical post-structuralize may say that performance is whatever the dominant management discourse says that it is. To a pluralist, the answer will depend on the stakeholder concerned: a shareholder is likely to equate it with share price improvement and annual dividend payments, a manager on a Profit share plan may nominate annual net profit, a production manager may suggest labor productivity, and a customer might suggest product quality or cost-attractiveness, while to a production line employee performance may Performance management purpose. In the past, it was not at all uncommon for performance management to be thought of as a once a-year event in which the supervisor passed summary judgment on the performance of each of her subordinates, filled out an appraisal form, informed each subordinate of the outcome, and then consigned the record of performance to the corporate archive. Uncharitable commentators sometimes describe this as the empty ritual of once-a-year 'tick-and flick' performance appraisal. Management thinker W. Edwards Deming, the pioneer of total quality management, even decried performance appraisals as one of modern management's most 'deadly diseases' (Deming, 1996). According to Deming, (1996) traditional appraisal 'nourishes short-term performance, annihilates long-term planning, builds fear, demolishes teamwork, and nourishes rivalry and politics'. Deming labeled performance appraisal a lottery, with individual ratings emanating largely from random factors outside individual control (cited in Carson, Cardy& Dobbins 1991). Other critics argue that, by focusing on short-term, individual performance and by reinforcing top-down management, performance appraisal *per se* is too narrow and non-strategic to provide a comprehensive approach to performance management (Bach, 1999; Beer, 1981; Flannery Hofrichter & Platten 1996; Lawler 2000). Today, it is far more common for organizations to regard performance management as a continuous, future-oriented and participative system; as an ongoing cycle of criteria setting monitoring, informal feedback from supervisors and peers, formal multisource assessment diagnosis and review, action-planning and developmental resourcing (Bach 1999; Williams 2002)

2.6.2. Purpose of Reward Management

What is it that organizations hope to obtain by offering rewards to their employees; that is, what should a system of reward management seek to do? In essence (and again in prescriptive mode) a reward system maintained by a work organization is likely to have three primary objectives: like to attract the right people at the right time for the right jobs, tasks or roles, to retain the best people by recognizing and rewarding their contribution and to motivate employees to contribute to the best of their capability (Ronald J. & Cary L., 2005). Notice here the strong linkage between the reward and staffing functions (Regarding the staff attraction and retention objectives) and between there ward and performance management functions (regarding motivation).According to Redman

T. and Wilkinson A., (2006) a well formulated and administered reward system is likely to have a number of important secondary objectives. In particular, it should seek to be

- Need-fulfilling: the rewards should be of value to employees in satisfying relevant human needs
- Felt-fair, particularly in terms of offering rewards commensurate with contribution
- Legal: it should comply with relevant legal requirements regarding employee rights and entitlements, including, of course, all mandatory benefits and minimum standards
- Affordable: the rewards allocated, and any associated on-costs, should be within the organization's financial means
- Cost-effective: there should be an appropriate 'return on investment' from total reward outlays
- Strategically aligned: as with performance management, reward management should support the organization's corporate and business objectives.

Taken together, this is a particularly exacting set of objectives, and it is most unlikely that any organization will be willing or able to achieve all of them simultaneously. Clearly the ill-fated H P reward experiment of the mid-1990s (see the Introduction) fell well short of several of these objectives; not the least being motivation, felt-fairness, cost-effectiveness and strategic alignment. There is also considerable potential for conflict between the objectives themselves. For instance, one of the greatest challenges lies in reconciling the need for reward fairness with the objective of cost-effectiveness. Which is of greater importance? Dissatisfaction arising from perceptions of reward inequity can certainly lead to increased employee turnover and reduced motivation, but the costs and benefits of being a low payer will vary depending on the type of organization involved. While some organizations may suffer serious performance impairment, others may be able to absorb these consequences and still meet their objectives. Tensions may also arise the fundamentals that we need to consider: 'motivation', 'job satisfaction' and 'organizational commitment' (Redman T. and Wilkinson A., 2006)

A. Motivation

Motivation is the wellspring of task behavior or effort, and it refers to the strength of a person's willingness to perform allotted work tasks – to undertake work effort. To motivate means to energize the individual to deliver work effort and task behavior. The term itself derives from the

Latin word *movere*, meaning ‘to move’ (Steers & Porter 1991: 5–6). However, motivation is not a homogeneous or indivisible phenomenon. It can be broken down into various elements. When we study motivation, then, we are really concerned with three related aspects behavior:

1. the direction of that behavior: why people take certain actions rather than others; e. g. emphasizing product quantity over quality
2. the intensity of that behavior: why the actions taken involve either a lot of effort, or a little
3. The duration of that behavior: why some actions are more sustained and enduring than others (Kanfer1998). What moves one individual to deliver solid and sustained work effort may have little motivational effect on other employees, or may have more behavioral impact in some work contexts and climates than in others. In fact, it is this very variety of possibilities that makes motivation such an absorbing field of academic study and management practiceof task. Second, as our discussion so far suggests, motivation is by no means the only important work attitude. Its significance needs to be understood in context, not in isolation (Kanfer1998).

B. Job satisfaction as Reward

Job satisfaction refers to the overall positive or negative attitude that employees hold towards the job and the job context. In other words, how contented or discontented are employees with the totality of their job assignment? In this sense, job satisfaction is also an affective state – that is, an emotional condition – as well as an attitude. As a holistic summative feeling about the job, it covers both the job content – or factors ‘intrinsic’ to the job – and the job context – or factors surrounding or associated with the job, such as work relationships, work culture and human resource practices, including those to do with performance and reward management. As such, job satisfaction can be said to subsume attitudes and affective states to do with more specific aspects of the job, such as satisfaction or dissatisfaction with performance management procedures and outcomes, reward determination processes and outcomes (i.e. reward satisfaction), career development opportunities and the like. As we shall see later in this chapter, job satisfaction also has a close but complex association with other affective states, particularly perceptions of organizational justice and injustice (Losey M., Meisinger S., and Ulrich D., 2005).

C. Merit bonuses

The main alternative means of linking pay outcomes to individual performance assessment is the merit bonus approach, also known as the 'lump sum' method. A bonus is a payment made quite separately from base pay. Merit bonuses do not become annuities and, to be retained, they must be re-earned. The critical difference between this approach and traditional merit increments is that the payments made are conditional rather than cumulative. In short, they avoid the annuity problem. This may be one of the reasons for the increasing popularity of the merit bonus alternative (Lawler1990: 82; Schuster &Zingheim 1996: 144–7).

1. The Effectiveness of Merit Pay

What evidence is there that merit pay does improve individual performance? Even advocates like Heneman, (1990) concede that while the link to such instrumental outcomes as employee satisfaction, motivation and performance is positive, the performance effect is, at best, modest. Drawing together the results of twenty-two studies that examined the influence of merit pay plans on employee satisfaction, motivation and performance, Heneman (1990:243) found that 'the relationship between merit pay and performance does not appear to be particularly strong'. He found that merit pay plans are more likely to influence employee attitudes than outcomes and that somewhat more favorable outcomes were attained in the private sector than in the public sector. In a meta-analysis of research covering forty-two merit pay plans, Heneman (1992) identified ten studies that claimed to address the relationship between merit pay and performance. Heneman noted that five of these studies reported a statistically significant correlation, whereas the remaining studies reported non-significant associations. Even where outcomes were significantly positive, the magnitude of the relationship between pay and performance was not large. From this, Heneman (1992: 258) concluded: 'The results to date on the relationship between merit pay and subsequent motivation and performance are not encouraging.

2. Best fit with Merit Pay

In general terms, then, where might it be appropriate to use assessment based merit pay? Merit increments based on supervisory appraisal would be especially applicable to traditionally managed and mechanistically structured organizations where the work is closely supervised and individualized, where work performance is focused more on behavior than results, where it is possible to identify a valid set of task behavior, and where the base pay structure consists of narrow job grades. Where results are readily quantifiable, however, it may be more appropriate to use results-based reward plans, such as goal-based bonuses, in such organizations. Merit bonuses-based on multisource assessment may be a better fit in organizations with an analyzer strategy and managed along high-involvement lines, especially in helping to recognize and reward behavior relating to quality and customer focus. In such organizations, merit bonuses would be quite compatible with broad grades and skill-based base pay progression. However, care would also need to be taken here to ensure that individual rewards do not undermine teamwork and cooperation. Merit bonuses could also be applied in high-involvement organizations with prospector business strategies, where the emphasis is on risk-taking, creativity, innovation and timeliness, rather than on behavioral compliance, although such organizations will be more inclined to look to results-based incentives (Kanfer, 1998).

2.7. Empirical Review

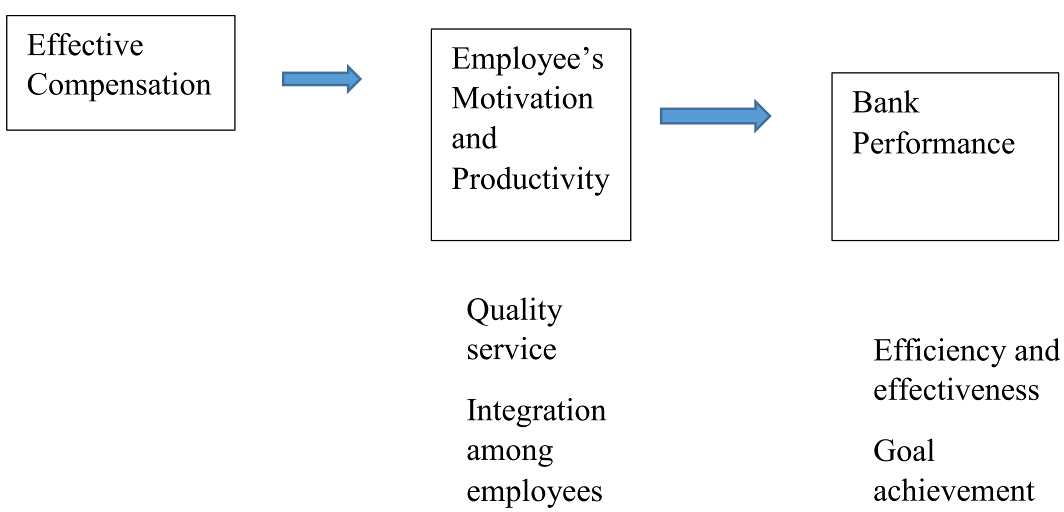
Motivation is a drive or force which directly or indirectly contributes towards the performance level of employees. But it can only be accomplished if that force is linked with the individual satisfaction and fulfillment of individual objective. Compensation management is that force which motivates the employees to perform better. Compensation management has two main factors i.e. monetary and nonmonetary incentives. Employees are not satisfied with either monetary or neither non-monetary but the efficient use of both monetary and nonmonetary incentives. These motivation factors can be working hours, salary and wages, benefits, perks performance appraisal and benefits. Compensation management is a dependent variable which motivates employees and has a positive impact which contributes towards the achievement of organizational goals.

This portion focuses on empirical data which were analyzed from related studies. Based on this, a research conducted in CBE Dessie branch shown that employees are not satisfied due to mass reward system. The main reason for this is, the bank doesn't reward employees based on their individual performance. Rather, it compensate employees based on the branches overall performance.

Similarly, a research conducted in Nigeria revealed that, effective reward system in banks leads to better employees' performance. All other aspects of reward and compensation, performance based rewards, communicating rewards and penalties, rewards and compensation policy all showed significant and positive association. These results are in line with the study of (Keramati et al, 2013, Mohammed and Eleswed, 2013; O' Driscoll and Randall, 1999 cited in Naicker, 2008) who found that the salaries or rewards offered by an organization have a positive effect on employee commitment towards their jobs and their organization.

The following aspects can be viewed for the favorable reward system. Provide favorable leave to the staff of this Bank, Provide medical facilities, Provide attractive loan system, Provide favorable or attractive facilities than competitive Bank. From these empirical review and literatures, the researcher has found, the effective reward system in bank is a base for better employees' performance (Pratheepkanth, 2011).

2.8. Conceptual framework



Compensation is the remuneration received by an employee in return to his/her contribution to the organization.

Employee's motivations is the wellspring of task behavior or effort, and it refers to the strength of a person's willingness to perform allotted work tasks to undertake work effort.

Bank performance is one in which the bank sets for its employees are aware of the need to perform well and behave accordingly in order to meet or exceed expectations.

Quality Service is service that satisfies customers need.

2.9. Conclusion

It is obvious that reward systems are fundamental functions of human resource management as they deal with the assessment of job values, the design and management of payments performance management, contingent pay, employee's benefits and pensions and the management of reward procedures. According to Ax, Christian et al (2005) there exists a variety of purposes of reward system: one very common is to motivate employees to perform better, but also for keeping employees .This chapter has explained that the paying a high attention to different types of reward system consisting of monetary reward system-making money as an important form of reward, non-monetary reward system-it gives long lasting motivation for the employees of the organization, and individual based Vs. Group based reward and the total reward system. Alongside. Finally reward is important for the employees to perform best and in order to control employee and to make employee stable the reward system is important.

Chapter Three

Research Methodology

3.1. Introduction

In this portion of the paper, the researcher will present the detail research methodology and methods. By starting with description of the population and geography. Followed by research design, sources of data, sampling techniques and sample size determination, methods of data collection, and data analysis.

3.2. Study area and population description

This study id conducted in three commercial bank of Ethiopia situated in Addis Ababa particularly north district. Namely, Selassie, 4killo and Birhanina selam branches. These branches have 134 emp loyees. Specifically, the study will considered only clerical workers.

3.3. Research Design

This study is descriptive in nature, describe the current situation on compensation and bank performance. It describes characteristics of objects, people, groups, organizations, or environments; tries to “paint a picture” of a given situation (Zikmund, 2009). In doing so, both qualitative and quantitative data were gathered from the target population. Data were collected once at a time (cross sectional survey).

3.4 Source of Data

The study was conducted by gathering data from both primary and secondary sources. It was also conducted through distributing questionnaires for 100 employees of Commercial bank of Ethiopia. The sources of data are both primary and secondary sources. Primary sources of data were gathered from respondents of commercial bank of Ethiopia branches which are Selassie, Arat killo and Birhaneena Selam branches and also the researcher used structured interview which is conducted for branch managers and CSMs also for other staffs. Secondary sources of data were from different books, journals, websites and documents related with, service and customer satisfaction.

3.5 Sample and Sampling Techniques

For this study, the sample size was determined by using the probability sampling; specifically simple random sampling (SRS) technique was used. This is because the researcher believes it minimizes biasness in the selected branches there are 134 total employees (67 from Selassie, 34 from arat killo branch and 33 from Birhaneena selam branch). And Yamane (1967) was adopted to draw the sufficient samples.

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

$$n=\frac{134}{1+134(0.05)^2}=100$$

Where N total population
n sample size
e sample error

This is because the researcher believes it minimizes biasness. The research contains sample of 100 employees (50) from Selassie branch and from Arat killo and Birhneena Selam Branch 25 employees are included. With regard to the selection, the researcher has used random sampling method.

3.6 Instrument of Data Collection

A survey is a method of collecting data in which people are asked to answer a number of questions (usually in the form of a questionnaire). The reliability of a survey's results depends on whether the sample of people from which the information has been collected is free from bias and sufficiently large.
Therefore, the researcher has been collected the relevant data from primary and secondary sources. The primary data was gathered through structured questionnaire comprised of both open ended and close ended questions and through unstructured & semi-structured interviews. The questionnaire was the main method of gathering the relevant data in this study and it had been distributed to staff of CBE in different branches. Furthermore, the design of close ended question comprised of 5 point scale and multiple choice questions. In addition, Face to face interviews with selected branch managers and some selected CSM have been made for triangulation purpose. Furthermore, Secondary data was collected through reviewing different files, company manuals, brushers and annual reports of the branch and district.

3.7 Data Analysis methods

After collection, field and in-house editing was made. Then the researcher made post coding so as to minimize the complexity of data entry. After the accomplishment of this all process, the analysis of data have been started to draw important conclusions that reflect the researcher's interest of inquiry stated right at the beginning of the study. Charts (bar and Pie charts), tables, frequencies and percentages have been used to display the survey results. Based on the general concepts and theories the statement of the purpose of the institution's existence, and their real practices; strengths & gaps, roles they performed and other related issues were identified and analyzed by using both quantitative and qualitative analysis techniques. Quantitative analysis techniques were employed to demonstrate processed data in absolute terms through the use of descriptive statistical tools such as frequency, valid percentages, minimum and maximum value, Descriptive analysis was used to describe the data that have been collected from questionnaire in terms of frequency, percentage and the like while. The researcher was also used qualitative analysis technique so as to analyze the collected data from interview and secondary data in order to display the result in the form of narration by using descriptive narration and content analysis techniques

Chapter Four

Data presentation analysis and discussion

4.1. Description of data

This chapter presents findings of information collected from employees of commercial bank of Ethiopia. Hundred (100) questionnaires were distributed from this 85 are collected properly this questioners are collected from 3 different branches of Commercial Bank of Ethiopia this are Selassie, Arat killo and Birhaneena selam branches.

Respondent's analysis

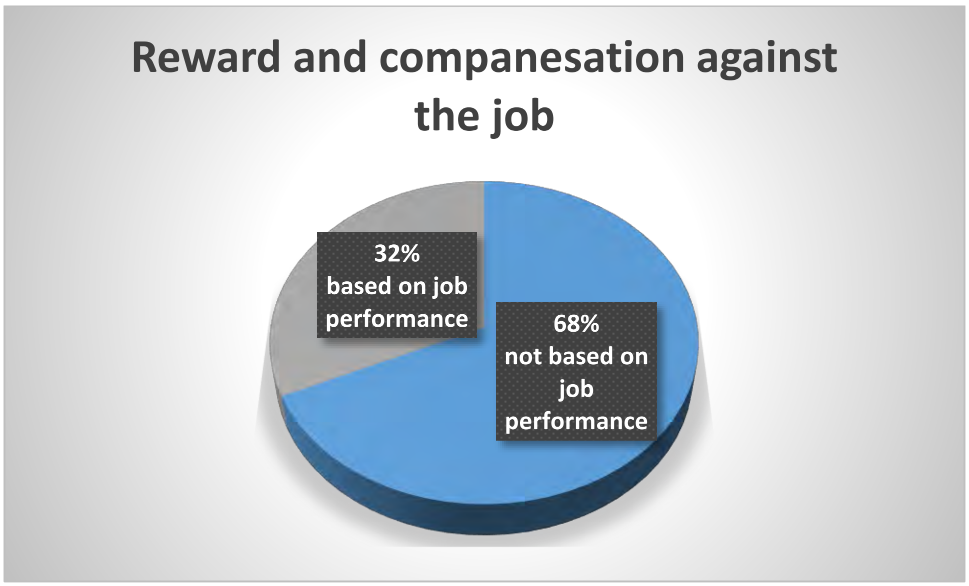
Table 4.1. Profile of respondents

<table>
<tr><td rowspan="3"></td><td colspan="2">Gender</td><td colspan="4">Marital status</td></tr>
<tr><td>Male</td><td>Female</td><td rowspan="2">Married</td><td rowspan="2">Unmarried</td><td rowspan="2">Divorced</td><td rowspan="2">Widowed</td></tr>
<tr><td>49 (58%)</td><td>36 (42%)</td></tr>
<tr><td rowspan="4">Age</td><td>Below 30</td><td>68 (81%)</td><td rowspan="4">36</td><td rowspan="4">46</td><td rowspan="4">2</td><td rowspan="4">1</td></tr>
<tr><td>31-40</td><td>8 (9%)</td></tr>
<tr><td>41-50</td><td>3 (4%)</td></tr>
<tr><td>Above 50</td><td>5 (6%)</td></tr>
<tr><td rowspan="7">Education</td><td colspan="2">Pre college</td><td>3</td><td rowspan="6">Salary (in ETB)</td><td>Less than 1500</td><td>4</td></tr>
<tr><td colspan="2">Diploma</td><td>6</td><td>1501-2500</td><td>2</td></tr>
<tr><td colspan="2" rowspan="2">Advanced diploma</td><td rowspan="2">2</td><td>2051-4000</td><td>11</td></tr>
<tr><td>4001-7000</td><td>45</td></tr>
<tr><td colspan="2" rowspan="2">Degree</td><td rowspan="2">60</td><td>7001-10000</td><td>16</td></tr>
<tr><td>Greater 10001</td><td>7</td></tr>
<tr><td colspan="2">Second degree</td><td>14</td></tr>
<tr><td rowspan="2">Experience</td><td colspan="2">Less than five years</td><td>50</td></tr>
<tr><td colspan="2">5-10 years</td><td>18</td></tr>
</table>

	10-20 years	6
	Greater than 20 years	11

Sources; own computation, 2017

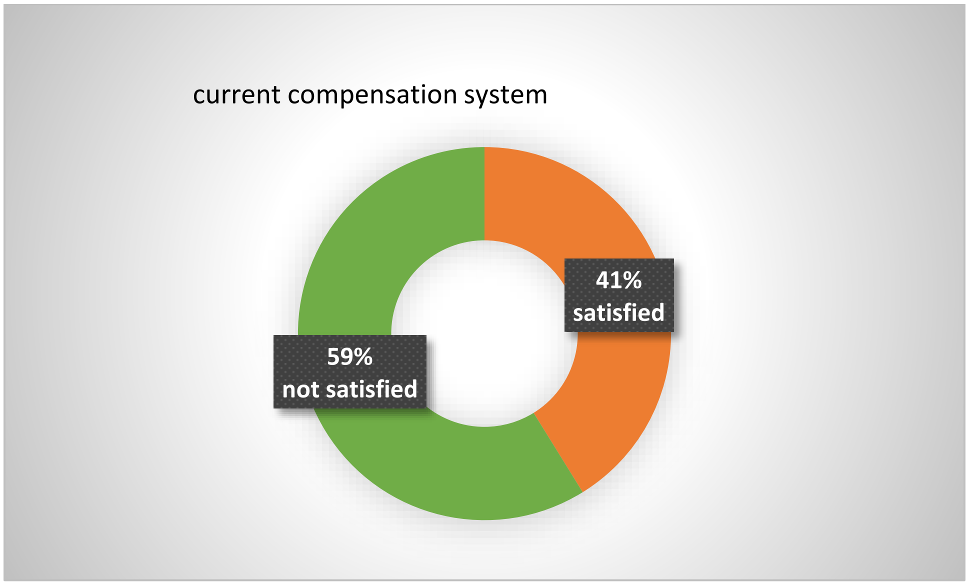
From the above table 4.1. it is possible to summarize as, majority of the respondents are male, under the age of 30, who are single, and complete their first degree. Concerning their work of experience and salary, most of them are least experienced (been at work for less than 5 years) and their salary ranges from 4001-7000 Ethiopian birr.



Pie chart 4.1 Bank's reward and compensation system against the job

The above pie chart displayed that, majority of the participants 58 (68%) doesn't think rewards and compensation are based on the real job performance. And remain 27 (32%) said the existing reward and compensation matches with job performance. From the interview conducted, the reward against the job is not appreciated because it is only concern to give employee money at the end of the years. The level of each employee performance is not given in to consideration. From this, most employee of the selected banks are not satisfied in the reward and compensation management of the bank. Similarly, Mphil *et.al*, (2014) stated that, there is a direct relationship between reward and compensation if there is an increase in reward then the performance will also increase, as per the response from the participant the current reward system doesn't led to good employee performance.

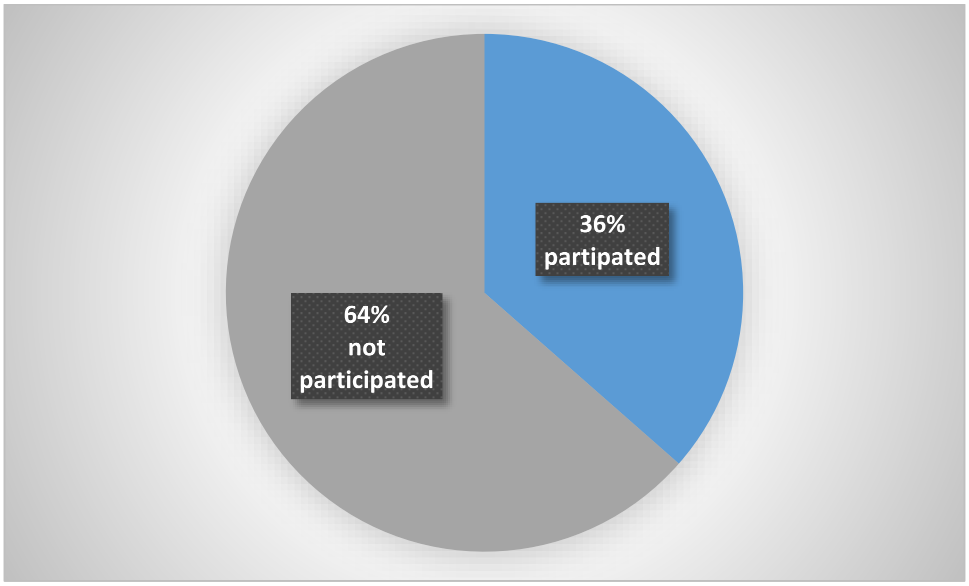
From my interview and data collected from the employees most of them need the bank must have to consider individual performance. At this time the bank gives reward based on the performance of the branch this performance of the bank is measured based on the deposit collected in one year this deposit collection target is given to every branch based on their level and based on last year deposit achievement.



Pie chart 4.2.employees satisfaction on the reward and compensation form

The above pie chart 4.2. Represents to what extent are employees satisfied with the current criteria employed to reward and compensation. From the data gathered, most of the employees 50 (59%) are not comfortable with the criteria currently employed by the bank whereas the remaining 35 (41%) are okay with the parameters listed for the reward. As I interviewed most employees are not happy because the reward system was based on branch performance if the branch achieves its goal the employee get reward the individual performance doesn't considered in the process so most employees are not happy with the policy of the bank. Similarly, a research conducted at CBE Dessie Branch revealed that, employees are not comfortable with current reward system due to rewarding employees not based on employees' performance. Thus, this result shows consistency with the previous study.

According to Soudikar (2016), Employees need more information about pay and benefit practices, it is essential to educate and communicate employee about compensation and benefits time to time.



Pie chart 4.3. Degree of employees' Participation in reward and compensation process

Concerning employees' participation on reward and compensation process in the bank, according to the above pie chart, most of the employees doesn't agree with the openness of the bank to allow employees to participate in the reward process. Numerically speaking out of the total respondents' majority of them 54 (64%) said that the bank doesn't permit employees in the process and the rest 36% said yes. As I interviewed the employees doesn't participate directly in the reward and compensation management but they have their own represented which is called labor union which is participated in different activities including reward and compensation.

Many employees believe that the current compensation and benefit is not fair and banks need more effort to cope-up with ongoing cost of life. Compensation and benefit packages are not periodically updated and evaluated for effectiveness. Furthermore, the existing benefits are not well communicated to employees (Soudikar, 2016).

Pie chart 4.4. Post reward discussion meeting

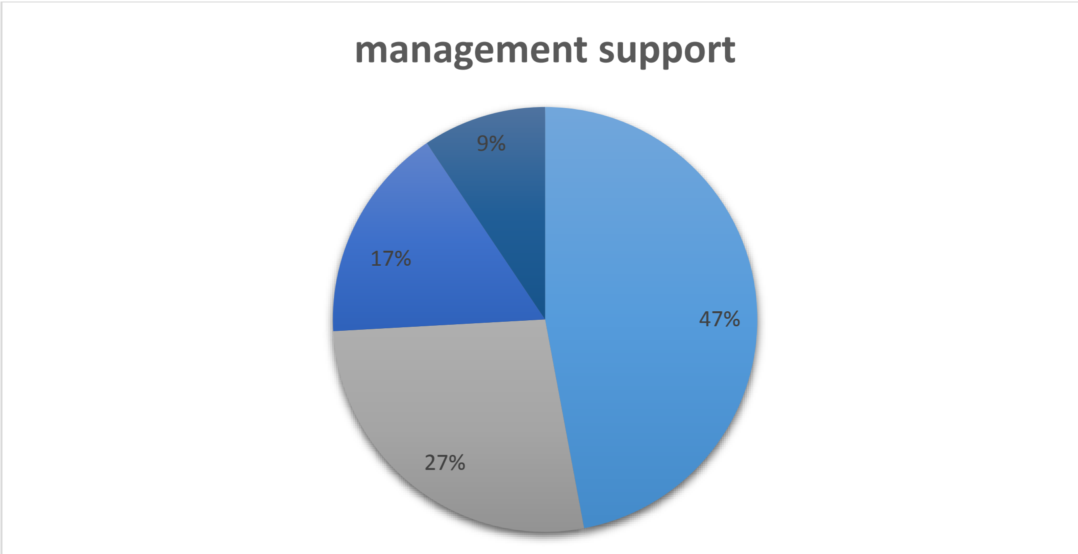
Here respondents were asked whether there is a post reward and compensation discussion or not. As a result 60 (71%) replied there is no such meeting and discussion after reward and compensation is offered. 22 (26%) replied yes and 3 respondents had no any information about that.

Those who replied yes, have indicated the time when the discussion was conducted as follow; 7 of them said it is conducted immediately after reward, 6 of them after 15 days of reward, 3 of the respondents whenever employees request for it and the rest 6 said when the management of the company feels it appropriate.

Pie chart 4.5 post reward discussion

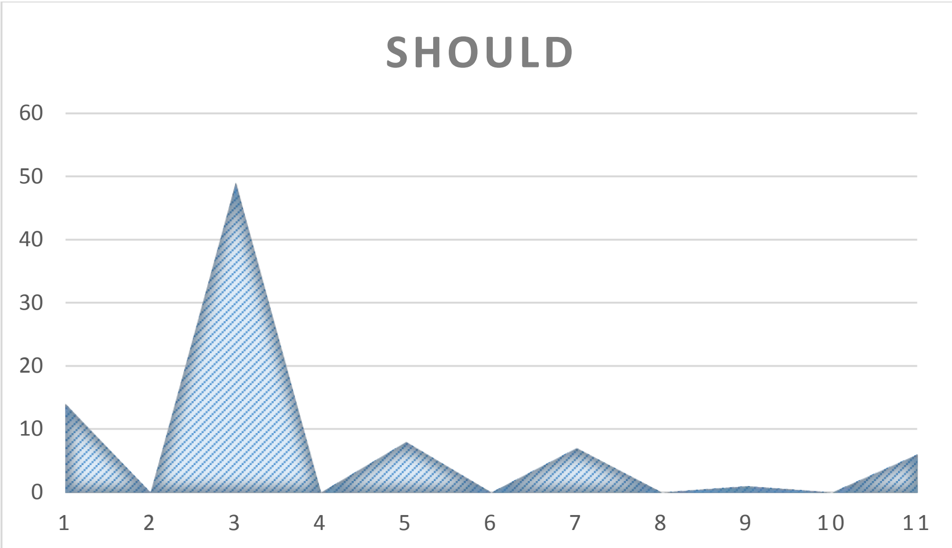
From the above pie chart 4.5, we can understand that the post discussion on reward and compensation is undertaken based on the following indicators rankly, 1st on how to achieve the next goals, how to increase employees productivity, and sustain the strong side of employees.

The other thing is**,** Mostly reward and compensation conducted in the bank is conducted once a year, but sometimes it can be conducted quarterly, and semiannually by depending on different occasions. This occasions are depend on the branch performance and the management follow up if the performance is low the management conduct meeting in order to know the strength and the weakness of the performance and in order to achieve the target they give gridline and discussion on the problems and solution for the next work.



Pie chart 4.6 management emphasize on reward and compensation system

Concerning managements' support for reward and compensation, respondents' were describe how the top officials intervene during the process. Depending on their responses, the top management focuses on mainly on How Weakness of performance can be improved, how acceptable level of performance can be maintained and How Strength of performance can be capitalized. From the interview conducted with the top management, gives support to the employees on how to achieve the goals and concerning how to handle customers and how to increase deposit of the branch.



Histogram 4.1. Focus of reward and compensation system

Where

1. To improve quality of work (16%)

2. To motivate employee to their job (59%)

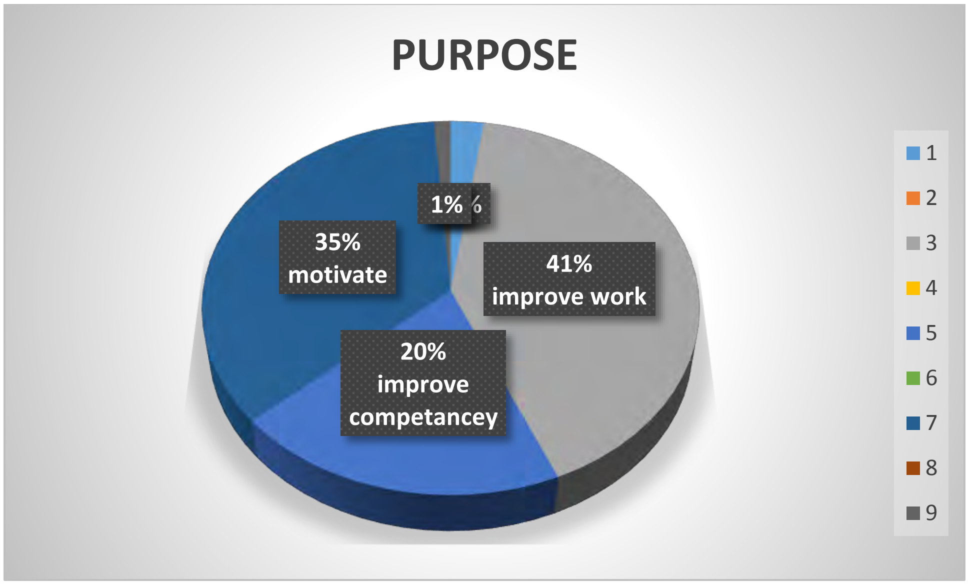
3. To improve employee competence (9%)

4. To reward out strongly competent employees (8%)

5. To identify employee training needs and employee transfer (1%)

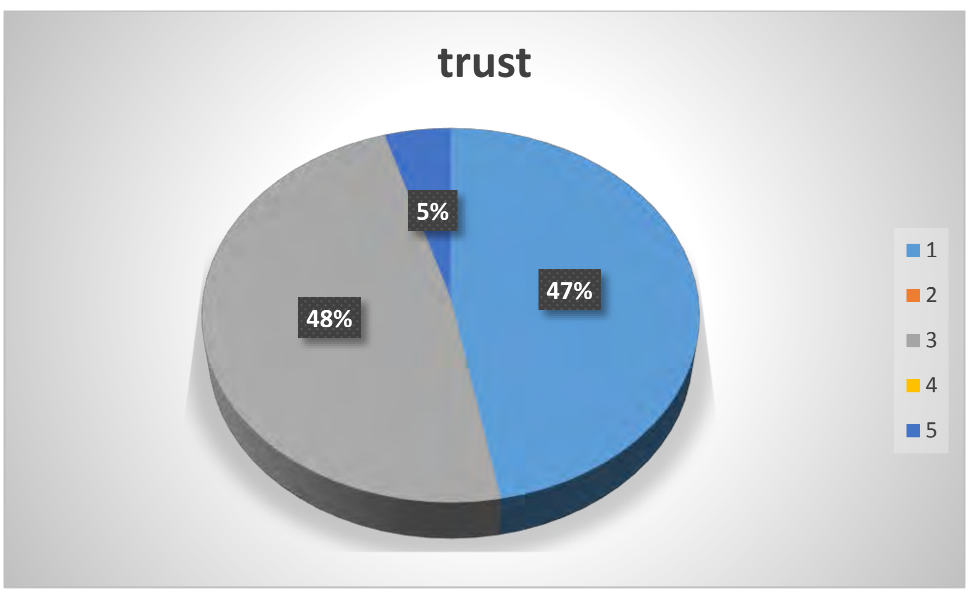
6. To decide employee promotion and employee salary revision (7%)

The above histogram shows that, at what point should the bank's reward and compensation system focus, as the data indicates, the primary purpose of the system should develop to motivate employee to their job, to improve quality of work, to improve employee competence, to reward out strongly competent employee and to identify employee training needs and employee transfer.



Pie chart 4.7. Purpose of reward and compensation management

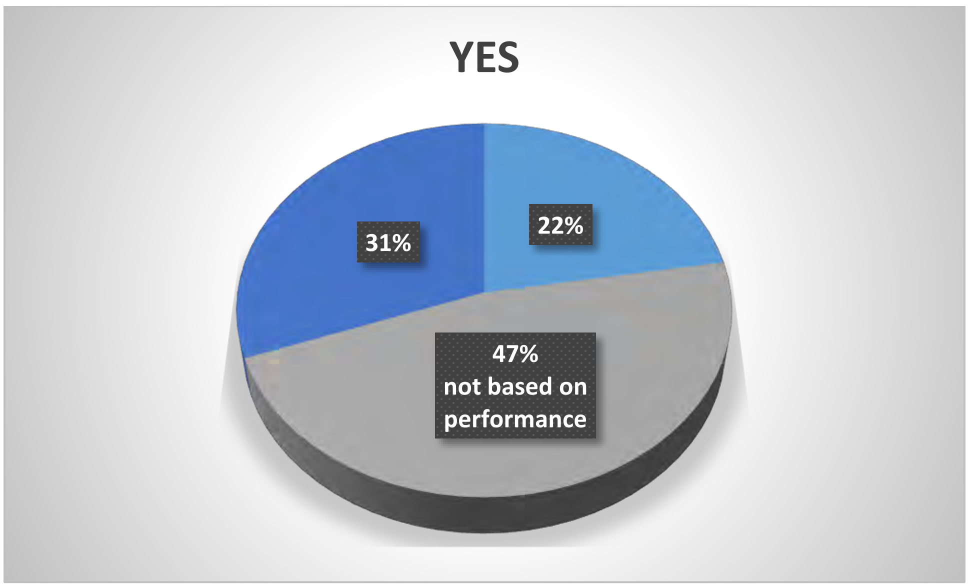
When the respondents asked to prioritize the main purpose of the current reward and compensation. As per their response its main purpose should be To improve quality of work, to Motivate employee to their job, To improve employee competence, To decide on employee promotion etc. but most of the respondents has recommended that the current system is causing for dissatisfaction, thus it should be revised.



Pie chart 4.8 trust of employees on the performance evaluation

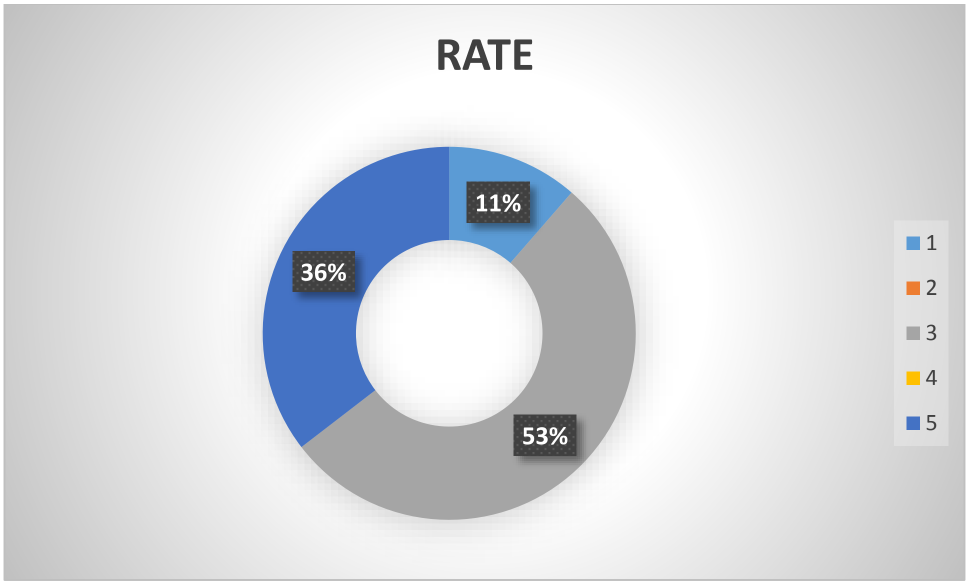
Almost half of the respondent doesn't have confidence on the appraiser impartiality during the evaluation and also they don't trust them their evaluation is unfair. The main indicators are biasness and favoritism, they don't present the value of appraisal evaluation, lack of competence, and limited time allotted for appraisal period.

Increasingly, organizations are realizing that they have to establish an equitable balance between the employee's contribution to the organization and the organization's contribution to the employee. Establishing this balance is one of the main reasons to reward employees (Pratheepkanth, 2011).



Pie chart 4.9 reliability of reward criteria

Most of the respondents 40(47%) don't believe that employees are rewarded not based on their performance. Mainly the reward considers seniority, personal behavior, and other personal intimacy. In addition to this they have replied that most of the criteria of not valid and reliable because most of them are not pragmatic, there is no clear measurement, subjectivity, low know how of raters on the area and so on.



Pie chart 4.10 Reward system and employees' performance

Generally speaking, respondents have rated the current reward system of the bank as moderate 42(53%), lo w 28(36%) and high 9 (11%).

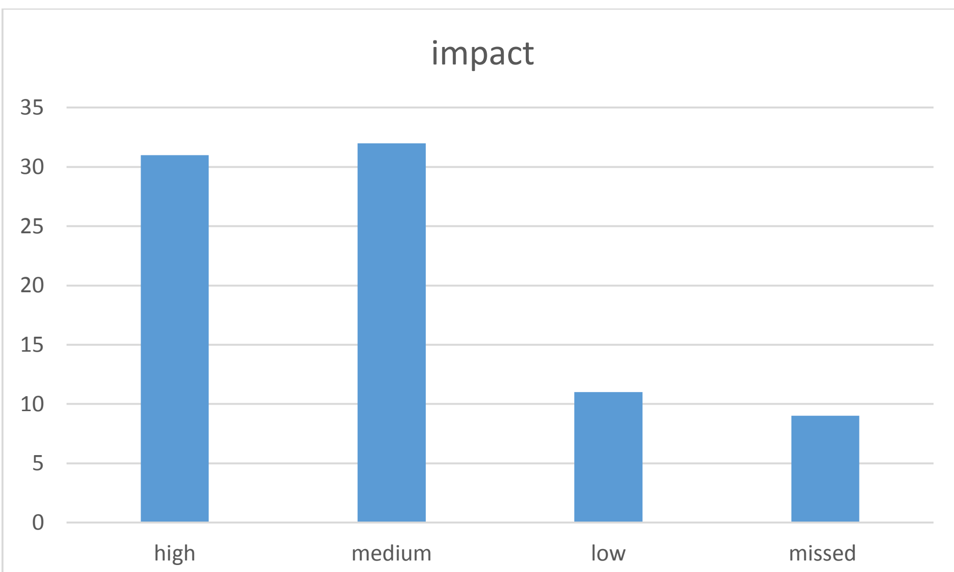
From different literatures, it is common to find the direct relationship between reward and employees' motivation on Banks, such as a good reward and compensation system in a banks motivates employees to perform better.

Table 4.2. Degree of employees' involvement on goal setting

Part I	strongly disagree	disagree	agree	strongly agree	I don't know
Goal	17(20%)	11(13%)	42(50%)	8(9%)	7(8%)
Goal setting	16(19%)	23(28 %)	31(36%)	8(9%)	7(8%)
Goal attain	8(9%)	18(21%)	41(48%)	10(11%)	10(11%)
Both goal	10(11%)	26(31%)	25(30%)	10(11%)	14(17%)
Match	28(33%)	30(35%)	20(24%)	2(2%)	5(6%)
Equity	21(25%)	34(39%)	21(25%)	3(4%)	6(7%)

Fair	26(31%)	32(37%)	17(20%)	3(4%)	7(8%)

The above table 4.2. Part I, describes employees' agreement on different parameters. As the gathered data showed, majority of the respondents 42 (50%) agreed that attaining a goal of the branch brings reward followed by disagree 28 (33%). Almost half of the Employees also said that they did not participate in goal setting activities. Furthermore, out of the total respondents 41 (48%) agreed on all goal planned can be attained individually as well as at the branch level. Finally, employees doesn't agreed that individual and branch goals are consistent. Table 4.2. Part II, presented to what extent does the payment match with the job requirement. As a result majority of participants 58 (68%) doesn't agreed on the statement.



Histogram 4.2. Impact of reward on employees' performance

This histogram showed that reward and compensation has a substantial effect on employees' motivation and performance.

Histogram 4.3. Benefits of reward system

Finally, respondents were asked to reflect the importance performance evaluation. Based on their response, it is important for promotion, salary increment, and to get training. Only few respondents doesn't get any benefit from such practices.

Major findings of the Study

The perception of employees on current compensation system and benefit policy is poor due to several reasons to mention some of them.

- Mismatch of work load and compensation
- Inappropriate benefit and compensation policy
- Inappropriate performance evaluation
- unachievable target setting
- Unfair distribution of reward

Most employees are not comfortable with current compensation and employees policy because they expect more befit and rewards for example when we see the bank reward it has only one reward that is annual bones when we see the distribution of the bones to the branches it is based on branch performance which means if the bank achieve the target it will get the bones otherwise it doesn't. Most employee are not with the target which is given by the district based on the grade of the branches for example if the branch in new the target is very small and achieved. But when we see the target and volume of work done by large branch is very vast but when we see the reward for the work most of the time small branches get higher bones than large ones.

To identify the most favored type of benefit and reward policy available with the organization

Commercial bank of Ethiopia have different benefit policy this includes

- Mortgage loan (loan to by house)
- Lone to by car
- Staff loan which is given to the staffs after one year of experience
- Health care 100% health care in the country
- Insurance for any kind of injury for 24 hours

From this most respondent agreed that Monterey benefit is most favored and commonly used by the bank.

To what extent is the qualification and experience of employees have an effect on reward and compensation?

Qualification and experience doesn’t have effect on reward and compensation because the bank gives annual bonus based on branch performance and achievement so experience and qualification doesn’t affect. The bank doesn’t consider individual performance and qualification in the processes.

What is the role of employee participation on compensation and reward practice in CBE?

The employees doesn’t contribute directly but the bank have its Owen system to participate the employees by their representative which is called labor union. The union participates on behalf of the employees it make different meeting with the president and other organs to secure the employees benefits. This labor union is made of different peoples each branch have one representative this representative’s make meeting in each branch and collect questions raised by the staffs and they forwards to higher officials for farther decisions.

Chapter five

Summary of the Findings, Conclusion and recommendation

5.1. Summary of the findings

In this part, the researcher has tried to summarize the overall data as follow. Majority of participants (58%) were male. Most of them are unmarried and their age lies below 30 plus majority of them are degree holders.

Among the participants 68% of them believes that, reward is given not for best performers, rather it is being biased. Additionally, post reward and compensation discussion/feedback is limited. The target of reward and compensation is mainly, to motivate employees, to improve quality of work and enhance employees' competence.

According to the response of participants, their trust on the appraisers is very low. Due biasness and favoritism. Despite of these facts, employees' participation in goal setting is encouraged.

The perception of employees on current compensation system and benefit policy is poor due to several reasons.

Qualification and experience doesn't have effect on reward and compensation because the bank gives annual bonus based on branch performance and achievement so experience and qualification doesn't affect.

Finally, effective reward and compensation system has a substantial effect of employees' performance and motivation. And also it serves as a criteria for promotion, salary increment, and possible trainings.

5.2. Conclusion

From the previous data analysis and discussion the researcher has drawn a conclusion as follow.

The current reward and compensation system of the selected banks doesn't fit the job required. Plus, the criteria which are employed to rate employees' performance are not well organized and viewed. The perception of employees on current compensation system and benefit policy is poor due to, Mismatch of work load and compensation, inappropriate benefit and compensation policy, inappropriate performance evaluation, unachievable target setting and unfair distribution of reward

The employees doesn't contribute directly but the bank have its Owen system to participate the employees by their representative which is called labor union. Thus, direct involvement of employees in the bank's reward system is limited. The main purpose of the reward and compensation system is to improve work life quality and in the banks. Employees' participation in reward and compensation activities is decisive for better performance and has a substantial effect on motivation.

5.3. Recommendation

It is advisable that, the bank to develop a compensation and reward pertaining to the task. Because the current compensation system doesn't fit with that of the job requirements. Criteria for evaluation needs also revision and amendment by participating employees.

The bank also lacks information from employees directly. Thus, communicating them directly may be important to grasp a firsthand suggestion from them.

If the banks want to sustain in the modern competition, motivate and retain competent employees the current compensation and benefit package of commercial banks should be restructure and improved again.

Employees should participate actively in designing and redesigning of compensation and benefit policy decision process, so that the sense of responsibility entrusted into employees will enhance.

Finally, the participating employees in compensation and reward system should reinforced. If employees participate in designing reward and/or compensation, the better employees motivation and productivity, which enhances the bank's performance.

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Electronic Sources

❖ http:/WWW.CBE.gov.et

Appendix

Addis Ababa University
College of Business and Economics
Department of Public Administration and Development Management

This questioner is prepared to Partial Fulfillment of the Requirements for the Masters of Art in Public Management and Policy

General Instructions

1. You are not required to write your name.

2. All questions are equally important for the completion of the study.

PART I

Demographic Characteristics of Respondents

Instruction: please answer by making a tick () in the box provided.

1. Age group

   Below 30 ☐ 31-40 ☐ 41-50 ☐ Above 50 ☐

2. Gender

   Male ☐ Female ☐

3. Marital Status

   Married ☐ Single ☐ Divorced ☐ widowed ☐

4. Qualification

   Less than Diploma ☐ Diploma ☐ Advance Diploma ☐

   First Degree ☐ Second Degree ☐ PhD ☐

5. Years of service in CBE

   Less than 5 year ☐ 5 to10 years ☐ 10 to 20 years ☐

   More than 20 years ☐

6. Monthly Salary

< 1, 500 ☐ 1, 500- 2, 500 ☐ 2, 501- 4, 000 ☐

4,001-7, 000 ☐ 7, 001- 10, 000 ☐ Above 10, 000 ☐

PART II

Questions Related to Employee Reward and Compensation

1. Do you believe (think) that the criteria for reward and compensation are job related?

   Yes ☐ No ☐

2. Are you satisfied with criteria listed in employees Reward and compensation form?

   Yes ☐ No ☐

3. Do you allowed to participate in reward and compensation process

   Yes ☐ No ☐

4. Do management of the company and employees hold post-reward and compensation meetings to discuss employee's reward and compensation results?

   Yes ☐ No ☐

5. If Your answer for question no 4 is yes when do post reward and compensation meetings take place (Please tick as many as you think for question number 5)

   A. Immediately after reward

   B. After many days of reward

   C. Whenever employees request for it

   D. When the management of the company feels it appropriate

6. Post reward and compensation discussion often focus on

   A. Performance weakness & the employee

   B. Performance strength of employed

   C. Both weakness and strength & employee

7. How often does reward and compensation conducted in your organization?

A. Once a Year C. Four times a Year

B. Twice a Year D. More than four times a Year

8. The advice or supports of managements often focus on:

A. How Weakness of performance can be improved

B. How acceptable level of performance can be maintained

C. How Strength of performance can be capitalized

9. What ‘’ should’’ be the primary purpose of employee reward and compensation?

A. To improve quality of work

B. To motivate employee to their job

C. To improve employee competence

D. To reward out strongly competent employees

E. To identify employee training needs and employee transfer

F. To decide employee promotion and employee salary revision

10. The primary Purpose of the current employee reward and compensation i

A. To decide on employee promotion

B. To improve quality of work

C. To improve employee competence

D. to Motivate employee to their job

E. To decide on employee salary revision

F. To identity employee training needs

11. If you feel dissatisfied with the current reward scheme, what do you recommend?

A. It is unnecessary, therefore abandon it

B. It is necessary; however, it should be revised

C. Others if any (please specify) ______________________

12. Do you have trust and confidence in appraisers for reward?

a) Yes　　　　　b) No

13. If your answer on question number 12 is 'NO' (Please tick as many as you think for question number 13)

a) Maintain bias and favoritism

b) Don't see the value of appraisal

c) Don't have skills appraisal

d) Don't have adequate time to appraise

e) Are unwilling to appraise

14. Do you think that employees rewarded base on his/her performance rather than his/her personality

Yes ☐　　　　　No ☐

A. If yes, please specify your reason____________________________

B. If No, specify your reason_________________________________

15. Do you think that the Criteria for reward and compensation valid and reliable?

Yes ☐　　　　　No ☐

A. If yes, specify your reason: ________________________________

B. If No, specify your reason: _________________________________

16. In general how do you rate the reward system of your organization in improving employee performance?

A. High ☐　　　　B. Moderate ☐　　　　C. Low ☐

	Question	Strongly disagree	Disagree	Agree	Strongly Agree
17	**How does the following pints describe about your (individual) and company goals?**				
A	Attaining the goal is likely result reward				
B	I participate fully in goal setting activities				
C	The goal is attainable individual and company				
D	Individual and company goals are consistent				
18	**How does each of the following points describe pour pay?**				
A	The pay matches with my job and experience				
B	The pay is equitable with what others get doing similar jobs in this organization				
C	The pay is fair compared with what I get for doing similar jobs in other organization				

19. What impact do the reward and compensation practices (factors) have on your level of motivation and performance?

A. high B. medium C. Low D. No effect

20. Have you ever get the following opportunities? (Thick as many points as possible)

a. Promotion

b. Salary increase

c. Training

d. Recognition

e. Others

f. None

Interview Questions for appraiser

Dear Respondents:-

This questionnaire is for evaluation of reward and compensation of employees and your response will not be used other than research purpose. So, you are kindly requested to give response honestly.

Thank you in advance.

1. How for the system of reward and compensation of your organization enables to maintain and promote its employees?

2. Do you think that the current reward system in your organizations appreciated or abortive? A. If appreciated why? And B. If abortive why? And do you recommend some ways how it will be redesigned?
3. What are the main purposes of reward and compensation in your organization?

4. In what range do performance ratings of the majority of workers in your organization often fall?

5. What kind of evaluation criteria (form) do you use in your organization to reward and compensate your employees? And do you recommend some additional statement that included in the form?

6. Which reward and compensate technique do you use in organization?