



**ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE
GRADUATE PROGRAM**

**THE EFFECT OF REWARD ON EMPLOYEE PERFORMANCE:
THE CASE OF COMMERCIAL BANK OF ETHIOPIA (CBE)**

**A THESIS SUBMITTED TO ADDISABABA UNIVERSITY SCHOOL OF
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FOR THE AWARD OF MASTER OF ART DEGREE IN HUMAN
RESOURCE MANAGEMENT**

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I Dereje Seleshi, declare that this work entitled **The Effect of Reward on Employee Performance: In the case Commercial Bank of Ethiopia** is outcome of my own effort and that all source of materials used for the study have been duly acknowledged. I have produced it independently except the guidance and suggestion of the Research Advisor. This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of MA in Human Resource Management.

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STATEMENT OF CERTIFICATE

This is to certify that Dereje Seleshi has carried out her research work on the topic entitled: **The Effect of Reward on Employee Performance: In the Case of Commercial Bank of Ethiopia** for the partial fulfillment of Masters of Art in Human Resource Management at Addis Ababa University-School of Commerce. This study is an original work and not submitted earlier for any degree either at this University or any other University and it is suitable for submission of Master's Degree in Human Resource Management.

Advisor: Dr. Solomon Markos

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ACRONYMS

ANOVA –	Analysis of Variance
CBE -	Commercial Bank of Ethiopia
EAAD-	East Addis Ababa District
HRM/D –	Human Resource Management/ Human Resource Division
NAAD-	North Addis Ababa District
SAAD-	South Addis Ababa District
SD-	Standard Deviation
SPSS-	Statistical Package Software for Social Science
WAAD-	West Addis Ababa District

ABSTRACT

Reward system is one of the most essential tools in a company's development and success. In order to maximize the overall performance of the company, it is vital for an employer to understand how employees perceived the reward system, and motivated by the rewards given by the company. The main objective this study was to investigate the effects of reward on employee performance at commercial bank of Ethiopia. Data were collected through questionnaire prepared based on previous scholars work. Content of the reward and employee performance of questionnaire was adopted for use developed by (La Belle, 2005).). A stratified random sampling technique was used to select a sample of 363 respondents from a target population of 6296 employees with a response rate of 81%. The study adopted descriptive and explanatory research design. Data analysis was carried out using quantitative techniques with the aid of SPSS version 20. The data was analyzed mainly by using descriptive statistics, correlation and regression analysis. The results revealed that there is positive and significant relationship between Reward and employee performances. However, based on the finding Intrinsic Reward factors have more influence toward employees' performance than Extrinsic Reward factors. This study has provided implications that extrinsic rewards are to some extent need improvement and employees are nowadays searching for rewards beyond solely monetary rewards. Therefore, in order to be effective in achieving its targeted goals and objectives, CBE is required to reevaluate its reward practices.

Key Words: Employee Performance, Reward, Pay and Benefits, Promotion, ,Recognition, Task Autonomy, Accomplishment, Working Relation and Working Conditions

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The world today is facing constant changes especially with regards to technology, innovation and development, and it induces the organizations to review the manner in which they communicate to their employees and customers. There is also a need for these companies to systematize the tasks at hand, re-design systems, organizational processes, and reconsider and improve current management styles (Harmon, 2007). To reach this goal, managers think about both employees and customers and the way to communicate with them. This is especially needed in areas where competition is constantly increasing and where consistently challenging. The banking industry is the one.

There is so much changing occurring in the business world and every business entity or organization has much rely on employee's good performance. Rewards are considered an important tool to check the employee's performance. Rewarding has been found to be one of the main organizations policies which can increase the performance of staff and increase the outputs of organizations (Ajila, 1997).

According to (Armstrong, 2009) Reward management is concerned with the formulation and implementation of strategies and policies the purpose which are to reward people fairly, equitably and consistently in accordance with the value to the organization and thus help the organization achieve its strategic goals it is also concerned with the development of appropriate organizational cultures, underpinning core values and increasing the motivation and commitment of employees. It deals with the design, implementation and maintenance of reward systems (reward process, practices and procedures that aim to meet the needs of both the organization and its stakeholders).

Reward can be anything tangible or intangible that an organization provides to its employees either intentionally or unintentionally in exchange for the employees potential or actual work contribution to which employees as individuals attach a positive value as a satisfier or certain self-defined needs. (Shields, 2007)

Rewards can be extrinsic or intrinsic, extrinsic rewards are tangible rewards and these rewards are external to the job or task performed by the employee. External rewards can be in terms of salary pay, incentives, bonuses, promotions, job security, etc. Intrinsic rewards are intangible rewards or psychological rewards like appreciation, meeting the new challenges, positive and caring attitude from employer, and job rotation after attaining the goal. According to Luthans(2000), there are two basic types of rewards, financial and non-financial and both can be utilized positively to enhance performance behaviors of employees. Financial rewards means pay-for-performance such as performance bonus, job promotion, commission, tips, gratuities and gifts etc. Non-financial rewards are non-monetary/non cash and it is a social recognition such as acknowledgement, certificate, and genuine appreciation etc. The non-financial rewards is also called materials award (Neckermann and Kosfeld, 2008).

According to Dewhurst et al. (2010), there are other means to reward employees that do not just focus on financial compensation. Some of these include the praised that employees are able to acquire from their managers, the opportunity to take on important projects or tasks, and even leadership attention. These motivators constantly appear on most research studies and are excellent means to encourage the employee to work hard and produce better results (Serena Aktar, Md. Zia Uddin, Muhammad Kamruzzaman Sachu, 2013). This is largely due to the fact that the well-rewarded employee feels that he/she is being valued by the company that he/she is working for.

They are also encouraged to work harder and better if they are aware that their well-being is taken seriously by their employers, and that their career and self-development are also being honed and taken care of by their company. Thus, it is a constant and continuous challenge for companies to really work on understanding what factors contribute to improved satisfaction levels of their employees. Aside from working on satisfying their customers, it is crucial that companies also work on identifying the motivators that boost the performance of their workforce, and in so doing, make appropriate and sufficient offers for their employees.

Employee will give their maximum when they have a feeling or trust that their efforts will be rewarded by the management. There are many factors that affect employee performance

like working conditions, worker and employer relationship, training and development opportunities, job security, and company's overall policies and procedures for rewarding employees, etc. Among all those factors which affect employee performance, motivation that comes with rewards is of utmost importance. Motivation is an accumulation of different processes which influence and direct our behavior to achieve some specific goal (Baron, 1983).

Desired performance can only be achieved efficiently and effectively, if employee gets a sense of mutual gain of organization as well as of himself, with the attainment of that defined target or goal. An organization must carefully set the rewards system to evaluate the employee's performance at all levels and then rewarding them whether visible pay for performance or invisible satisfaction. The concept of performance management has given a rewards system which contains; needs and goals alignment between organization and employees, rewarding employee both extrinsically and intrinsically. The system also suggests where training and development is needed by the employee in order to complete the defined goals. This training or development need assessment of employee gives them an intrinsic motivation. Frey (1997).

In this study, the researcher has decided to focus on determining the effect of rewards on the job performances of employees who are in the commercial bank of Ethiopia (Addis Ababa area). The topic is of particular interest to the researcher because employees who are involved in commonly found to experience face-to-face interactions with customers. These employees play an important role in ensuring that service quality is delivered (Bettencourt & Brown, 2003). However, having to deal with constant interaction with customers is not easy, and is therefore subject to major organizational challenges- one of which is employee retention. This is a major problem because in order to retain customers, employees must first and foremost, also be taken care of (Tax & Brown, 2003). In this context, there is a need for companies in the banking and industry to really focus on determining how they can encourage their employees to be dedicated and engaged with their work.

The central concern of this study is examining the relationship between reward management and employee job performance. The main objective is examining the effect of

reward on employee job performance of among employees of Commercial Bank of Ethiopia International Bank. Moreover, the study aims to discover answers to what extent intrinsic and extrinsic rewards effect on employee job performance

Commercial Bank of Ethiopia was established in August 1942 G.C as a state bank of Ethiopia by proclamation with the aim of providing commercial banking service to the public. But a year later, in addition to its commercial banking functions, the bank was entrusted with three basic duties of a central bank i.e. controlling the issuance of currency, holding the foreign reserves of the country and acting as fiscal agent of the government. Since its creation up to 1963 GC CBE combined these official and private functions acting at the same time as a Central Bank of Issue and the only important deposit Bank operating in the country.

CBE was incorporated as a share company in December 1963 GC, to take over the commercial banking activities of the former state bank of Ethiopia and carry on all types of banking business and operations. It's the commercial successor of the former state bank of Ethiopia to whom all the branch network and established business of its predecessor were transferred in 1963 GC.

Now a day, CBE carries a comprehensive banking business such as, providing different types of loans for borrowers, Internet Banking, Mobile Banking, ATM/Visa Card , Interest Free Banking, different types of saving deposits, providing local and foreign money transfer and facilitating domestic and international trade in and between the country with the help of its above 841 (eight hundred and forty one) branches as of September 6 , 2015 and around 18,000 employees all over the country and one abroad to its corporate, business, commercial and retail customer which makes it a truly national as well as the largest and dominant commercial bank in Ethiopia.

The CBE is expected to play a pivotal role in financing the development efforts of the country and national priority areas. Driven by the ambitious and ever-growing demand of stakeholders, the Bank has been working hard to become a World-Class Commercial Bank that meets the expectations of all stakeholders. To this end, CBE has re-engineered its business process and is being transformed from a functionally-oriented bank into a process

based institution that strives for efficient and effective service delivery. This paradigm shift has radically changed the bank in general and its human resources management system in particular.

(Source: CBE HR manuals)

1.2. Statement of the Problem

An analysis of the current trends show that most reward management decisions are based more on social and political processes rather than academic information on the merit of the reward management decision, (Chen & Hsieh, 2006). Besides, reward management is seen as one of the most effective ways of increasing employee performance as depicted in the expectancy and instrumentality theories that reward management touch on the very aspects of employee performance such as their expectations and behavioral tendencies towards their work, (Tahir et al, 2013).

According to La Belle (2005), different individuals have different perceptions of rewards. For instance, some individuals may consider cash as a sufficient and adequate reward for their efforts at work, while others may consider holidays and material incentives (such as a car) as more rewarding in exchange for their work. Others still, may consider a shift in the treatment that they get from their leaders to be a more rewarding experience. For instance, some employees consider being recognized by their leader as more rewarding than financial incentives

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).employees are the most valuable assets that can create comparative advantage their contribution is mandatory in achieving the companies goals and objectives.(Armstrong ,2009)

The way people are rewarded increasingly determines the survival of the organization, one of the most important tools at the hand of any management is to attract and retain competent human resource is to administering an effective reward system. In order to achieve this goal an organization should decide on the type of tasks /objectives that should

be rewarded, an organization can use reward management to show employees that their contribution to the organization is recognized.

As per the researcher made preliminary interview with HRD Director (West district), he observed that the practical problem of reward management in the Commercial bank of Ethiopia that has got high attention is lack of clear link between promotion and employee job performance. In this context, as pointed out by senior officials & HR officers (informants) due to high ambition of customer officers to be rewarded the issue of promotion is mainly captured young customer officers. Although the Bank launched great transformation program in HRM, at present situation there is no grounded reward management strategy and implementation (documented and implemented). Exceptionally, annual bonus offer only link as mandatory with District (include branches) goal targeted performance. The other reward issue in the bank is high application of customer service officers to be assigned to near branch offices that are close to their home and transportation. This, in turn, will help the management interest to emphasize to craft need diversity well designed reward system impact motivated and satisfied employees.

Researchers, practitioners and scholars have established that there is a positive link between reward management and desired performance. Commercial bank of Ethiopia is an organization that offers essential financial services that support other sectors of the economy. The management has established rewards in their organization; these include financial and non-financial in pursuit of increasing employee performance so as to ensure prompt and quality service. However, the extent to which reward management and employee job performance relationship is not established. There is too much interest in this field now days. This study tries to find this gap by investigating the effect of rewards and on employee job performance of commercial banks of Ethiopia

This study therefore will aim at determining the relationship between reward management and employee job performance at commercial bank of Ethiopia. More specifically, this study will examine the effect of extrinsic and intrinsic rewards on employee job performance.

1.3. Research Questions

Based on the above stated problems the study has tried to address the following research questions:

General Question

“what are the effects of rewards on employee performance among bank employees?”

Sub Questions:

- To what extent Extrinsic Reward variables contribute to employee performance?
- To what extent Intrinsic Reward variables contribute to employee performance?
- What is the perception of bank employees on the existing reward practices?
- What is the relationship between rewards and employee job performance?

1.4. Objectives of the Study

1.4.1. General Objective

The main objective of this study is to examine the effects of rewards on employee performance

1.4.2. Specific Objectives

- To assess the perception of bank employees on the existing reward practices
- To determine the relationship between rewards and employee job performance.
- To examine the effect of extrinsic rewards on employee job performance
- To investigate the effect of intrinsic rewards on employee job performance

1.5. Significance of the Study

The study would be of great importance to the managers in the Commercial Bank of Ethiopia as well as other private banks and financial share companies in designing policies on improving employee performance as well as policies on employee reward. This is because the findings of this study will enable them understand the factors surrounding reward management and specifically its effect on employee performance in the banking

industry in order to make informed policies aimed at improving employee performance in the industry.

The study would also be of great help to the Human resource academic field and practitioners as it will give new empirical evidences and further theoretical elaborations. This will in turn expand the depth of available knowledge on reward management and its effect on employee performance. This will also shape the human resource practice across various firms in regards to aligning reward management to the need to optimize employee performance.

Finally, the study would be of importance to future scholars as it will form foundation for their future studies in related field. This will be from the empirical literature availed for review by the research report which will be in the library. The study will also give suggestions for further studies which will guide the future scholars in selecting their topics for research.

1.6. Scope of the Study

Commercial bank of Ethiopia is one of the largest banks in Ethiopia ,it has over 800 branches stretched throughout the country so it is difficult to conduct a research from all branches due to time and capacity constraints this study covered only some branches under the four selected Districts under Addis Ababa area (SAAD, NAAD, EAAD and WAAD). The district was selected in order to maximum the information collects from participant that has significant impact on generalization to the population. The remaining districts were not included because of the homogeneity of the employee's educational background, work experience and due to the time constraint, and some departments that are under head office as representatives of all employees are included in this research. .because most of non –customer service officers employees may not understand the questionnaires properly, it would be difficult to collect data from them so only customer service officers employees were included in this research.

Although, the study would have been more comprehensive if other human resource variables that Have impact on employee performance would have been addressed, the scope of the study is limited to extrinsic rewards and intrinsic rewards effect on employee

job performance. One of the human resource functions i.e. rewards systems. The scope of the study is restricted to the effect of reward variables such as Pay and Benefits, Promotion and Career Advancement, Recognition, Working condition, Task autonomy, Accomplishment and working Condition on employee job performance among bank employees. In this research, desired employee job performance is the efficient and timely completion of tasks given to employees as given by the Bank.

1.7. Limitations of the Study

To conduct this study there are many challenges that affect the quality of the paper and hinder the progress of the research. Such as; missing to address all Reward variables that have impact on employee performance may have some impact on the outcome of the study as the dependent variable is subject to other reward variables considerations as well. Respondents are suspicious and be reserved to communicate freely and openly on what they really believe in. Some respondents are not dedicated enough to respond to all the questions, rather they leave some questions not answered. The study is suffered from budget and time shortage. In addition to this, the findings were not generalizable for other businesses in Ethiopia. So that it requires future research which broaden the sample size to include other businesses. The most challenging problem the researcher face during the study is the Respondents' unwillingness to respond and the researcher spent much time on it.

1.8. Definition of Terms

Conceptual definition of terms

Refers to the definition of terms/concepts or variables from the theoretical perspectives. Sources of such definitions should be cited.

Reward systems

A reward system consists of the interrelated process and practices that combine to ensure that

reward management is carried out effectively to the benefit of the organization and the people who work there. (Armstrong 2010).

Total Rewards

As defined by Manus and Graham (2003), total rewards ‘includes all types of rewards – indirect as well as direct, and intrinsic as well as extrinsic’.

Intrinsic Rewards

Intrinsic non-financial rewards related to responsibility, achievement and the work itself may have a longer-term and deeper impact on motivation. (Armstrong 2007)

Extrinsic Rewards

Extrinsic rewards provided by employers in the form of pay will help to attract and retain employees and, for limited periods, may increase effort and minimize dissatisfaction. (Armstrong 2007).

Employee performance

Armstrong and Baron (2005) views employee performance as about encouraging productive discretionary behavior with a goal to achieving human capital advantage.

1.9. Organization of the Paper

This study would be organized in to five chapters. The first chapter provides an introduction to the study. It contains background of the study, statement of the problem, research questions, objectives of the study, scope and limitation of the Study and significance of the study. The second chapter would have the literature review of the study. In this part literatures related to theories of reward, and employee performance are reviewed & conceptual frameworks of the study. In addition prior studies were reviewed. The third chapter would explain methods of the study. In this chapter the type and design of the study, the subjects and sampling of the study, procedures of data collection and the

data analysis techniques was discussed. The fourth chapter covers the result of the study. The last chapter was provide summary of findings, the conclusion of the study and suggests possible remedial recommendations

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This section was devoted to reviewing literature relevant to the study on the effects of rewards on employee performance. There was also the conceptual framework that outlines the relationship between reward strategies and employee performance i.e. independent variables and dependent which acts as a guide in the study.

The chapter also looks at empirical studies and documented research findings by other researchers on the subject and it ends by identifying the research gaps of the previous studies. This chapter provides an insight about rewards and, reward policies, reward systems, purposes of Reward system, types of reward system, definition of motivation and different theories of Motivation which is important to the study of reward systems.

2.1. Reward

Reward has been defined in various ways by different scholars. According to Jeffery Gold (2010) reward refers to all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship. In the similar way Wilson (2010) also defined reward as an external agent administered when a desired act or is performed, that has controlling and informational properties. He went further to explain that rewards are usually administered to increase the probability of an event occurring, depending on the saliency and direction of the controlling and informational aspects of the reward.

(Hand book of employee reward management and practice, 2nd edition, 2007) 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. 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.

2.2. Reward Policies

According to Armstrong and Helen (2007) reward policies provide guidelines for the implementation of reward strategies and design and management of reward process. They will be influenced strongly by the guiding principles and reward philosophy of the organization. The reward policies will be concerned with the level of rewards, the relative importance attached to market rates and equity, attraction and retention of employees, the match between rewards and business performance, total reward policy,, the need to communicate reward policies to loyees and transparency.

2.3. Reward Systems

Throughout the management literature, practitioners as well as theorists have underlined the importance of reward system. Reward management is considered to be the most rapidly developing area of human resource management. In order to conceptualize the reward systems, it is necessary to commence from the Harvard model of human resource management, According to Sparrow and Hiltrop (1994) which emanate from the Harvard business school. This model is called "Soft Variant" because it emphasizes in the human aspect of human resource management. Beer et al (1984) suggested that the model comprises of four key policies: reward systems, designed to attract, retain and motivate employees. Human resource flow, akin to the human resource development set of policies employee improvement in decision making and work system designed in order to produce the best outcomes.

Therefore, it is obvious that reward systems are a fundamental function of human resource management as they deal with the assessment of job values, the design and management of payments, performance management, contingent pay, employees' benefits and pensions and the management of reward procedures. Moreover, Armstrong and Murlis (1998)

deduced that reward policies should take in to account of organizational goals, values and strategies. Another important point that Armstrong and Murlis (1998) mention that reward systems also include the development of organizational cultures as they are led by organizational requirements and can increase the motivation and commitment of employees as their philosophy must recognize the vital role of the workforce also respect their needs.

White and Drucker (2000) asserted that the reward systems are comprised of two main elements: financial and non-financial rewards. The financial rewards include rewards strategies such as Merit-pay, market based pay, and profit rated pay, while non-financial rewards focus on the needs of people for recognition, achievement, responsibility and personal growth. Thorpe and Homan (2000) emphasized that one of the most fundamental debates in the field of reward management, concerns the extent to which employees are motivated by money. If the organization rewards certain kind of employee behavior, good or bad, that is the company will get more of. Every existing company has some form of reward system, whether it is outspoken or not, it exists. People correspond positively to praise, and praise in the right moment creates Loyalty and affinity. Kaplan and Atkinson (1998) asserted that rewards come in two different types it can either be in the form of incentive motivation or personal growth motivation, the former kind of reward that comes from within the individual, a feeling, being proud over something, feeling content and happy by something that you have done. On the other hand, the latter is the type of reward that is brought to you by another person or an organization. Furthermore, extrinsic reward can be monetary or non-monetary. The monetary is usually a variable compensation, separated from the salary. It is received as a consequence for extraordinary performance or as an encouragement and it can be either individual based or group based. According to Jaghult (2005) the conditions to obtain this reward should be set in advance and the performance needs to be measurable. Ax, et al (2005) suggested that there exists a variety of purposes of reward system; one very common is to motivate employees to perform better, but also for keeping the employees. Merchant (2007) concluded that for a reward system to be ideally motivational the reward should satisfy a number of criteria: have values, be large enough to have impacts is understandable, be timely, the effect should be durable and finally the rewards should be cost efficient.

2.3.1. Purposes of Reward System

Merchant (2007) and Svensson (2001) indicated that a reward system puts together employees' natural self-interests with the organization objectives and provides three types of management control benefits, that is, informational, motivational and personnel related. Firstly, rewards should catch the employees' attention and at the same time it works as a reminder for the person in charge of what results should be completed in different working areas. Organizations use reward systems to emphasize on which parameters their employees should exert the extra effort on by including them in their reward program.

Merchant (2007) assured that this is a good way to emphasize and convince the employees of which performance areas that are important and create goal congruence within the organization and signals how the employees should direct their efforts. To motivate is the second control benefit. People sometimes need an incentive to perform tasks well and work hard. The last but not least we have the personal related control benefit. Organizations give rewards for many different reasons example, to improve recruitment and retention by offering a compensation package that is competitive on the market. Merchant (2007) showed that reward systems refer primarily to things that employees value. It is important to bear in mind that a reward system can contain both positive and negative rewards, the negative rewards, often seen as punishments usually manifest themselves through an absence of positive rewards. Examples of positive rewards would be autonomy, power, salary increases, bonuses and some negative rewards should be interference in job from superiors, zero salary increase and no promotion.

2.3.2. Types of Reward Systems

1. Monetary Reward System

Merchant (2007) stated that people value money and therefore making money an important form of reward. Monetary reward systems can be classified into three main categories, performance based salary increases, short term incentive plans and long term incentive plans. The latter two rewards are common on managerial levels and are often linked to performance during a specific time period. Samuelsson (1999) identified that the first one is often considered to be the greatest motivational factor for all employees of the

organizations. Merchant (2007) described that each and every organization gives salary increase to employees' at all organizational levels. This is normally a small portion of an employees' salary, but has a significant value due to long- term perspective. Short term incentives in some form are however commonly used in organizations. A cash bonus is usually based on performance measured on a time period of one year or less. Why a company primarily uses a variable pay is to differentiate it among the employees, so that the most successful employees will be rewarded. By recognizing the employee's contributions to the company it makes it easier for the organization to encourage excellent performance. The employee's appreciate the possibility of receiving a reward for their performance. Using a variable pay can also be an advantage for the company in terms of risk sharing. This means that the expense for compensation varies more with company performance when the total compensation is partly variable, making the cost lowers when no profit is made and when there is a profit this can be shared with the employees. Merchant (2007) indicated that rewards based on performance measures overtime periods larger than one year are long-term incentive rewards.

By using, a company can reward employees for their outstanding work performance to maximize the firm's long term value. This also works to attract and retain key talented persons. According to Samuelsson (1999) types of these can be stock option programs, restricted stock plans or by a reward that is put in a 'bonus bank' that change according to result and runs over several years. Kaplan and Atkinson (1998) specified that a stock option program is usually when a person is allowed to buy stocks in the future, but for today's price .This is an attractive way of rewarding a manager because the manager would want the value of the stock to increase and thus work harder on the long- term goals and commitments instead of focusing on short- term profits. Another advantage with this type of reward is, since the manager does not yet own the stock, he or she will still be taking risks with higher payoffs than they might had if they already owned them. There does, however, exist one great disadvantage with the stock option program, a manager does not have enough control over the value. Too many external and non-responsive factors influence the value, making it less appealing as an incentive.

A very popular type of long term incentive is some form of a restricted stock plan. This reward is shares given as a bonus to employee; however, they can only be sold after certain time period. After for instance one year, the employee will be able to sell one fifth of the shares, after two years he or she will be able to sell two-fifth and after three-fifths etc. This is a way to retain competence within the company, not to motivate employees, since if they choose to end their employment before the fifth year; they will lose the remaining parts. Some firms take this even further by withdrawing the shares you already received.

2. Non-Monetary Reward System

Jaghult (2005) postulated that be given a thank you from your manager or to receive gratitude from your co-workers are both examples of non-monetary rewards. According to Armstrong (1993) monetary rewards are often accused of being too short-termed and not creating a longterm commitment which is normally what you want from your employees. To achieve long lasting motivation for the employees the organization must pay attention to both the financial and the non-financial motivators, in order to provide the best mix.

3. Individual Based Vs. Group Based Reward

Zemke et al (1999) Suggested that for a group reward to provide a direct incentive effect, the employee to whom the rewards are promised has to believe that they can influence the performance on which the rewards are based on a significant extent. According to Merchant (2007) achieving something as part of a group usually strengthens the ties between co-workers. However, if someone has been part of the group usually strengthens the ties between coworkers. However, if someone has been part of the group without contributing the same way as the rest usually creates greater dissatisfaction among the rest and teaches employees that they get rewards without input In many projects and companies it is not possible to carry out a task by yourself but the task completing-process is a process through the company, engaging many different people. In these cases a group-based reward is preferable since everyone has “Pulled their weight” although it is hard to see the individual impact. Individual-based rewards often lead to sub-optimization. Jaghult (2005) proposed that when introducing an individual-based reward system, employees tend to concentrate on their own performance instead of the company’s performance as a whole.

As King Co-workers and managers for help is suddenly something you think twice about, as you might need to share a future reward if you do. This leads to tasks fulfilled with an okay result, instead of a better result that might had sprung from collaboration with co-workers more competent to tasks or parts of the tasks, hence sub-optimization. However, an individual-based reward creates the greatest motivation and larger incentives for the individual. Jaghult (2005) identified that increasing the responsibility for an employee usually tends to also increase motivation. This is mainly due to increased responsibility makes the employee feel more appreciated and skillful when in a group, people learn from each other, creating more and more positive actions, and also gets more effective. Rewarding, a group using a monetary reward, often creates an intrinsic reward for a group members, as they feel satisfied belonging to a group that has performed something extraordinary. Samuelsson (1999) suggested that there is also a possibility to combine these two kinds of reward. Kaplan and Atkinson (1998) expressed that this can be done by basing the total reward on group performance and the individual shares of this reward on individual performance.

4. The Total Reward System

Armstrong and Brown (2006) identified that total reward describes a reward strategy that brings components such as learning and development together with aspects of the work environment, into the benefit package. In the total reward system both tangible and intangible rewards are considered valuable. Tangible rewards arise from transactions between the employer and the employee and include rewards such as pay, personal bonuses and other benefits. On the other hand, intangible rewards have to do with learning, development and work experiences .Example of these types of rewards are opportunity to develop, recognition from the employer and colleagues, personal achievement and social life.

The aim of total reward is to maximize the positive impact that a wide range of rewards can have on motivation, job engagement and organizational commitments. Armstrong and Brown (2006) also suggested that the purpose of total reward is to create a cluster where all the different reward process are connected, complementary and mutually reinforcing each

other .In order to achieve internal consistency ,the total reward strategies are horizontally integrated with human resource activities and vertically integrated with business strategies.

The benefits of total reward system are described by Armstrong and Brown, 2006:

I. Greater impact

When different types of rewards are combined, they will have a deep and long lasting effect on the motivation, commitment and engagement of employees.

II. Enhancing the employment relationship

Total reward appeals more to employees due to the fact that it makes the maximum use of rational as well as transactional rewards.

III. Enhancing cost effectiveness

Because total reward communicates effectively the value of the whole reward package, it minimizes the undervaluing of the true costs of the packages.

IV. Flexibility to meet individual needs

Due to the variety of rewards, the total reward is able to answer the individual needs of the employees and hence bind them more strongly to the organization.

V. Winning the war for talent

because rational reward processes are more difficult to replace than individual pay practices, the organization the ability to attract and retain talented employees by differentiating their recruitment process and hence becoming “a great place to work.”

2.3.3. Motivation Theories

Motivation is the complex of forces starting and keeping a person at work in an organization. To put it generally, motivation starts and maintains an activity along a prescribed line. Motivation is something that moves the person to action, and continuous him in the course of action already initiated (Dubin, 2005)

Motivation is concerned with the strength and direction of behavior and the factors that influence people to behave in certain ways. People are motivated when they expect that a course of action is likely to lead to the attainment of goal and a valued reward: one that satisfies their needs and wants (Armstrong, 2009)

Decenzo and Robbins (2005) further explained motivation as a process. An unsatisfied need creates tension, which stimulates drives within the individual. These drives generate a search behavior to find particular goals that, if attained, satisfy the need and lead to the reduction of tension.

2.3.3.1. Hierarchy of Needs Theory

This theory was developed by Abraham H. Maslow (1943). The theory suggests that each individual has a series of innate needs. If such needs are unfulfilled then the individual will be motivated to act in a specific manner in an attempt to satisfy these unfulfilled needs (Hume, 2000). According to Maslow the theory advocates that all individuals have a set of human needs. Which are prioritized on an ascending scale, primary needs dealing with physiology and safety, and secondary needs dealing with the psychological aspects of human existence? Maslow's hierarchies of needs in ascending order are: physiological, safety, social /love, esteem and self-actualization. This theory assumes reward should help to satisfy needs in each level of the hierarchy

2.3.3.2. Theory x and theory y

Douglas McGregor (2010) proposed two distinct views of human beings. In this theory: one basically negative, labeled theory x and the other basically positive labeled theory y (Robbins, 2005). The base for McGregor's theory on motivation is the belief that there is a direct correlation between

The way managers treat their workers and worker motivation. Theory x is an elitist management approach where workers are treated with little or no respect, with an emphasis on control, discipline, conformity, obedience and dependence. Theory y approaches employee management from an entirely different point of view. It emphasizes decentralization, delegation, participation and consultation.

Theory x and y emphasized the importance of commitment, rewards and integrating individual and organizational needs (Armstrong, 2009)

2.3.3.3. Motivation-Hygiene Theory

The two factor model of motivation developed in 1959 by Fredrick w. Herzberg tries to find out what people want from work. According to DeCenzo& Robbins (2005), the theory identifies two sets of factors that influence work behavior: dissatisfies (hygiene factors) and satisfiers (motivators).

Hygiene factors are related to the context of jobs which do not result in the individual being satisfied but prevent the individual from being dissatisfied. These include pay, working condition, supervision, status, security company policy and administration.

Motivators are those factors within the workplace which resulted in the individuals being satisfied at work includes achievements, responsibility, recognition, advancement, growth and the work itself.

The two-factor theory underpins the proposition that reward system should provide for both financial and non-financial rewards (Armstrong, 2009)

2.3.3.4. Equity Theory

Equity theory recognizes that individuals are concerned not only with the absolute amount of rewards they receive for their efforts, but also with the relationship of this amount to what others receive(Ivanevich,2008).according to J. Stacy Adams(2010) people who are experiencing inequity are motivated to do something to correct it. On another note Adams suggests that the degree of fairness (equity) or unfairness that an employee perceives in the work place determines employee's productivity and satisfaction. The degree of equity is defined as a ratio of an employee's input(effort,competence,etc) to outcome(pay,benefits,service,etc),compared with a similar ratio of others(Robbins,2005).according to the theory ,when people perceive an imbalance in their outcome-input ration relative to others, tension is created. This tension provides the basis for motivation, as people strive for what is perceived as equity and fairness.

Equity theory focuses on both distributive and procedural justice. The perceived fairness of the amount and allocation of rewards among individuals are procedural justice: the perceived fairness of the process used to determine the distribution of rewards, the theory suggests that there should be equitable reward and employment practice in organizations

2.3.3.5. Expectancy Theory

Expectancy theory which was developed by Victor Vroom (1964) states that, motivation depends on the expectation that effort will produce performance. The theory states that individuals will behave in a specific way when there is a higher expectancy that such behavior will result in a desired outcome.

Expectance theory suggests that motivation of an individual depends on a perception of

- A. specific behavior will result in the attainment of a specific goal
- B. the value of the desired goal
- C. the degree to which such behavior is contributing in the attainment of other additional goals(Hume,2000).it is also emphasized that there must be a link between effort and reward and reward should be achievable and worthwhile.

2.3.4. Reward System and Performance

Appropriate, effective and timely reward increases employees and managers' motivation. Researches and experience regarding the concept of performance reinforcement have proved that effective and timely feedback can be regarded as a motivation to increase employees' productivity and spirit (Cock, 2008). The studies reveal that there is a significant relation among the extant resources of employees, service compensation, the exchanged information, degree of stress and job burnout in the workplace (Schaufeli, 2004). Corporations usually focus on what managers and employees referred to as reward and emphasize a special value and direct their behavior towards those values (Podhame, 2004).

Managers should try to build a suitable value-based corporation and use it as an important goal for short-term and long-term goal of management (Hammel, 2007). Change in management has taught us many points including those managers should not only focus on production (service) increase but also they should think how to choose suitable people for the corporation's success (Wren, 2005). If employees are given a suitable reward for their ethical behavior and a fair wage for their performance, the manager has the chance to bind his/her employees to ethical act. In addition to conformation of employees' perception, characteristics such as fairness of the reward and wage system are regarded as legal standards in any country to provide their needs (Carico&Mujtaba, 2008). If corporations and managers give the reward of product (service) quality and quality improvement fairly and clearly, employees are constantly thinking to enhance the quality of their work that might be led to better work methods (Mujtaba, 2010).

In the event that corporations reward the customer's intimacy and satisfaction, they are more probably prepared to regulate and change behavior in order to establish a good relation with customers and satisfy their needs (Mujtaba, 2006). One of the important characteristics of human resources managers regarding employees' perception is to make a good relation among all managers and employees which guarantees the success of the corporation (Carico&Mujtaba, 2009). An appropriate reward system for all employees and sellers as a part of performance management plan can be resulted in increasing of efficiency and productivity at the workplace. Performance management is a secure way for assessment which conforms the corporation's activity to mission, perspectives and purposes and harmonizes them (Mujtaba, 2010).

2.3.5. Employee Performance

Armstrong and Baron (2005) views employee performance as about encouraging productive discretionary behavior with a goal to achieving human capital advantage. They continue to hold the belief that people are the most important source of competitive advantage, and recognize that, as opposed to other forms of competitive advantage resulting from improving factors such as design or process, the people factor is very difficult to reproduce or replicate, making it so valuable to organizations. Every manager, no matter what his or her role, knows that exceptional employee performance is critical in

today's world (Ripley, 2008). A major responsibility of managers and supervisors is turning employee talent into performance. Managers who are effective at employee engagement have employees who are more likely to stay, more satisfied, more committed to the organization, and more productive. Managers and supervisors can increase productivity as a result of the employees' commitment that, in turn, can increase the amount of discretionary effort employees give to the job.

A successful and highly productive organization can be achieved by motivating employees by having affective reward strategies geared towards improving performance. There are a variety of factors that influence employee's performance. Identifying these factors can help improve recruitment, retention and organizational results. All employees are not equal in their working and they have different modes of working like some have highest capability regardless of the incentive but other may require occasional jump-start (Kovach, 2007). If reward strategies are handled effectively, the result can be greater productivity and increased employee performance.

Employees in an organization are required to generate a total commitment to desired standards of performance to achieve a competitive advantage and improved performance for sustaining that competitive advantage at least for a prolonged period of time, if not forever. There are a number of factors which may affect the employees' performance. Each employee may have different effect from different reward strategies. Identifying the right reward strategy that positively influences can help improve recruitment, retention and organizational results.

According to Khan, Farooq, and Ullar (2010), a reward strategy may possibly have the power of enhancing motivation in one way and diminishing it in other ways. To ensure the success of reward strategies, it is important to consider the uniqueness of the situation and the diversity of employees.

2.4. Performance

Measuring performance is of great importance to an incentive plan because it communicates the importance of established organizational goals. "What gets measured and rewarded gets attention" (Bohlander et al, 2001). In discipline of human resource

management, different writers suggest the following indicators for measuring employee performance and they include: quality that can be measured by percentage of work output that must be redone or is rejected; Customer satisfaction that can be measured by the number of royal customers and customer feedback. Also, timeliness, measured in terms of how fast work is performed by the employee when given a certain task; absenteeism/tardiness observed when employees absent themselves from work; and achievement of objectives measured when an employee has surpassed his/her set targets, he/she is then considered to have performed well to achieve objectives (Hakala, 2008; Armstrong, 2006).

The management of individual performance within organizations has traditionally centered on assessing performance and allocating reward, with effective performance seen as the result of the interaction between individual ability and motivation. It is increasingly being recognized that planning and an enabling environment have a critical effect on individual performance, with performance goals and standards, appropriate resources, guidance and support from the managers all being central (Torrington, Hall & Stephen, 2008).

Human resource policies and practices indeed do affect organizational as well as individual performance. Job satisfaction for example, has for a long time been seen as key to affecting business performance as well as commitment. In addition researchers have also identified motivation as the mediating mechanism and some identify trust and morale. In spite of more recent attention to commitment, motivation is still considered to be an important influence to performance (Torrington et al, 2008).

2.5. Relationship between Rewards and Performance

Rewards can be used to improve performance by setting targets in relation to the work given e.g. surpassing some sales targets. When the employee surpasses their target, he or she can be given an additional amount to their salary; this will make them strive to achieve more (Maud, 2001).

Research has proven that when human being are appreciated and praised they tend to improve their performance. This is another way an organization can apply as a reward so as to improve performance. Praise could be shown in the organization newsletter or in

meetings. When managers take time to meet and recognize employees who have performed well, it plays a big role in enhancing employees' performance (Torrington & Hall, 2006).

Organizations should reward employees more often. This greatly improves performance compared to having the rewards maybe only once a year. This is because frequent rewards are easily linked to the performance. (Thomson & Rampton, 2003).

Another way through which organizations can use reward systems to increase output is by personalizing the reward. When rewards tend to be so general, employees do not value them. Organizations can use rewards to improve employee performance by incorporating appraisal or promotion for employees who have a good record of performance. Managers should be on the look out for employees who perform well.

Ahmed & Ali (2008) carried out a research on the "impact of reward and recognition programs on employee motivation and satisfaction". Research design used was exploratory. Sample chosen for the study was 80 employees of Unilever companies and data collection instrument used was a questionnaire. Pearson's correlation was used to analyze data to determine the degree of relationship between reward and satisfaction and motivation.

Major findings indicated a positive relationship between rewards and work satisfaction as well as motivation. Factors affecting satisfaction were identified; payment 86%, promotion 74%, work conditions 61%, personal 37%. Analysis showed support for a positive relationship between reward and employee satisfaction. The researchers recommended that further studies can be done on 'impact of reward and recognition on motivation and satisfaction for diverse groups of people' example gender, race and disability.

Duberg & Mollen (2010) undertook a study on reward systems within the health and geriatric care sector. The problem of the study was how reward systems designed in health and geriatric care are and whether the current reward systems affect the care quality. The thesis aimed to extend the knowledge of reward systems in health and geriatric care and know how these systems are designed and what their effects on quality of health and geriatric care are. The methodology took a qualitative approach and interviewed a sample

of six leaders in both private and public organizations. Two of the leaders worked in geriatric care and four in health care. The theoretical framework was based on scientific literature about motivation and reward systems. Also literature specifically about wage conditions in the health care sector and the public sector was used. Findings showed that salary is an important aspect in the reward system; however other incentives like bonuses and shares were seen to generate an enjoyable work place and happy workers than motivate employees to be more efficient. Results showed that conditions for working with reward systems in the public sector are limited due to the lack of resources and complex large organization structures with old traditions. This must be reconsidered to be able to work with well designed reward systems similar to those in private care organizations. The researcher recommended that further studies should be done to compare reward system and investigate its impact on an organization in relation with one that does not.

Axelsson & Bokedal (2009) did a study on rewards – motivating different generations at Volvo Car Corporation. The thesis was based on a case study of Volvo Car Corporation in Göteborg. Empirical data was based on twenty interviews with managers at the company. Major findings showed that challenging work and non-monetary rewards motivate managers, bonuses and shares are not very motivating. Titles are not motivational at all.

However, opportunities for growth are motivating for both generations. It was concluded that there exists generational differences. However, both generations considered salary as important and non-monetary rewards to be of great importance. The authors recommended research to be carried out on reward systems and how they impact on other interesting aspects like gender, life stage.

Garlick (2009) carried out an online study of 1913 full-time employees and asked people to rank order 14 potential performance incentives in order of preference. These performance incentives included common extrinsic rewards such as cash bonuses, gift cards, award points, and travel awards, as well as intrinsic rewards such as having more freedom and autonomy at work, being able to choose interesting projects, and being assigned to mentor other employees. Not surprisingly, cash bonuses were listed as the most preferred incentive by three-out-of-four people (74%) surveyed. Nine-out-of-ten (89%) listed cash bonuses within their top three preferences. However, the primary issue the

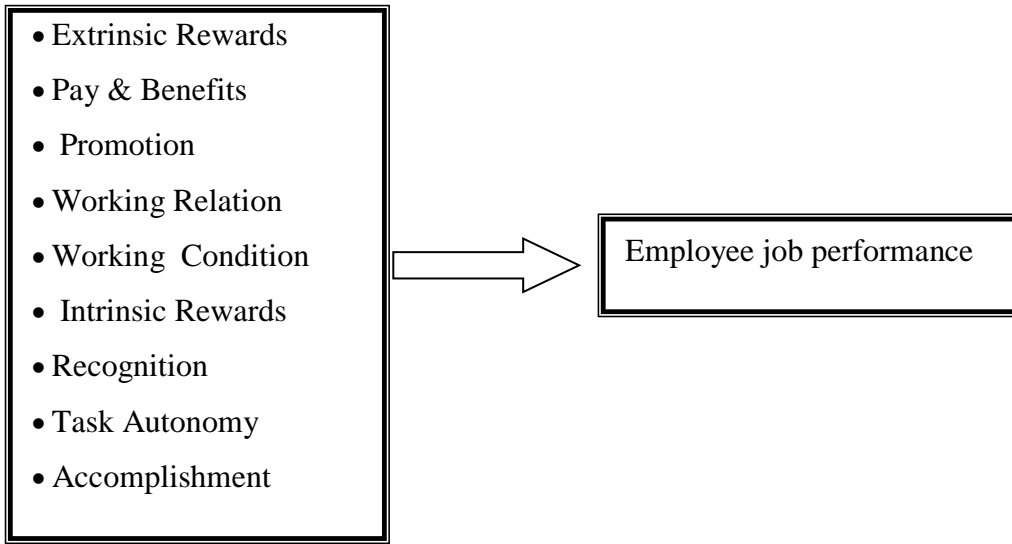
study investigated was whether offering cash bonuses really influenced employee attitudes, as well as other business outcomes. The results showed that offering a cash bonus exclusively does not seem to make much of an impact on performance, despite the fact cash bonuses are nearly everyone's preferred reward. While cash bonuses are the most preferred reward for three-out-of-four, and among the top three rewards for nine-out-of-ten, those who only receive a cash bonus are just slightly more satisfied than those who get no reward at all. Furthermore, offering exclusively cash bonuses only seems to have very little impact on company performance, either in terms of increased customer service, or in increased profitability.

The above studies have dealt with reward in organizations and its relationship with factors such as employee motivation, employee performance, employee satisfaction and effect on quality of work done. Overall the studies show reward to have a positive effect. However, different rewards seem to have a different impact on employee attitude, satisfaction and performance. There are mixed findings when it comes to individual rewards and their effect on performance.

2.6. Conceptual Framework

A conceptual framework can be defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Reichel & Ramey, 2007). It is a research tool intended to assist a researcher develop awareness and understanding of the situation under scrutiny and communicate it.

According to Goetz and LeCompte (2009), a conceptual framework increasingly strengthens and keeps the research study on track. The conceptual framework of the study include independent variables i.e. pay and benefits, promotion, recognition, working condition, working relation, task autonomy, accomplishment and the dependent variable i.e. employee's job performance. Independent variables are the factors that the researcher think explains the variation i.e. causes. Dependent variable is the outcome, it is the variable the researcher attempts to predict (Orodho & Kombo, 2002)



Source: Authors' Conceptualization

Fig 1.1 Conceptual Frameworks

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research Design

Research is the technique for investigating something in a systematic manner. Hopkins (2000)

Suggested that quantitative research work connects independent and dependent variables. Thus, the study was conducted using Quantitative Explanatory type in the form of correlational research

Design. This design was more appropriate in exploring the effect of reward practices on job performance. In addition to, the study was also said to be correlation in design because there was intent to establish the relationship between intrinsic and extrinsic rewards on one hand, and the Performance of employees on the other. Organization size, sample, and organization type were control variables. Correlation research aims to ascertain if there are significant associations between two variables (Reid 1987). Data were collected for a single point of time so it is a cross sectional study (In the year 2016/2017). A quantitative approach is one in which the investigator primarily uses postpositive Claims for developing knowledge, i.e., cause and effect relationship between known Variables of interest or it employ strategies of inquiry such as experiments and surveys, and collect data on predetermined instruments that yield statistics data (Creswell, 2003).

3.2. Sources of Data

The researcher was focused on both primary data and secondary data. Primary data is used in this study and was collected from the sample of Commercial bank of Ethiopia employees. Primary data is the data which is gathered for the purpose of the research specifically (Sekaran, 2010). To get the information, researcher was employed previous scholar designed and distributed a set of questionnaire. A questionnaire consisting were the independent variables and dependent variables. Secondary data was collected by using different books, journals and articles that are written on the topics related to reward management and internal companies source such as different yearly annual reports,

manuals, flyers, collective agreement signed between the management and the labor union, records and other relevant written sources (bank's library materials) that are useful to conduct the research.

3.3. Method and Tools of Data Collection

The main data collection instrument used in the study was a questionnaire. Since this study was follow a quantitative approach, questionnaires was adopt the short form of the Minnesota Satisfaction Questionnaire (MSQ) authored by Weiss, Dawis, England & Lofquist (1967) was selected for the purpose of the present research and the same was also used in the previous research studies e.g. Herzberg (1959) & La Belle (2005). Further; this selection of rewards factors makes the study more suited to the work settings of banking sector of Pakistan (Ismail Khan, Muhammad Shahid, Samina Nawab, 2013). Cronbach's alpha for the instrument is acceptable (Peters Jackofsky & Salter, 1981), therefore, there was no need to ascertain its reliability and validity indices because these have been established previously.

A five point Likert scale questionnaire ranging from strongly disagree, disagree, neutral, agree and strongly agree was distributed to 363 employees working in the HEAD office, SAAD NAAD, WAAD and EAAD. The questionnaire measured rewards and employee job performance. The questionnaire was screened intensively to understand the importance, homogeneity and completeness of all the independent variables in the study.

The independent variables were measure in terms of such indicators: The feelings of accomplishment employee get from the job; the way employee coworkers get along with each other; the praise employee get for doing a good job; the chances for advancement on employee job; the working conditions; employee pay and the amount of work employee do. The dependent variable were measure (employee job performance) in terms of timeliness, how fast work is Performed by the employee when given a certain task ; achievement of objectives measured when an employee has surpassed his/her set targets, he/she is then considered to have performed well to achieve objective.

3.4. Target population and Sample size

In choosing the research participants, it would be said that, in this study, stratified random sampling techniques was applied in determining the participants that enabled the researcher to answer the research questions and to meet the research objectives. According to kotari (2004) since each stratum is more Homogeneous than the total population, we are able to get more precise estimates for each Stratum and by estimating more accurately each of the component parts, we get a better estimate of the whole. In brief, stratified sampling results is more reliable and detailed information , so in this study the population were divided into strata's of South Addis Ababa district, North Addis Ababa district, West Addis Ababa district ,East Addis Ababa district and Head offices then to select the appropriate sample under each strata simple random sampling was used.

The population size of this study was **6296** out of this to get the appropriate sample size the following formula by kotari(2014..p. 179) was used

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2 (N - 1) + z^2 \cdot p \cdot q}$$

Where

N=population size (6296)

n = required sample size

z= confidence level at 95% (standard value of 1.96)

p= standard deviation of the population (0.5)

q = 1-p (1-0.5= 0.5) and e= margin of error at 5% (standard value of 0.05)

$$1.96^2 (0.5) (0.5) (5,200)$$

$$n = \frac{1.96^2 (0.5) (0.5) (5,200)}{0.05^2 (6296-1) + 1.96^2 (0.5) (0.5)}$$

$$n=362.728$$

$$n \approx 363$$

3.4.1. Sample Technique

	Target population		Sample size
	Number	Percentage	
Head office	510	8.10%	$\frac{510}{6296} \times 363=29$
NAAD	1705	27.08%	$\frac{1705}{6296} \times 363=98$
WAAD	1364	21.67%	$\frac{1364}{6296} \times 363=79$
EAAD	1404	22.30%	$\frac{1404}{6296} \times 363=81$
SAAD	1313	20.85%	$\frac{1313}{6296} \times 363=76$
Total	6296	100%	363

3.5. Data Collection Procedures

Generally, the study had both primary and secondary sources. The Primary data was collected from the responses overall representatively sample participants in the company using structured

Questionnaire quantitatively measured on a five point Likert scale. Secondary data was collected

Through document review from existing information available in books, company magazines,

Organizational reports, brochures, journals, published and unpublished researches, internet and other materials organizational reports, brochures, journals, published and unpublished researches, internet and other materials.

3.6. Method of Data Analysis

The collected data checked throughout the different phases (editing, coding, data entry and data analysis). A quantitative data analysis technique was employed. The SPSS statistical package used to analyze the data gathered using the questionnaire quantitatively. The data were analyzed using inferential statistics such as correlation (to achieve the second objective) and regression analysis (to achieve the third and fourth objective). The findings from the questionnaire were analyzed by using SPSS (version 20).

3.7. Ethical Considerations

An important consideration a researcher must not overlook is the issue of ethics in research (Malhotra and Birks 2007). The researcher, in accordance with this, took steps to make sure that no respondent in this research work will be harmed in any way. First of all, the researcher made sure that permission was sought and the aims and objectives of the study were made known to the bank through introductory letters. Who is conducting the study and for what purpose was clearly disclosed for the respondents on the questionnaire

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter will present a discussion of the final results and the process through which the results were obtained. It addresses the research questions raised in the first chapter. The first part of this chapter reports the demographic characteristics of the respondents. The second part is the statistical methods of analysis were discussed, which included a descriptive analysis, a correlation analysis, and a regression analysis through SPSS version 20.

4.1. Quantitative Data Analysis and Interpretation

To facilitate ease in conducting the empirical analysis, the results of the descriptive analysis were presented first, followed by the inferential analysis. The first phase involved editing, coding and the tabulation of data. This assisted in identifying any anomalies in the responses and the assignment of numerical values to the responses in order to continue with the analysis. The data was then checked for possible erroneous entries and corrections made appropriately. The statistical program used for the analyses and presentation of data in this study is the Statistical Package for the Social Sciences (SPSS) version 20.

The descriptive statistics utilized were based on frequency tables to provide information on the demographic variables. Through tables, summary statistics such as means, standard deviations, minimum and maximum are computed for each reward system dimensions and employee job performance in this study. This is followed by presentation of inferential statistics based on each research question formulated for the study. The designed questionnaires were distributed by the researcher to 363 employees of the bank who are currently working in Addis Ababa in 4 District regions. Out of the total 363 questionnaires distributed, 294 respondents filled and returned which accounts to 81 %. Accordingly, the analysis of this study was based on the number of questionnaires collected.

4.1.1. Demographic Information of Respondents

The first part of the questionnaire consists of seven items about demographic information of the respondents. It covers the personal data of respondents, such as gender, age, marital

status educational background, year of service in the bank, current job position and their salary. The below table revealed the total demographic characteristics of the respondents.

Table 4.1: Demographics Profile of the Respondents

No.	Demographics	Frequency	Percentage
1	Gender:		
	Male	210	71.4
	Female	84	28.6
2	Marital Status:		
	Single	194	66.0
	Married	100	34.0
3	Age/years:		
	20-25	101	34.40
	26-30	95	32.3
	31-35	55	18.70
	36-40	36	12.20
	41-45	6	2.0
	46 and above	1	0.30
4	Education Levels:		
	College Diploma	1	1.3
	Bachelor's Degree	223	75.9
	Master's Degree	67	22.8
5	Year of service:		
	1 to 5 years	170	57.8
	6 to 10 year	77	26.2
	11 to 20 years	43	14.6
	21 to 30 years	4	1.4
6	Current position:		
	Managerial	19	6.5
	Professional	35	11.9
	Clerical	228	77.6
	Non clerical	6	2.0
	Other	6	2.0
7	Salary range:		
	Under 2000	3	1
	2001-6000	76	25.9
	6001-10,000	119	40.5
	10,001-14,000	75	25.5
	Above 14,001	21	7.1

Source: Survey 2017

As shown in table 4.1, of the total respondents 71.4 % (210) were male and the remaining 28.6% (84) were female. This indicates that the number of proportions between male and female employees in the organization is not proportional. With regard to respondents' of marital status, 66.0% (194) of the respondents are single, 34.0% (100) of the respondents are married. This implies that most of the respondents are single, therefore the organization is said to have an employee's mobility problem due to singles are more sensitive to mobility than job security.

With regard to respondents' age category, the highest group of respondents i.e. 101 (34.40%) fall under age category of 20-25. The next higher group 95(32.3%) and 55 (18.70%) fall under age category of 26-30 and 31-35 respectively. This implies that about 85.40% of the respondents are below 35 years of age. The company is said to be filled by youngsters. The remaining group 36 (12.20%), 6(2.0%) and 1(0.30%) are under age category of 36-40, 41-45 and above 46 respectively.

In relation to employee level of qualification the above chart clearly indicates that majority of the workforces (75.9%) acquired their first degree. Master Holders constitutes of 22.8% and 1.3% Diploma and High school holders are found from the total respondents. This implies that employees of Commercial Bank of Ethiopia are fairly educated.

Out of 294 respondents, 57.8% had worked for a period of between 1 and 5 years, 26.20% for a period of between 6 and 10 years, 14.6% had been employed for 11 to 20 years while a few, 1.4% had been in service of between 21 to 35 years and. It may be concluded that majority of the employees had been with the banks for less than 5 years which implies there is a problem in retaining junior staffs for longer period of time, however 14.6% of employees had worked more than 10 years, and this implies that senior staff are sensitive to Job Security. All respondents despite the period of service at the bank had useful knowledge required for the study. Only 4 employees were found from the respondents who have more than 21 years of experience.

Table 4.1 illustrates that majority, 77.6% of participants, were drawn from the Clerical position of the organization. The other categories were Professional, 11.90%, 6.50%, Managerial, and Non clerical and Others which Constitutes 2.0 % and 2% respectively.

Table 4.1 illustrates that majority, 70.5% of participants, were categorized were 6, 0001 to 10, 000. The second higher categories were 2,001 to 6000, 25.9%. The third categories were classified as 10,001 to 14,000, 25.5%. The other categories were above 14000 which constitutes 7.1%, and finally salary categorized under 2,000 constitutes 1.0%.

4.1.2. Reward Management Practices

In this section, the researcher has tried to assess the general question about Reward Management towards the company's reward system. It was developed by items using categories. All statements were measured on categorical scale.

Table 4.2: Reward Management Practices

Reward Management		Frequency	Percent	Validity Percent	Cumulative Percent
Market value	Yes	52	17.7	17.7	17.7
	No	242	82.3	82.3	100.0
	Total	294	100	100	
Performance	Yes	80	27.2	27.2	27.2
	No	214	72.8	72.8	100.0
	Total	294	100	100	
Reward received	Salary Increment	13	4.4	18.6	18.6
	Promotion	4	1.4	5.7	24.3
	Recognition	7	2.4	10.0	34.3
	Training opportunity	3	1.0	4.3	38.6
	Total	294	100	100	
Reward Management policy	Yes	64	21.8	21.8	21.8
	No	230	78.2	78.2	100.0
	Total	294	100	100	
Payment system	Yes	66	22.4	22.4	22.4
	No	228	77.6	77.6	100.0
	Total	294	100	100	
Inflation	Yes	42	14.3	14.3	14.3
	No	252	85.7	85.7	100.0
	Total	294	100.0	100.0	
Reward factors	Seniority	119	40.5	40.5	40.5
	Educational Attainment	14	4.8	4.8	45.2
	Qualification	36	12.2	12.2	57.5
	Individual Performance	14	4.8	4.8	62.2
	Group Performance	45	15.3	15.3	77.6
	other	66	22.4	22.4	100.0
	Total	294	100.0	100.0	

Source: Survey 2017

About 242 (82.3%) of the total respondent claim the Bank has no pay scale which consider market value of each professional. Contrary to this, 52 (17.7%) of respondents do claim that considering the market value of each professional. From this result we can say that it does not consider market value of each profession even though the data obtained from the HR manual revealed that the latest salary adjustment was made by highly considering market values especially managerial positions. About 214(72.8%) of the total respondent claim that do not ever gotten reward based on performance. Contrary to this, 80(27.2%) do claim that ever gotten reward based on performance. Armstrong (2005) states that No reward offered through an incentive, bonus or performance-related pay scheme will be effective as a motivator unless individuals believe it is worthwhile and they can reasonably expect to obtain it through their own efforts.

Total of 27.2 %(72.8%) of the respondent claim that ever gotten reward based on performance, 4.4%, 1.4%,2.4%, 1.0% agree salary increment, promotion, recognition, training opportunity, bonus and others respectively.

In the above table 4:2 the sample respondents indicate the level of motivation for a better performance by the reward management policy of the Bank showed that out of the total 294 respondents' 230 of them representing 78.2% were not motivated with the Banks policy. On the other hand 64 respondents denoting 21.80% are motivated with the existing reward management policy of the Bank. In the above table 4:5 the sample respondents indicate the level of motivation for a better performance by the reward management policy of the Bank showed that out of the total 294 respondents' 230 of them representing 78.2% were not motivated with the Banks policy. This implies that significant no of respondents are not motivated by the reward management. According to Expectancy theory which was developed by Victor vroom states that, motivation depends on the expectation that effort will produce performance. The theory states that individuals will behave in a specific way when there is a higher expectancy that such behavior will result in a desired outcome. About 228 (77.6%) of the total respondent claim the Bank payment system do not align with the core value of the Bank. Contrary to this, 66 (22.4%) of respondents do claim that the Bank payment system do not align with the core value of the Bank. People are motivated if they perceive that they will be rewarded but this is not the case in CBE.About

228 (77.6%) of the total respondent claim the Bank payment systems do not align with the core value of the Bank. Armstrong and Murlis (1998) deduced that reward policies should take in to account of organizational goals, values and strategies. In the above table 4:5 the sample respondents indicate the Bank reward management policy consider inflation that out of the total 294 respondents' 252 of them representing 85.7% were not claim the Bank reward management policy consider inflation. Contrary to this, 42(14.3%) of respondents do claim that the Bank reward management policy consider inflation.

Respondents were asked what factors are taken in to consideration in providing reward. 40.5%, 4.8%, 12.2%, 4.8%, 15.3%, 22.4% claim that Seniority, Educational Attainment, Qualification, Individual Performance, Group Performance, and other respectively. This implies that the most important factor in giving reward in CBE is Seniority (40.5%).

4.2. Data Analysis

In section two of the questionnaire, Research related questions were covered such as: Intrinsic Rewards, Extrinsic rewards and Employee job performance. In order to assess reward effects on employee's job performance seven variables were selected and included in the questionnaires; 31 questions in seven sub sections from Rewards and four questions to assess employee job performance.

The measuring instrument used to calculate pay and benefit, promotion, recognition, working condition, working relation, task autonomy, and accomplishments as well as the level of employees' performance are scaled from 1 to 5. 1=strongly disagree, 2= disagree, 3= neutral, 4=agree and 5=strongly agree. Then each factor takes its average for the questions under it with no decimal point. In order to elaborate the narrative results, the researcher used criterion-referenced definitions for rating scales to describe the collected data.

Table 4.6: Criterion –Referenced Definitions.

Mean rating	Degree of agreement	Description
1.00 to 1.49	Strongly disagree	Very low
1.50 to 2.49	Disagree	low
2.50 to 3.49	Neutral	medium
3.50 to 4.49	Agree	high
4.50 to 5.00	Strongly agree	Very high

The value „3“ means „neither agree nor disagree“ while value „4“ means „agree“. Hence, if value three (3) is obtained as any of the subsequent measurement, it means that level is neither high nor low, or in other words it's in „average or medium level“. If a value of four (4) is obtained, it means a „high“ level. Similarly value one (1) and five (5) mean „very low“ level and „very high“ level respectively while value two (2) mean „low“ level. Based on the above table in the following sections the researcher elaborated on the results of the descriptive statistics of each construct by also providing criterion-referenced definitions of each construct according to table 4.6.

4.2.1. Descriptive Statics

The major objective of this study was to examine the effect of rewards on employee job performance in CBE. This objective was guided by the research question: To what extent is reward contribute to employee performance? The dependent variable is employee job performance while the independent variables are Rewards. According to According to the earlier illustrated criterion-referenced definitions (Table 4.6) mean score is considered in this study.

4.2.1.1. Employees Perception about Extrinsic Variables

Extrinsic rewards provided by employers in the form of pay will help to attract and retain employees and, for limited periods, may increase effort and minimize dissatisfaction. Under this category Pay and Benefits, Promotion, Recognition and Working Conditions are included in this study due to their familiarity in the banking industry. The following Tables present summarized results of the Respondents related to Employees perception about extrinsic variable.

Table 4.3: Descriptive statistics result of extrinsic reward

Descriptive Statistics		
ITEMS	Mean	Std. Deviation
PAY AND BENEFIT	4.19	0.46
PROMOTION	3.62	0.52
WORKING CONDITION	4.04	0.70
RECOGNITION	3.30	1.10
TOTAL	3.78	0.69

Table 4.3: Shows the Mean and Standard Deviation of reward variables such as; pay and benefits, Promotion, Working condition, and Recognition, rated by respondents. According to the earlier illustrated criterion-referenced definitions (Table 4.6) mean score, the result from this study shows that High Mean result for Pay and Benefit (M=4.19, SD=.46), Working Condition (M=4.04, SD=.71), Promotion (M=3.62, SD=.52), and Medium for variables such as: Recognition (M=3.30, SD=1.10). Totally, respondents from have a cumulative mean score of 3.78. This represents the respondents level of agreement is high, this implies employees are highly performed with the extrinsic variables. Extrinsic reward question on this research has a Mean value ranging from 3.30 to 4.19. Among all questions in the Recognition: item no 29 has the Medium mean value (M = 3.01, SD =1.01). It shows that most of the respondents are medium with; “the praise I get for doing a good job”. This implies that employees are moderately happy with the recognition schemes of CBE. The low SD indicates that the mean value is representative of the rate given by the majority of respondents.

4.2.1.2. Employees perception about Intrinsic Reward Variables

Table 4.4: Descriptive statistics result of intrinsic reward

Descriptive Statistics		
ITEMS	Mean	Std. Deviation
WORK RELATION	4.19	0.46
ACCOMPLISHMENT	3.62	0.52
TASK AUTONOMY	4.04	0.70
	3.30	1.10
TOTAL	3.78	0.69

Table 4.4: Shows the Mean and Standard Deviation of reward variables such as; pay and benefits, Promotion, Working condition, and Recognition, rated by respondents. According to the earlier illustrated criterion-referenced definitions (Table 4.6) mean score, the result from this study shows that High Mean result Work relation (M=3.73, SD=1.03), Accomplishment (M=3.57, SD=1.07), Task Autonomy (M=3.33, SD =1.13). The

low SD indicates that the mean value is representative of the rate given by the majority of respondents. Intrinsic reward question on this research has a Mean value ranging from 3.33 to 3.73. The lowest mean results was perceived by questions in the Task Autonomy variables (M=3.06, SD=1.13). This result implies that employees in the company do not give attention to the chance to work away from others. Hence the highest Mean scoring item from Intrinsic Rewards are found on working relation variables which are “the way my coworkers are easy to make friends with” (M=4.12, SD =0.947) which implies that employees relationship with their colleagues helps in boosting employee’s performance

4.2.1.3. Employees perception about Employee Job Performance Variable

Table 4.5: Descriptive statistics result of Employee job performance

Descriptive Statistics		
ITEMS	Mean	Std. Deviation
EMPLOYEE PERFORMANCE	3.99	0.86
TOTAL	3.99	0.86

Table 4.5: Shows the Mean and Standard Deviation of Employee job performance rated by respondents. The Result indicates that the level of Employee job performance among CBE employees is 3.99 Mean with 0.86 SD. Based on the fact that a mean of 3.99 is indicative of the level of Employee performance as high according to the earlier illustrated criterion-referenced definitions (Table 4.6) , it can be concluded that respondents are high performance with the overall job.

4.2.2. Inferential Statistics

4.2.2.1. Bivariate Analysis

The bivariate analysis includes the correlation and regression analysis which was used to investigate the effect of Intrinsic and extrinsic rewards on employee performance, and the relationship between rewards and employee performance. Using Pearson correlation with two tailed test of significance, the correlation analysis was made to investigate the relationships. Using the regression analysis, the impact of the variables was investigated

4.3.2.1.1 Correlation Analysis

According to Marczyk, DeMatteo and Festinger (2005), correlations are perhaps the most basic and most useful measure of association between two or more variables expressed in a single number called a correlation coefficient (r). Correlations provide information about the direction of the relationship (either positive or negative) and the intensity of the relationship (-1.0 to $+1.0$). In general, one of the most common correlation coefficients is called Pearson r . It's also referred to as the Pearson product moment correlation. Cohen (1998) suggests the following guidelines on the strengths of the relationship of variables:-

Small ($r = .10$ to $.29$),

Medium ($r = .30$ to $.49$),

Large ($r = .50$ to 1.0)

The following correlation tests are made to assure whether there exist a relationship between independent and dependent variable.

Table 4.6: Correlation coefficient analysis of reward with employee performance

Correlations			
		Reward	Employee performance
Reward	Pearson Correlation	1	.542 ^{**}
	Sig. (2-tailed)		.000
	N	294	294
Employee performance	Pearson Correlation	.542 ^{**}	1
	Sig. (2-tailed)	.000	
	N	294	294
**. Correlation is significant at the 0.01 level (2-tailed).			

Table 4.6 shows that current rewards ($r=.542^{**}$, $p<0.01$) and employee performance ($r=.542^{**}$, $p<0.01$) which have high degree of positive relationship each other. That is there is positive correlation and significant relationship exist between the independent (rewards) and dependent variables (employee performance). According to Cohen (1998) the correlation coefficient (r) ranging from 0.10 to 0.29 may be regarded as indicating a low degree of correlation, r ranging from 0.30 to 0.49 may be considered as a moderate

degree of correlation, and r ranging from 0.50 to 1.00 may be regarded as a high degree of correlation. We can also say that for a unit change in independent variable (rewards), if there happens to be a constant change in the dependent variable(employee performance) in the same direction, then correlation will be termed as positive.

4.3.2.1.2 Regression Analysis

Since the study revealed significant relationship between the variables, a regression analysis was conducted to determine the level of these relationships. In order to determine the extent to which the explanatory variables explain the variance in the explained variable, multiple regression analysis was performed. The findings show that the study had an adjusted R square of (0.391) meaning that 39.1% of employee performance was attributed to intrinsic rewards, and extrinsic rewards. This indicates that 39.1% of variance that explained the employee performance of CBE employees in terms of pay and benefits, promotion, recognition, task autonomy, accomplishment, working relation and working condition. 61.9% of employee performance was attributable to other factors not considered in this study. The summary is illustrated in table 4.15

Table 4.7: Model Summary

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.542 ^a	.393	.391	1.22704

a. Predictors: (Constant), Extrinsic, Intrinsic Rewards

Equally, the Analysis of Variance (ANOVA) revealed that the combined variables were statistically significant, $F(2, 291) = 63.430$; $p < 0.000$ as illustrated in table 4.16

Table 4.8:ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Model	1299.913	2	649.957	63.430	.000 ^b
Residual	2981.818	291	10.247		
Total	4281.731	293			

a. Dependent Variable: employee performance

b. Predictors: (Constant), Extrinsic, Intrinsic Rewards

The significant change shows the goodness of fit of the model. The lower this number is, the better the fit. Typically, if “Sig” is greater than 0.05, we conclude that our model could not fit the data. .That means If Sig < .01, then the model is significant at 99%, if Sig < .05, then the model is significant at 95%, and if Sig < 0.1, the model is significant at 90%. Significance implies that we can accept the model. If Sig> 0.1 then the model was not significant (a relationship could not be found) or "R-square is not significantly different from zero."

The regression coefficient for intrinsic rewards was β (0.508); $p < 0.00$; the regression coefficient for extrinsic rewards was β (0.1103); $p < 0.000$ as illustrated in table 4.17

Table 4.9: Coefficient Regression Model Summary

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	4.271	.985		4.338	.000
EXTRINSIC	.084	.042	.103	1.996	.047
INTRINSIC	.195	.020	.508	9.814	.000

Table 4.17 indicates a relatively high percentage of employee performance which can be described by the intrinsic rewards. It shows that the correlation between Intrinsic rewards and employee job performance are positively and significantly related ($r = 0.508^{**}$, $p < 0.01$). This implies that when there is an increase in intrinsic rewards, there is also a corresponding increase in employee job performance. Thus, research question number four “to what extent Intrinsic Reward variables contribute to employee performance?” is also addressed.

The column labeled Beta (β) value of standardized coefficients indicates the variables that contribute to the dependent variable. ‘Standardized’ means the value for each of the different

Variables have been converted to the same scale in order to make comparison (pall ant, 2001). Thus the Regression analysis for this study indicates that employee performances positively and significantly related with Intrinsic rewards β ($\beta = .5085$, $p < 0.01$). Consistent with theoretical framework significant positive relationship between intrinsic rewards and employee performance. The regression coefficient for extrinsic rewards was β (0.103); $p < 0.000$ which implies that the correlation between Intrinsic rewards and employee job performance are positive but low significantly related. This might be the result of the existing competitiveness of the labor market that provides a better payment and benefit packages that are good enough to attract, satisfy and retain potential employee.

Summary of the above, results indicates that all research questions in this research formulated are in agreement with their respective theories. However in some variables there exist less significant relationships which require other researchers to re-check it in different sectors.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

This chapter presents the summary of findings from which conclusions are drawn and this will precisely answer the basic research questions of the study. The limitation of the study and suggestions for further study will be indicated. Finally, recommendations to the case study CBE will be forwarded

5.1. Summary of Findings

One of the aims of this study was to assess the perception of bank employees on the existing reward practices. The level of motivation for a better performance by the reward management policy of the Bank showed that out of the total 294 respondents' 230 of them representing 78.2% were not motivated with the Banks policy. This implies that significant no of respondents are not motivated by the reward management.

According to descriptive statistics mean result, the mean value of Employee Performance is high. This shows that employees in CBE highly indicative level of performance with the overall the job. It can be concluded that respondents are high performance with the overall job. The mean score for Pay and Benefit, Working Condition, Work relation, Accomplishment, and Promotion are highest while the mean score for Recognition, Task Autonomy are moderately. This implies that employees are moderately happy with the recognition schemes of CBE. The lowest mean results were perceived by questions in the Task Autonomy variables. This result implies that employees in the company do not give attention to the chance to work away from others. The highest Mean scoring item from Intrinsic Rewards are found on working relation variables which are "the way my coworkers are easy to make friends with" which implies that employees relationship with their colleagues helps in boosting employee's performance.

The Pearson's Product Moment Correlation Coefficient was computed for the purposes of Determining the relationships: (a) The relationship between the reward and employee's job performance and (b) The effect of reward on employee e's job performance. The result of

the study indicate that there is statistically positive and significant relationship exist between rewards and employees job performance. However, extrinsic reward variables have low degree of positive relationship employee's job performance than intrinsic reward variables in this study.

The Regression analysis for this study indicates that employee performances positively and significantly related with Intrinsic rewards β ($\beta = .5085, p < 0.01$). Consistent with theoretical framework significant positive relationship between intrinsic rewards and employee performance. The regression coefficient for extrinsic rewards was β (0.103); $p < 0.000$ which implies that the correlation between Intrinsic rewards and employee job performance are positive but low significantly related.

5.2. Conclusions

Based on the findings the following main conclusions are drawn.

The aim of the study was to examine the effect of rewards on employee's job performance. Analysis has shown a close relationship between all reward and employee job performance. The result of this study suggests that both Intrinsic and Extrinsic rewards are important factors that banks need to focus to keep employees job performance. Unrewarded employees are subject to lower performance or even worse to leave organizations. Even though the result indicates that the level of Employee job performance is indicative of the level of employee performance as high, the mean value for the variables indicates employees are lowest with the reward

They currently getting and may leave the organization any time for better reward. The study concludes that Pay and Benefit, Working Condition, Work relation, Accomplishment significantly enhances employees' performance.

5.3. Recommendations

The main reason behind the existence of organizations is to attain the objective behind their establishment through their employees. However, this can be attained when organizations able to improve their performance and make them to focus towards the goals of their respective organizations. On the other hand, employees have their own demands

that are supposed to be fulfilled by their employers. This is the logic behind the establishment of reward programs in many organizations. The major concern of this section is to give recommendation for CBE and it is made based on the findings of the whole research work.

If rewards offered are not competitive, it will be difficult to recruit staff since potential employees can obtain better rewards from competitors. Existing staff may also be tempted to leave the organization if they are aware that their reward system is uncompetitive. High staff turnover can lead to higher costs of recruitment and training of new staff. Losing existing employees may also mean that some of the organizations accumulated knowledge is lost forever. To this end the following points are recommended.

- Design strategic Total Reward system – the current market is full of competition and Rewards also go far beyond cash compensation and payments. Monetary compensation alone is insufficient to motivate employees. Other factors such as giving greater recognition, creating conducive work environment and establishment of better leadership system have the greatest impact on employee performance
- CBE shall continuously conduct analysis on the inflation and rewarding system competitiveness and make corresponding decisions taking in to consideration market change trends and financial capacity of the exchange
- A salary system should be designed to promote internal salary equity as well as external
Salary equity (based upon salary comparisons among individuals in similar positions from Similar Banks).
- Employee satisfaction survey which has been made at the exchange should be continuous since it helps the exchange to Measure satisfaction survey and take action on survey results

- Career Management plan to exploit the potential of employees and provide opportunities to develop their abilities and careers is also another important factor to sustain the human capital.
- Conducive Work environment – Banks must try to create supportive, pleasant full working environment internally, in order to satisfy the staff and work with efficiency.
- Recognize small and large accomplishment: employees should be rewarded when they meet large goals as well as smaller milestones
- The study also recommends that future research be directed towards investigating how
Variables like work life balance, organizational commitment, Supervisor's support and
Work itself can influence employee performance and to expand the scope to cover other private banks.

If CBE can implement these recommendations, they will gain the benefits of high performer employees willing to invest more discretionary effort to make their organization successful. Coupling this discretionary effort with enabling work environments will enable them to win in the talent marketplace.

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APPENEDIX

Addis Ababa University School of Commerce

Department of Business Administration and Information Systems

Dear respective respondents

I am a post graduate student in MA in Human Resource Management and I am conducting a survey on the title “TheEffect of rewards on employee performance; in the case of Commercial Bank of Ethiopia and the objective of this questionnaire is to collect data from CBE employees which help to evaluate the effect of reward on employee job performance. The information collected shall be used for research purpose only.

There are two sections: Demographic Information and Reward Management Opinion Survey.

I assure you that your responses will not disclosed in any way and utmost confidentiality will be maintained. Hence, I request your sincere corporation for the successful undertaking of the study and your valuable response is highly appreciated. Thank you!

Notice

- ✓ No need to write your name.
- ✓ Please put a “√” mark in the boxes for your answers

Part I: -Demographic Information

1. Age Category

- | | | |
|----------------------------------|----------------------------------|---------------------------------------|
| <input type="checkbox"/> 20-26 | <input type="checkbox"/> 31 – 35 | <input type="checkbox"/> 41 - 45 |
| <input type="checkbox"/> 26 – 30 | <input type="checkbox"/> 36 – 40 | <input type="checkbox"/> 46 and Above |

2. Marital Status

- | | |
|-----------------------------------|--------------------------------------|
| <input type="checkbox"/> Single | <input type="checkbox"/> Widowed |
| <input type="checkbox"/> Married | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Divorced | |

3. Gender

Male

Female

4. Educational Attainment

High school certificate

Master's Degree

College Diploma

Doctorate Degree

Bachelor's Degree

Other (Please Specify).....

5. Job level

Managerial

Professional

Clerical

Non clerical

Other

6. Your experience in CBE

1-5Years

21 – 30 Years

6 – 10 Years

>=31Years

11 -20 Years

7. In which salary range does your salary level

Under 2000

10,001 – 14,000

2001 - 6000

Above 14,001

6001 –10,000

Part II: - General questions about reward management

8. Do you think the Commercial Bank of Ethiopia has pay scale which consider market value of each professional?

Yes

No

9. Have you ever got reward based on you performance?

Yes

NO

10. If your respond is “Yes” for the above question, what type of reward have you ever been received based on performance?

Salary increment

Training Opportunity

Promotion

Bonus

Recognition

Other

11. Are you motivated for a better performance by the reward management policy of CBE?

Yes

No

12. Does the bank provide financial rewards than non financial rewards?

Yes

No

13. Does the criterion of Commercial Bank of Ethiopia payment system align with the core value of Banks?

Yes

No

14. Does Commercial Bank of Ethiopia reward management policy consider inflation?

Yes

No

15. What factors are taken in to consideration in providing reward?

Seniority

Educational Attainment

Qualification

Individual Performance

Group Performance

Others_____

In the following tables you find some dimensions of reward management practices in our bank. Please give your responses for your causes by putting a tick mark (✓) in the corresponding spaces under each number in front of each situation based on your agreement level. The numbers are decoded in the following manner.

1= strongly disagree

2= disagree

3= neither agree nor disagree

4= agree

5= strongly agree

A) Employees perception about intrinsic and extrinsic rewards

No	Intrinsic Rewards	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
1	The way my supervisor and understood each other					
2	The way my boss handles his/her employees					
3	The chance to develop close friendship with my coworkers					
4	The way my co-workers are easy to make friends with					
5	The personal relationship between my boss and his/her employees					
6	The way my co-workers get along each other					
7	The spirit of cooperation among my co-workers					
8	Being able to see the results of the work I do					
9	The feeling of accomplishment I get from the job					
10	Being able to keep busy all the time					
11	The chance to work alone on the job					
12	The chance to work away from others					
13	The chance to try my own methods of doing the job					
14	The freedom to use my own judgement					

	Extrinsic Rewards					
15	The amount of pay for the work I do					
16	The chance to make as much money as my friends					
17	How my pay compares with that of other workers					
18	Benefits (health, loan, allowance, education,..)					
19	How my pay compares with that of other workers					
20	The opportunities for advancement on this job					
21	Opportunities for promotion					
22	The way promotion given out on this job					
23	Working condition (heating, lighting, ventilation, etc.)					
24	The physical surrounding where I work					
25	I believe I have a good future in this organization					
26	The pleasantness of the working condition					
27	The physical working condition of the job					
28	Hours worked each other					
29	The way I get full credit for the work I do					
30	The praise I get for dong a good job					
31	The way company policies are put in to practice					

B) Performance

No	Dimensions of job performance	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
32	I serve customers with all desire level of diligently					
33	I serve customers with all the desire needed speed					
34	I meet the desired level of targets					
35	I respond adequately to challenges faced by customers					

THANK YOU