Addis Ababa University

School of commerce

Assessment of Reward Management Practices in Commercial Bank of Ethiopia

A Thesis submitted to Addis Ababa university Department of Human Resource Management for the Partial Fulfillment of the Requirement for Masters of Arts Degree in Human Resource Management

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Approval

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Graduate Program

Assessment of Reward Management Practices in Commercial Bank of Ethiopia

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Declaration

I, Alem Eyob, declare that this research work tilted “assessment of reward management practices in commercial bank of Ethiopia “. Is my original work and it contains no materials previously published by neither another person nor material which has been accepted for the award of any other degree. All the sources of material used for this study have been duly acknowledged.

It is submitted for the degree of Masters of Arts in Human Resource Management to Addis Ababa University School of Commerce post graduate program.

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Acronyms

BPR- Business Process Reengineering

BSC- Balanced Score Card

CATS- Customer Accounts and Transaction Services

CBE- Commercial Bank of Ethiopia

COLA- Cost of living adjustments

CS-Credit Services

EAAD- East Addis Ababa district

HRM- Human Resources Management

NAAD- North Addis Ababa district

SAAD- South Addis Ababa district

SPSS-Statistical package for social sciences

TS- Trade services

WAAD- West Addis Ababa district

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Abstract

Reward system exists in order to motivate employees to work towards achieving strategic goals which are set by entities. Reward management is not only concerned with pay and employee benefits (financial rewards). It is equally concerned with non-financial rewards such as recognition, training, development and increased job responsibility. This study focused on assessment of reward management practices in commercial bank of Ethiopia and tried to assess the current reward management practices that the company is using to attract and retain employees focusing on employee's perception after the latest salary adjustment. Data was collected through questionnaire. To undertake the research stratified sampling technique was applied and 325 questionnaires out of the distributed 363 questionnaires with a response rate of 89% were used. Respondent's response based on equity, transparency, consistency and alignments as well as overall rating of reward management practices of the bank was used. The data was analyzed by using descriptive statistics. The findings of the study showed that CBE is successful in providing intrinsic rewards than extrinsic rewards and With regards to equity relatively CBE has achieved in ensuring internal equity than external equity. Also some transparency aspects of CBE seems to be poor .CBE is successful in insuring consistency of pay but when we see alignment , alignment of reward management strategy with the HR strategy is poor. The overall ratings of the respondents' response regarding the general reward management practice of the bank showed disagreement. .

Chapter One

Introduction

1.1. Background of the study

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)

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 system exists in order to motivate employees to work towards achieving strategic goals which are set by entities. Reward management is not only concerned with pay and employee benefits (financial rewards). It is equally concerned with non-financial rewards such as recognition, training, development and increased job responsibility.(Shields,2007)

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.

The philosophy of reward management recognizes that it must be strategic in the sense that it

Addresses longer-term issues relating to how people should be valued for what they do and what they achieve. Reward strategies and the processes that are required to implement them have to flow from the business strategy. (Armstrong, 2009)

Reward management should be based on a set of beliefs and guiding principles that are consistent with the values of the organization.

Commercial Bank of Ethiopia is one of the pioneer and the leading Bank in Ethiopian Banking Industry. Currently, the Bank has been expanding its business operation to the extent of 850 branches throughout the country; it plays a catalytic role in the economic progress & development of the country. It has over 20,000 employees all over the country. The Bank has a target to mobilize 46.5 Billion birr this budget year to help facilitating the achievement of the growth and transformation plan through deposit mobilization, foreign currency generation and thereby financing key development projects envisage the plan.

As the Bank is aggressively expanding its branches network and many of the existing branches also have been expanding their services via opening additional services, and hence, the number of customers has been increasing significantly reaching over 3.8 million at the end of June, 2012. As the success of the Bank highly depends on the quality of its human resources, the Bank has been giving large emphasis in recruiting qualified professionals.

This study focused on assessment of reward management practices in commercial bank of Ethiopia and tried to assess the current reward management practices that the company is using to attract and retain employees.

1.2. Background of the Commercial Bank of Ethiopia

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 , 2014 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)*

1.3. Statement of the problem

Expectancy Theory posits that we select our behavior based on the desirability of expected outcomes of the action. As this is a cognitive process theory it relies on the way employees perceive rewards. This theory plus variant others have been used in countless research studies and continue to inform the practice of reward management up to the present day. The way a company manages its reward practice have its own consequence on the behavior of employees as well as the effectiveness of the company in achieving its goals in general.

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) According to Human capital theory Employees and Employers each derive benefits from investing in creating human capital. The level of pay should supply both parties with a reasonable return on that investment but this may not be the reality in some companies.

Organizations generally seek to pay the least possible to minimize costs but if employees perceive an imbalance in their efforts–rewards ratio to some comparative standard, they will act to correct the inequity. (Decenzo, 2005)

Feelings about external and internal equity (the 'felt fair' principle) will strongly influence most people. Research by porter and Lawler and others has shown that higher paid employees are likely to be more satisfied with their rewards but the satisfaction resulting from a large pay increase may be short-lived. People tend to want more(Armstrong and Helen Murlis ,2004)

Banking industry is highly competitive and Commercial bank of Ethiopia has been playing a major role in economic development of the country since it is the largest commercial bank in Ethiopia. The Bank sees employees as the root source of quality and productivity gains by making sure that there is a spirit of cooperation and sense of commitment with in the sphere of its influence. Their satisfaction, competence and commitment largely determine the objectives that the Bank has set for itself and its success in achieving them. In order to make employees retain and make them committed to their jobs, there is a need for strong and effective motivation at the various levels. Because employees can give their best only if they are satisfied and their satisfaction leads to customer satisfaction, otherwise unsatisfied employees are usually looking for an opportunity to gain what they have not get in their Bank.

The design of compensation policy at CBE is mainly driven by the current economic and market conditions .commercial bank of Ethiopia has a vision of becoming a world class bank by the year 2025, to achieve this vision the bank has to invest on its employees because they are the means to get there and since CBE is one of the leading bank in banking industry it is assumed that the reward management practice is effective but it is observed that this is not the case.

According to the preliminary study that I conducted even though that the bank revised its salary scale on July,2013 and also introduced new benefit packages like fuel and housing allowances some employees in the bank are claiming that the new salary and benefit adjustments were not helping the bank to satisfy its employees as per the expectations made in advance.

We can find a number of studies conducted on assessment of reward management specifically in commercial bank of Ethiopia but none of them were after the latest salary adjustment of CBE therefore, this study tried to assess the reward management practice of CBE and fill the gap focusing on the current practice since employees are stakeholders in the organization and that their needs also have to be addressed their views should be respected.

1.4. Research questions

The research work tried to answer the following research questions.

- How does Commercial bank of Ethiopia align its business and HR strategy with the reward management practice?
- What is the level of motivation of employees by the reward management policy of CBE?
- How proper is the composition between financial and non-financial rewards in CBE?
- What is employee's perception about intrinsic and extrinsic rewards?
- What is employee's perception about the transparency, consistency, equity (internal and external equity) and fair distribution of reward among employees?

1.5. Objectives of the study

1.5.1 General objective of the study

The general objective of the study was to examine the reward management practice of commercial bank of Ethiopia.

1.5.2. Specific objectives

The specific objectives of this study were

- To find out if the reward management practices are aligned with the business strategy and HR strategy
- To show if employees are motivated by the reward management policy of CBE
- To find out employees perception about the intrinsic and extrinsic rewards.

- To evaluate the transparency, equity (internal and external equity) , consistency and fairness of the reward management system of CBE
- To identify if there is a proper composition between financial and non-financial rewards

1.6. Definition of terms

Internal equity:-paying equal salaries or wages for work of equal value. It is important as a means of achieving both job satisfaction and meeting legal requirements.(Armstrong and Helen 1994)

External equity:-The perceived fairness of the relation between what a person does (inputs) and what the person receives (outcomes).

Business strategy:-is the' strategic agenda', this defines the direction in which the organization is going in relation to its environment in order to achieve its objectives.

Transparency:-employees perceived fairness that the reward management processes of the organization are fair and they know what they are and how they are used to determine their level of pay and methods of pay progression.

Financial rewards:-are rewards that are given to employees that are concerned with pay delivery through base and variable pay and with the provision of employee benefits and pensions (Armstrong and Helen Murlis, 2004)

Non-financial rewards:-are rewards focused on the needs most people have although to a different degrees for achievement, recognition, responsibility influence and personal growth.

Motivation:-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)

Benefit packages:-are a set of different benefits a company offers to its employees in order to attract and retain them.

Transparency:- Transparency means that people understand how reward processes operate and how they are affected by them. The reasons for pay decisions should be explained to them at the time they are made. Employees should have a voice in the development of reward policies and practices and should have the rights to be given explanations of decisions and to comment on how they are made.(Armstrong and Helen Murlis,2004)

1.7. Significance of the study

The study investigated the reward management practice of CBE. The competition among banks has become stiff those days to attract and retain employees who are committed and competent .in order to do that CBE needs to implement a reward strategy that is competent enough ,so the findings of this study

- Will help CBE to identify the effectiveness of its reward practice and gives suggestions in the form of recommendations.
- Aims to increase understanding of the area of rewards in connection with other researchers conducted on the subject matter.
- Showed the deviation from the theory and suggested possible remedies for the problems identified while conducting the entire research project.
- Will also help other researchers who will be interested to conduct a research related to the subject matter as a further reference material.

1.8. Scope of the research

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 remaining districts were not included because of the homogeneity of the employees educational background ,work experience and due to the time constraint, and some departments that are under head office as a representatives of all employees were included .because most of non –clerical employees may not understand the questionnaires properly, it would be difficult to collect data from them so only clerical employees were included in this research.

1.9. Limitation of the study

Some of the constraints that were faced by the researcher while conducting this study were

- Lack of awareness among our society to fill out questionnaires with due care and return them on time and also some employees were not willing to fill questionnaires.

- Researcher’s lack of prior experience in conducting scientific research may have some effect on the finding of the result. However, considerable care has been taken in the collection and analysis of all the evidential matter in order to minimize the impact of these shortcomings.

1.10. Organization of the study

The study was organized in to five chapters. The first chapter focused on the introduction and background of the study. Review of related literature was presented in the second chapter. In the third chapter, the design and methodology of the study are presented. In the fourth chapter findings and analysis of the study are presented. Summary and conclusions from the study and subsequent recommendations are presented in chapter five.

Chapter Two

Review of related literature

2.1. Overview of reward management

“What’s in it for me?” nearly every individual consciously asks the question before engaging in any behavior. Our knowledge of motivation and people’s behavior at work tells us that people do what they do to satisfy needs. Before they do anything, therefore, they look for a payoff or reward.

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)

The most obvious reward employees receive from work is pay. However rewards also include promotions, desirable work assignments, and a host of other les obvious payoffs-a smile, peer acceptance, work freedom, or a kind of recognition.

Reward management is based on a well-articulated philosophy a set of beliefs and guiding principles that are consistent with the values of the organization and help to enact them. The philosophy recognizes that, if Human Resource Management (HRM) is about investing in human capital from which a reasonable return is required, and then it is proper to reward people differentially according to their contribution (i.e. the return on investment they generate). (Armstrong &Murlis, 2004).

The potential benefits to organizations of rewarding performance are many. They include motivating employees to perform better, increasing the retention of effective employees and decreasing the retention of ineffective employees, and creating a culture that values performance. These are clearly outcomes that any knowledge based organization would like to achieve and indeed may need to achieve in order to be competitive. Unfortunately, it is one thing to state the potential advantages of effectively rewarding performance and quite another to achieve those advantages by doing so (Lawler, 1990).

Rewarding people involves reward management process concerned with the design, implementation and maintenance of reward systems that are geared to improvement of organizational, team and individual performance .It includes both financial and non-financial rewards (Armstrong ,2007)

Reward management:-

- supports the achievement of business strategy
- is integrated with the other HRM strategies , especially those concerning human resource development
- it is based on well-articulated philosophy a set of beliefs and assumptions that are consistent with the HRM philosophies of the business and underpin the ways in which it proposes to reward its employees
- adopts a ‘total reward’ perspective that recognizes that there are many more and possibly other many powerful ways of rewarding people besides financial rewards
- appreciates that if HRM is about investing in human capital, from which a reasonable return is required, then it is proper to reward people differently according to their contribution(i.e. the return on investment they generate)
- focuses on the development of the skills and competencies of employees in order to increase the resource based capacity of the firm (pay for competency or skill)
- it itself an integrated process that can operate flexibly
- supports other key HRM initiatives in the fields of resourcing, employee development and employee relations

Essentially, the notion of total reward says that there is more to rewarding people than throwing money at them. For O’Neal (1998), a total reward strategy is critical to addressing the issues created by recruitment and retention as well as providing a means of influencing behavior: ‘It can help create a work experience that meets the needs of employees and encourages them to contribute extra effort, by developing a deal that addresses a broad range of issues and by spending reward dollars where they will be most effective in addressing workers’ shifting values.

2.2. Reward system

The reward system of an organization incorporates the organization's reward strategies policies, practices processes and procedures. These components dealt with varied issues such as what is the organization intends to do in the long run, how decision making is made ,how grade and pay structure are formed, how policies are implemented and practices are carried out, and what procedures supposed to be maintained in the system in order to operate the system efficiently and flexibility(Armstrong, 2007).

The reward system has varied elements which are interrelated to each other. The system begins from the business strategy, which is a base for reward strategies and policies and goes through varied steps up to the development of total reward packages. The whole process can be visualized with the help of below diagram.

Figure 1 Elements of reward and its interrelationship

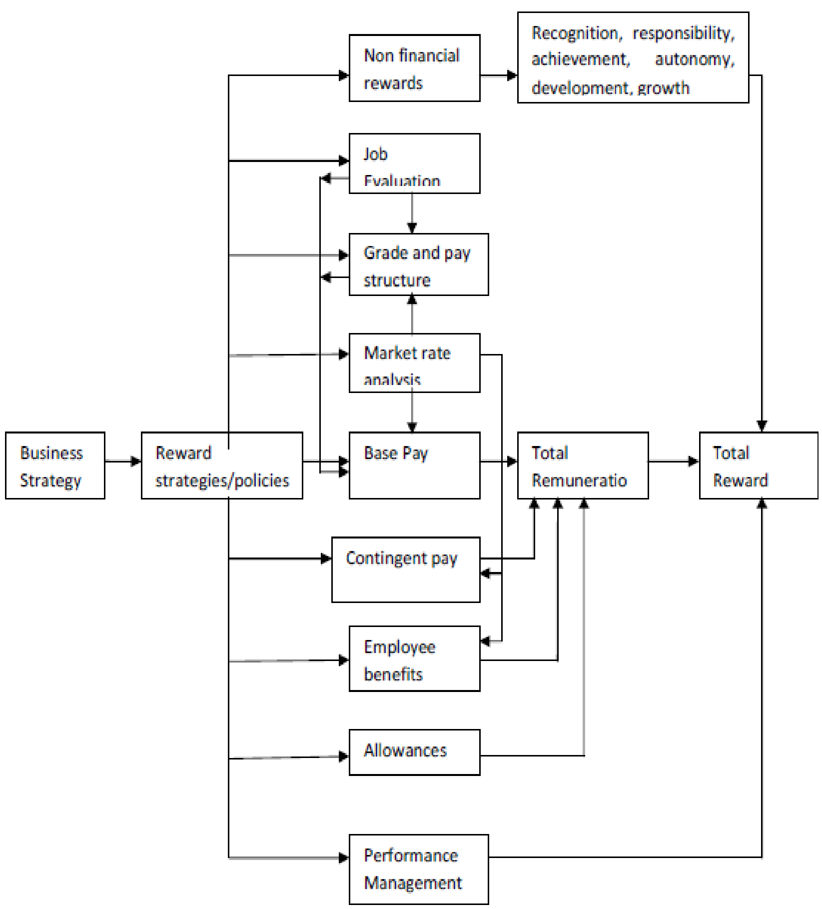


Figure 2.2-1 Elements of reward system and its interrelationships (source Armstrong, 2007)

2.3. Elements of reward management

According to Armstrong (2006) the following are the basic reward management elements.

A) Reward system

A reward system consists of;

- Policies that provide guidelines on approaches to managing rewards.
- Practices that provide financial and non-financial rewards
- Processes concerned with evaluating the relative size of jobs (job evaluation) and assessing individual performance (performance management).
- Procedures operated in order to maintain the system ant to ensure that it operates efficiently and flexibly and provides value for money.

B) Reward strategy

Reward strategy sets out what the organization intends to do in the long term to develop and implement reward policies, practices and processes that will further the achievement of its business goals.

Reward strategy is a declaration of intent that defines what the organization wants to do in the longer term to develop and implement reward policies, practices and processes that will further the achievement of its business goals and meet the needs of its stakeholders.

Reward strategy provides a sense of purpose and direction and a framework for developing reward policies, practices and process. It is based on understanding the needs of the organization and its employees and how they can best be satisfied. It is also concerned with developing the values of the organization on hoe people should be rewarded and formulating guiding principles that will ensure that these values are enacted (Shields ,2007)

C) Reward policies

Reward policies address the following broad issues:

- The level of rewards, taking into account 'market stance', i.e. how internal rates of pay should compare with market rates, for example aligned to the median or the upper quartile rate;
- Achieving equal pay
- The relative importance attached to external competitiveness and internal equity;
- The approach to total reward;

- The scope for the use of contingent rewards related to performance ,competence, contribution or skill;
- The role of line managers;
- Transparency- the publication of information on reward structures and processes to employees.

2.4. The Framework of reward management

The design and operation of reward management process and practices should start from un understanding of the implications of the psychological contract concept, motivation theory and the factors affecting pay levels. But it must focus on the needs of the organization and the people who work in it. These needs are most likely to be met if reward processes are based on an articulated and integrated approach to the development of the framework of reward philosophies, strategies and policies that will support the achievement of the organization’s business strategies, as well as acting as levers for change.(Armstrong, 2010)

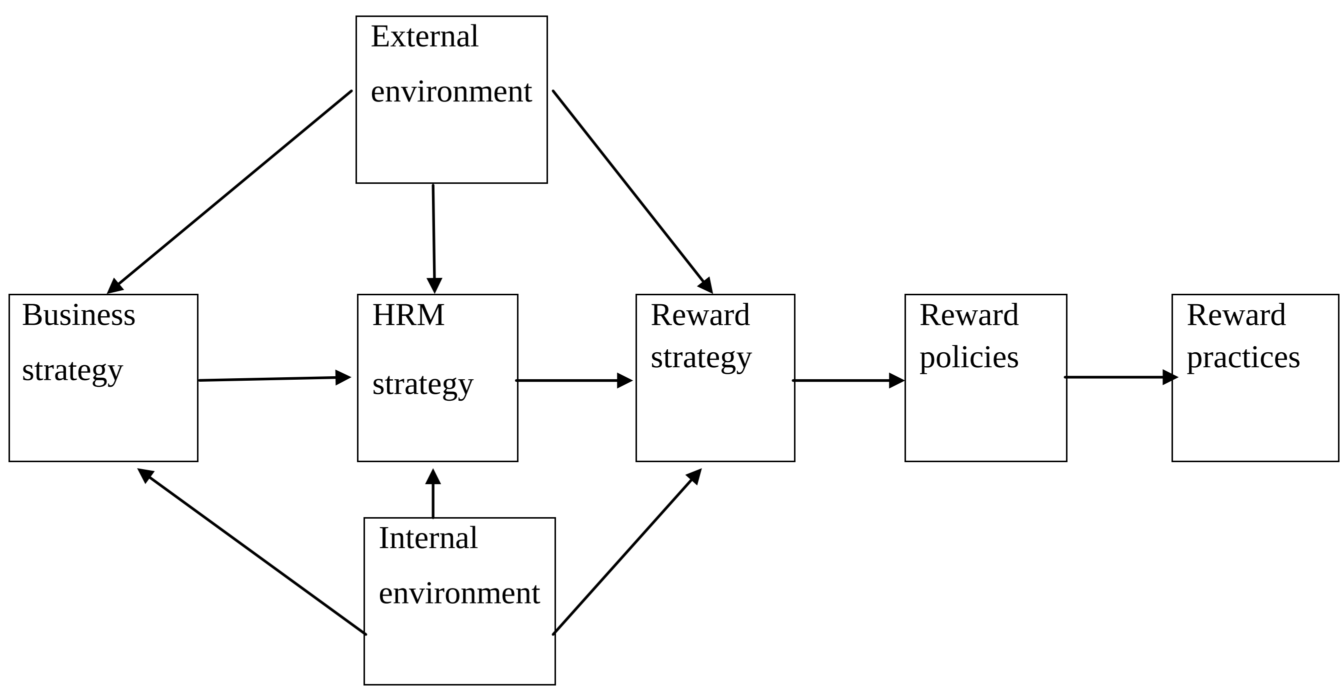
The framework

The development framework is illustrated in figure 1. It consists of the following elements

- The internal and external environments:-the analysis of these provides the information required to help in the formulation of the strategic agenda for the organization and for human resource management strategies. The internal analysis will also influence reward philosophies.
- The business strategy:- as a ‘strategic agenda’, this defines the direction in which the organization is going in relation to its environment in order to achieve its objectives.
- Human resource management strategy:-this flows from the corporate strategies and is concerned with the key areas of resourcing, skills acquisition and development, performance and quality management, rewards and employee relations. The aim is to make strategies in each of these areas mutually supportive. It is important, therefore, for the reward strategy to be integrated with every other aspect of the human resources strategy.
- Reward philosophy:-this consists a set of beliefs which underpin the reward strategy of the organization and govern the reward policies that determine the reward policies that determine how reward processes operate.

- Reward strategy:-this defines the intentions of the organization on the reward policies, processes and practices required to ensure that it has the skilled, competent and well-motivated people it needs to achieve its business goals .it will flow from the business and human resources strategies of the organization and lock them, will be affected by environmental factors .those preparing reward strategies essentially find out where the business intends to go and then take steps to help it get there. Reward strategy strongly influences reward policy and largely determine the form of pay practices, structures and procedures.
- Reward policies:-these provide guidelines for the implementation of reward strategies and for the principles and the operation of the reward management processes and practices.
- Reward practices:-financial and non-financial rewards, job evaluation, external benchmarking, pay structures, performance management and employee benefits.

Figure 2 Framework of reward management (Developed by Armstrong,2010)



2.5. Dimensions of Reward Management Practices

To achieve the aims of reward management, the reward management strategies, policies, processes, and practices should relay on certain principles. Armstrong (2007), mentioned that all the reward management policies and practices supposed to operate in accordance with the principles of distributive and natural justice, function fairly, equitably, consistently and transparently, are aligned to the business strategy, fit the context and culture of the organization, are fit for purpose and help to develop a high performance culture.

Strategic Alignment/Fit

To be effective, the reward practices of an organization supposed to be aligned with the business strategy of the organization. According to Armstrong, the strategic alignment of reward practices ensures that reward initiatives are planned by reference to the requirements of the business strategy and are designed to support the achievement of business goals.

Transparency

Transparency exists when people understand how reward processes function and how they are Affected by them. The reasons for pay decisions are explained at the time they are made. The need for a transparent system, according to Gibbons (1998), involves the preferences towards having a clear communication of how the reward are distributed and offered and also the concerns on the understanding of the methodologies, measures and targets used while introducing any rewards. The employees need to understand the connection between the company's business objectives, how they contribute, and how they are rewarded. Perceived uncertainty decreases the effectiveness of incentive compensation.

2.6. Objectives of reward management

According to Stone (1998), reward management objectives are as follows:

Organization

• To attract and retains quality and the desired employee participation.
• Motivates employees to improve their work performance in the effort to

Achieve organization's strategic objectives.

• Strengthens main values and culture desired by the organization.

• Encourages and strengthens work behavior as desired by the organization.

• Ensures compensation is maintained at a competitive level.

• Controls compensational cost.

• Ensures optimum returns on each ringgit spent.

• Abides legal requirement

Employee

• Increased engagement as part of the process.

• Giving out performances equivalent to the rewards as demonstrated.

• Enhancing the employment relationship.

2.7. Different forms of reward

According to Armstrong (2009) total reward is elaborated as defined by Manus and Graham(2003), total reward includes all types of rewards indirect as well as direct, and intrinsic as well as extrinsic. Each aspect of reward namely base pay, contingent pay, employee benefits and non-financial rewards ,which include intrinsic rewards from the work itself, are linked together and treated as an integrated and coherent whole

2.7.1. Intrinsic vs. extrinsic rewards

According to Shields(2007) explanation intrinsic rewards arise from the content of the job itself, including the interest and challenge that it provides, the task variety and autonomy ,the degree of feedback, and the meaning and significance attributed to it. It follows that one of the most important determinants of the level of intrinsic rewards in any organization is the way in which its jobs are designed .extrinsic rewards arise from the factors associated with, but physically external to, the job that he employee does that is, from the job context. Extrinsic rewards are of three main types :financial rewards, developmental rewards and social rewards. Developmental rewards cover those rewards associated with personal learning, development and career growth, such as skills training and performance and leadership coaching, social rewards are those rewards and 'indirect (or non-cash) benefits associated with the organizational climate, performance support, quality and supervision, workgroup affinity, and opportunities for enhanced work-life balance, such as flexible work time arrangements, fitness and wellness programs, and the like.

2.7.2. Financial vs. Non-Financial rewards

Financial rewards (or pay, remuneration or 'compensation') are of the three main types base pay (the relatively fixed component of total remuneration); performance –related pay (which by definition varies with measured performance); and direct benefits, such as employer contributions pensions, health care, childcare and the like. While non-financial rewards constitute an increasingly important aspect of total reward management, financial rewards are almost always of primary importance in reward management practice.

2.8. Linking Compensation and Rewards to Organizational Goals

Employee performance increases dramatically when an organization's compensation and reward strategy is linked to its mission and goals. Linking compensation and reward programs to goals requires working in harmony with other vital systems within the firm. .(Ann Gilley, jerry w. Gilley ,Scott A Quatro , Pamela Dixon,2006)

Linkage ensures the consistent allocation of compensation and rewards, helping the organization function in a way that is acceptable to all constituents. Developing an effective compensation and reward program requires a well-conceived, designed, implemented, and monitored plan, as evidenced by the following nine principles of effective compensation and reward programs:

1. Align your compensation with the organization's culture, values, and strategic goals and objectives. Compensation should be integrated with all aspects of the business.
2. Link compensation to other changes. Compensation should support and reinforce organizational change initiatives.
3. Time the compensation program to best support other change initiatives. Timing is everything. Compensation should not force change or lag behind the process. 4. Integrate compensation with other employee processes. Compensation is not a substitute for developing relationships with employees.
5. Democratize the compensation process. Incorporate employees' opinions and decisions in compensation and rewards.

6. Demystify compensation. Since knowledge is power, communication counts. Clearly articulate aspects of the organization's compensation and reward program so that all understand. Therefore, share the wealth, so to speak, in more than the traditional way.
7. Measure results. Performance can and should be measured with fairness and consistency.
8. Refine. Refine again. Refine some more. Continually improve the compensation program—Analyze and revise. Keep up with the times.
9. be selective. Do not take to heart everything you hear or read about compensation.

2.9. Reward strategy

According to Armstrong (2007) Reward strategy clarifies what the organization wants to do in the longer term to develop and implement reward policies, practices and processes that will further the achievement of its business goals. It is a declaration of intent, which establishes priorities for developing and acting on reward plan that, can be aligned to business and HR strategies and to the needs of people in the organization. Brown1 believes that:' reward strategy is ultimately a way of thinking that you can apply to any reward issue arising in your organization, to see how you can create value from it.

2.9.1 Reward strategy and business strategy

One of the defining features of strategic reward is that reward strategy should be aligned to (fit) the business strategy.(Armstrong ,2007) According to this concept, reward strategy as an aspect of HR strategy exists to satisfy business needs and support the achievement of business goals. A serious objection to this notion is that it ignores the needs of the people in the organization. It can also be argued that it is simplistic in suggesting that 'fit' is easily attained. It is not. The formulation of business strategy is a complex, interactive process influenced by a variety of contextual and historical factors. 'How can there be a straightforward flow from the business strategy to the HR strategy?'Hendry and Pettigrew suggest that there are limits to the extent to which rational HR strategies can be drawn up if the process of business strategic planning is itself irrational.
Fit may be difficult to attain but reward strategy needs to take into account an important approach to business strategy that has evolved over the last decade. This is the concept of resource-based strategy, which is founded on the belief expressed by Hamel and Prahalad(2005) that competitive

advantage is obtained if a firm can obtain and develop human resources that enable it to learn faster and apply its learning more effectively than its rivals. Barney contends that sustained competitive advantage stems from the acquisition and effective use of bundles

Of distinctive resources that competitors cannot imitate. The benefits arising from competitive advantage based on the effective management of people are that such a resource advantage is hard to imitate. According to Armstrong (2007), an organization’s HR and reward strategies, policies and practices are a unique blend of processes, procedures, personalities, styles, capabilities and organizational culture. One of the keys to competitive advantage is the ability to differentiate what the business supplies to its customers from what is supplied by its competitors. Such differentiation can be achieved by having HR and reward strategies that ensure that

1) The firm has higher-quality people than its competitors,

2) The unique intellectual capital possessed by the business is developed and nurtured, and

3) A culture is created that encourages commitment, engagement and continuous development.

2.9.2. Reward strategy and HR strategy

Reward strategy is only part albeit an important part of an organization’s HR strategy. It is necessary to ensure that reward strategies are ‘bundled’ with other HR strategies so that they complement and reinforce one another.

2.9.3 Rewarding Strategies

Rewards have been studied, at length, for years. Historically, efforts to motivate employees and improve organization performance have focused on universal motivators—a one-size fits-all strategy. This approach ignores individuality, priorities, and degree of motivation due to intrinsic and extrinsic rewards. Recognizing the power and importance of individualism enables firms to offer a variety of unique incentives to reward individual employees along their journey of productivity, growth, and renewal. The following rewards are intended to promote continuous growth and development of the individual and organization: recognition, noncash incentives, group/team incentives, responsibility and authority, Professional development, freedom and independence, vacation, leisure time, sabbaticals, and fun.(Ann Gilley, jerry w. Gilley ,Scott A Quatro , Pamela Dixon ,2006)

Recognition

Recognition is second only to cash as a powerful motivator. It is impossible to negate the power of recognition and the genuine pleasure we feel when acknowledged for our efforts. Recognition boosts our self-esteem, places us on a pedestal, and validates our abilities.(Ibid)

Recognition proves effective for rewarding stellar performance, professional development, Attainment of performance goals, earning of advanced degrees, innovations and creative Ideas, teamwork, community involvement, promotions, years of service, cost-savings Ideas and so forth. Appropriate recognition includes timely praise for a job well done; involvement in major project teams, acquisitions, or strategy sessions; employee -of-the-month or year awards; honors banquets; trophies, certificates, and plaques; publicity in the organizational newsletter; formal and informal announcements by supervisors or leaders; organizational gifts such as pens, rings, watches, etc.; president's club or hall of fame; and so forth.(Ibid)

Noncash Incentives

Noncash incentives such as gift certificates, organizational merchandise and clothing, trophies or plaques, or other prizes are often desirable incentives. Noncash incentives may also be distributed and awarded on a peer-to-peer basis(Gilley,2006).

Group/Team Incentives

Group incentives reward performance of a particular set of employees, often a small Group, cross-functional team, unit, or department. If group performance improves or Reaches a certain goal, members are rewarded accordingly. This practice bolsters teamwork and cooperation, often resulting in a closeness and camaraderie absent prior to inception of the recognition program. Group incentives are important to those organizations that Encourage or demand group or team work of their employees(Gilley,2006)

Responsibility and Authority

Employees prove themselves every day; from completing small, routine tasks too far Exceeding personal and professional expectations. Those who are willing and able to Assume greater responsibility should be given opportunities to do so. Many firms take care to balance additional responsibility with correspondingly increased authority. Responsibility without authority is a frustrating, de-motivating phenomenon(Gilley,2006).

Professional Development

Some organizations treat personal growth and development as a routine function, not an award for doing well. Internal ongoing training and external educational reimbursement send powerful messages—that the employee is valued, and his or her growth and development are critical to organization success(Gilley,2006)

Freedom and Independence

‘‘Highly enterprising employees will welcome the opportunity to obtain freedom and Independence as a reward for a job well done. ‘Freedom takes many forms: the ability to develop a new product or process; casual dress days; opportunities to work on a ‘‘special’’ project; and so forth. Genuine growth and development are by-products of individual creativity set free(Gilley,2006)

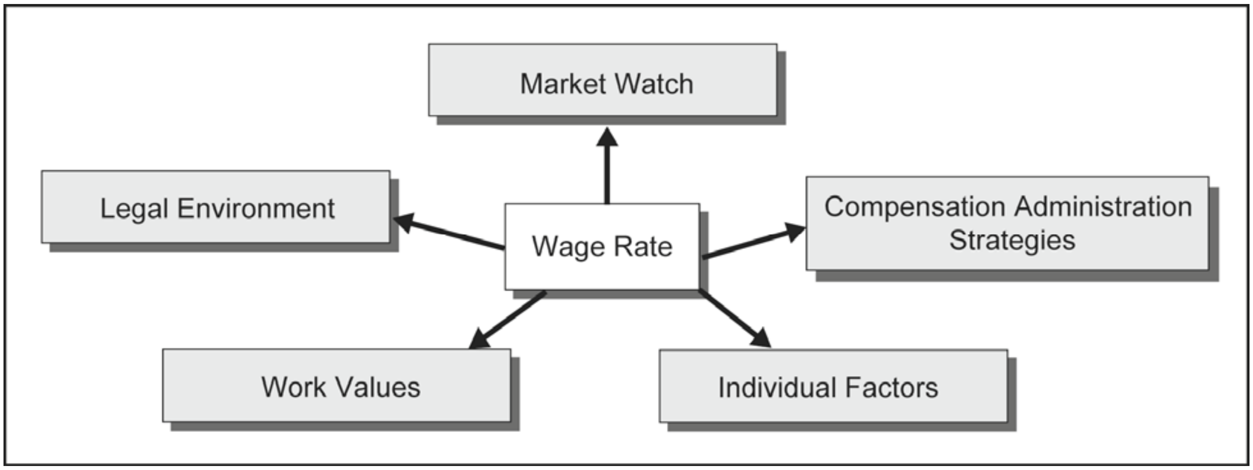
Vacation and Leisure Time

Hardworking employees push themselves to achieve personal and professional growth,
Often working overtime, evenings, or weekends. Since companies reap the benefits of extra
Effort and growth, it makes sense to compensate individuals for their efforts. Too much
Work can cause frustration or burnout; thus, employees need time to relax and reenergize.
Extra vacation or leisure time is an appropriate reward for someone who has devoted long
Hours to business pursuits, and may provide a refreshing ‘‘time out’’ in preparation for the next challenge.(Ibid)

2.10. Factors that influence pay rate of an organization

Nankervis (1999) stated that a few factors like external or internal will influence the wage rate developed by an organization. These factors are as shown in Figure3, which include the legal environment, market demands, work values, compensation administration strategies and personal factors.

Figure 3 Factors which influence payment rate (by Nankervis ,1999)



(a) Legal Environment

The compensation policy in every organization has to be aligned with the legal labor requirements in a country. Among the issues related to wage rate, are:

• Minimum wage rate;

• Fixed wage component; and

• Variable wage component.

(b) Market Survey

Organizations have to conduct environmental scanning in the labor market to review the relationship between demand and qualified manpower supply. Besides that, organizations also have to take note on other information before a certain salary policy is set. The information includes:

• The differences between local wage rate and city and suburban wage rate;

• The different wage rates for works from the same work groups; and

• The different wage rates in the same industry.

Economic environment including inflation, unemployment, manpower participation level, increase in education status, lack of specific skills and others.

(c) Working Values

Each organization has to have its own values in increasing employee motivation to work productively. Among the working values that need to be focused on by an organization are:

• The latest knowledge and experience;

• Task complexity can be solved easily; and

• Problem solving is a path towards excellent work performance.

(d) Compensation Administration Strategies

Compensation administration strategies are formed as a way to achieve organizational strategic objectives. The development of this strategy has to be focused on a few questions such as:

• The purpose of giving the rewards to employees the relationship between rewards and results achieved by the organization;

• The employers ability to give rewards to employees; and

• The type of employees desired by employers.

(e) Individual Factors

Other factors that need to be considered are factors on individual performance which are as important in creating more motivated employees to carry out work exceptionally. A few factors that have to be thought of are:

- Individual contribution towards the organization;
- Real performance compared to forecasted performance; and
- Skill development or competency.

2.11. Equity

Equity theory, as developed by Adams(2010), argues that satisfaction with pay is related to perceptions about the ratio between what one receives from the job (outcomes in the form of pay) to what one puts into it (inputs in the form of effort and skill) compared with the ratios obtained by others.

Equity theory is related to discrepancy theory which, as stated by Lawler, indicates that satisfaction with pay depends on the difference between the pay people receive and what they feel they ought to receive.

Equity theory, however, emphasizes that these feelings are based on comparisons.

The significance of equity was also emphasized by Jacques (2011). He stated that:

1) there exists ‘an unrecognized system of norms of fair payment for any given level of work, unconscious knowledge of these norms being shared among the population engaged in employment’; and that

2) An individual ‘is unconsciously aware of his own potential capacity for work, as well as the equitable pay level for that work’. Jacques called this the ‘felt-fair’ principle, which states

that, to be equitable, pay must be felt to match the level of work and the capacity of the individual to do it.

2.11.1. The Influence of Equity on Wage Rate

According to Dessler (2000), equity factor whether internal or external are critical factors in determining wage rate. External factors take into account the similarities between an established wage rate and other organizations wage rate to attract and retain capable employees. On the other hand, Internal factors stresses on fair wage when an employee compares his or her wage with the wage rate of a colleague in the organization. In general, an established salary grade must take into account both issues in creating Equity on the wage rate developed.

According to Gary (1994) the need for equity is perhaps the most important factor in determining pay rates, and there are two types of equity to address: external equity and internal equity. Externally, pay must compare favorably with wages in other organizations or you'll find it hard to attract and retain qualified employees. Pay rates must also be equitable internally: each employee should view his or her pay as equitable given other employees'' pay rates in the organization. Some firms administer employee attitude surveys to obtain information from employees regarding their perceptions and feelings regarding the firm's compensation system. Questions typically addressed by such employees' compensation surveys include "how satisfied are you with your pay?" "What criteria were used for your recent pay increase?" and "what factors do you believe are used when your pay is determined?"

According to Gary (1994) In practice, the process of establishing pay rates while assuring external and internal equity involves five steps:

1. Conduct a salary survey of what other employers are paying for comparing jobs (to help insure external equity).
2. Determine the worth of each job in your organization through job evaluation (to ensure internal equity.)
3. Group similar jobs into pay grades.
4. Price each pay grade by using wage curves.
5. Fine tune pay rates

2.12. Motivational 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 with in 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.

2.12.1. Hierarchy of Needs theory

This theory was developed by Abraham H.Maslow(2005). 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 is ascending order are: psychological, safety, social /love, esteem and self-actualization. This theory assumes reward should help to satisfy needs in each level of the hierarchy.

2.12.2. 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)

2.12.3. ERG theory

The existence, relatedness, growth (ERG) approach to motivation adopted by Clayton P. Alderfer(2007) suggests that people are motivated to act in a specific manner in an attempt to bring about individual satisfaction (DeCenzo & Robins,2005). These satisfactions depend on the fulfillment of three sets of innate needs: existence, relatedness and growth. The theory adopts an ‘open system’ in that individual are constantly interacting with the environment which in turn affects their behavior. According to DeCenzo & Robbins (2005), existence needs are basically concerned with survival and related to material and physiological factors relatedness needs are concerned with social processes such as sharing, acceptance, conformation, understanding and influence ; and growth needs essentially refers to creating the optimum use of existing capacities, and the development of new capacities. Hence, the theory perceives reward as a means of satisfying the needs existence, relatedness and growth.

2.12.4. McClelland’s theory of needs

The theory of motivation developed by David C.McClelland(2000) is based on the assumption that individuals have the desire to fulfill three innate needs which are present to differing exists in all individuals(Robbins,2005)

The need for achievement-described as the need for competitive success and high standards of personal excellence.

The need for affiliation- described as the need for warm, friendly and compassionate relationships with others and the need for power-described as the need to control or influence others.

The relationship between reward and motivation in this theory can be seen as the importance of reward in helping the person in the fulfillment of the above needs.

2.12.5. 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)

2.12.6. 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,2oo5).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

2.12.7. Expectancy theory

Expectancy theory which was developed by Victor Vroom (2005) 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,

2.12.8. Reinforcement theory

Reinforcement theory as cited by Armstrong(2009) was developed by hull suggested that motivation results from the direct interaction of the individual with the external environment. Human behavior is motivated by the extent to which it has been rewarded or punished, on the basis of an automatic stimulus-response.the theory suggests reward act positive incentives and reinforce the successful behavior which is repeated the next time as similar need emerged.

2.13. Empirical Studies

The research conducted by Lemessa Duffera(2012) assessed the compensation management practices of CBE , Data were collected through questionnaire prepared based on various scholar work. The validity of the instrument was checked by CBE‟s HR professionals, Branch managers, graduate program student and university lecturer. The result of the study showed that CBE employees‟‟ perceive they are on treated equally both internally and externally. In addition, majority of the employees are motivated with CBE non-financial compensation than financial compensation. Besides, majority of the employees perceive that CBE labor union has been acting as nominal figure and it is inactive in most compensation management decision of the organization.

A research was also conducted by Yitbarek Gochel(2012) on Assessment of reward management practices in Ethiopian airlines the pay, promotion, and benefit practices of the airline are assessed from varied reward management dimensions. In doing this, the alignment, transparency, equity, fairness, competitiveness, flexibility, and some other aspects of the existing reward practices are valued based on employees' opinion. The result of the research work revealed that many aspects of the reward management practices of the airline are exercised poorly except some aspects in relation to promotion and benefit administration.

John Jurgle (2005) conducted a research titled reward and recognition programs, the secret to maintaining a high morale and motivated work force in pompano beach fire department (Florida) . the purpose of the research was to evaluate the current employee recognition and reward problem and develop a program that will be valued by employees. The results of the project indicated members of the department didn't believe that the current employee recognition/reward program was effective and did not offer any value.

Chapter Three

Research design and methodology

3.1. Research design

The current chapter presents the methodologies that were used to conduct this research. The researcher employed quantitative data analysis taking into account the objective of the study.
According to C.r. kotari(2004) Descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present. Descriptive researches are more concerned with facts and can answer questions like “what was” and “what is”. Therefore a descriptive study was used in this study in order to obtain information on the characteristics of the problem.

3.2. Research participants

CBE has a total of 20,083 employees currently working all over the country in all branches and head office organs including clerical and non-clerical employees but this study only targeted clerical employees because of the difficulty of collecting data from the non clerical employees and employees also who were employed within one year and less were not included because they may not be fully aware of the reward management practice of the bank. To conduct this study employees working in Addis Ababa area specifically under south north west and east district and some departments under head office organs were included ,the remaining districts were not be included because of the homogeneity of the employees educational background ,work experience and due to the time constraint, four of the districts (SAAD, WAAD,EAAD and NAAD) were included .According to the data gathered from CBE’S HR Management the number of employees who were employed before one year or less are, some departments under head office 510, under SAAD 1313 and under NAAD 1705, under WAAD 1364 and under EAAD 1404 so the total population size of 6296 employees were included in this survey.

3.3. Sample and Sampling Techniques

In choosing the research participants, it could be said that, in this study, stratified random sampling techniques were applied in determining the participants that will enable 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.

Table 1 composition of the population

	Male	Female	Total
Head office	318	192	510
NAAD	1217	488	1705
SAAD	832	481	1313
WAAD	1007	357	1364
EAAD	934	470	1404
Total	4308	1988	6296

The population size of this study is **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)

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

n=362.728

n ≈ **363**

Table 2 sample size determination

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

3.4. Sources and research instruments

The researcher focused on both primary data and secondary data .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 that were useful to conduct the research.

3.4.1. Primary data sources

Questionnaires that had both open ended and closed ended questions were distributed to employees which were adopted mainly from John Jurgle(2005)and other researchers, John Jurgle' s research was made on a fire department found in Florida and since CBE is a service sector company like that of the fire department most of the questions on the questionnaire were mainly adopted from it and the other questions were developed based on the dimensions of reward management . A five point Likert scale questionnaire ranging from strongly disagree, disagree, neutral, agree and strongly disagree was distributed to 363 employees working in the HEAD office , SAAD NAAD,WAAD and EAAD the questionnaire measured employee perception regarding intrinsic and extrinsic rewards, equity, transparency, consistency and alignment.

3.4.2. Secondary data source

Secondary data sources was used in this study together with primary data by referring to different books written on the subject matter (reward management),articles and companies sources such as the collective agreement HR reports and the bank's library materials.

3.5. Reliability and Validity

To ensure the reliability of the response (internal consistency of items measuring the level of homogeneity of measures in the instrument and reliability over and over groups of respondents), the study did the reliability test to 36 selected target group respondents by calculating cronbach's alpha with all variable using SPSS . As a result the cronbach's alpha of the questionnaire revealed 0.816. As per (Walsh,1995) recommendation a minimum level of cronbach's alpha should be 70%. Hence the reliability of the response was able to be ensured.

Cronbach's Alpha	N of Items
.816	36

Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure.(kotari,2004). In designing & ensure the content validity of the instrument and also to check on the clarity, length and wording of the question, the researcher considered the input of the advisor as well as HR expert in HRM sub process working in CBE. Finally valuable comment was given both from the advisor as well as the expert and based on the feedback some adjustment on the questionnaire was made.

3.6. Methods of data analysis

The data that was collected by using both primary and secondary data sources and was summarized by using tables, frequency distributions and percentages to give a condensed picture of the data gathered. Accordingly, the summarized data was analyzed to arrive at a meaningful conclusion and to come up with valuable recommendations. In order to arrive at the conclusions and draw the possible recommendations. Statistical package for social sciences (SPSS version 20) was used to generate the final report.

Chapter Four

4. Data analysis and presentation

This chapter deals with analysis and presentation of the data collected through questionnaire. Descriptive statistics like frequencies and mean were used to analyze the data. Interpretations were made based on the frequency and percentages of the data. The findings from the questionnaires were analyzed by using SPSS(version 20) . The results from the study are presented in the form of frequency table and graphs.

Among the 363 questionnaires that were distributed to employees as a representative of the total population 325 questionnaires were properly filled and returned which is 89.53% response rate.

The first part of the questionnaire consists of the demographic information of the participants related to personal and professional characteristics. Whereas the second part intended to obtain respondent’s opinion and perception regarding financial and non financial rewards of the company.

4.1. Demographic characteristics of the respondents

This part comprises respondent’s information related to their personal and professional characteristics in order to give information regarding the composition of the sample.

As we can see from Table 3 of the total respondents 59.4% (193) of them are male and the remaining 40.6% (132) are female. With regard to respondents age category 35.7% (116) of them are less than or equal to age 25 , 34.8 % (116) of them are within the age range of 25-30 and 5.8 % (19) are between the age of 36-40, 3.7% (12) of them are between the age of 41-45 and the remaining 3.4% (11) are above the age of 45 .this implies that most the respondents (70.8%) are below age 35.

When we come to marital status of respondents 65.2% (212) are single, 32.3% (105) of them are married, 1.5 % (5) are divorced and the remaining 0.9% (3) are widowed.

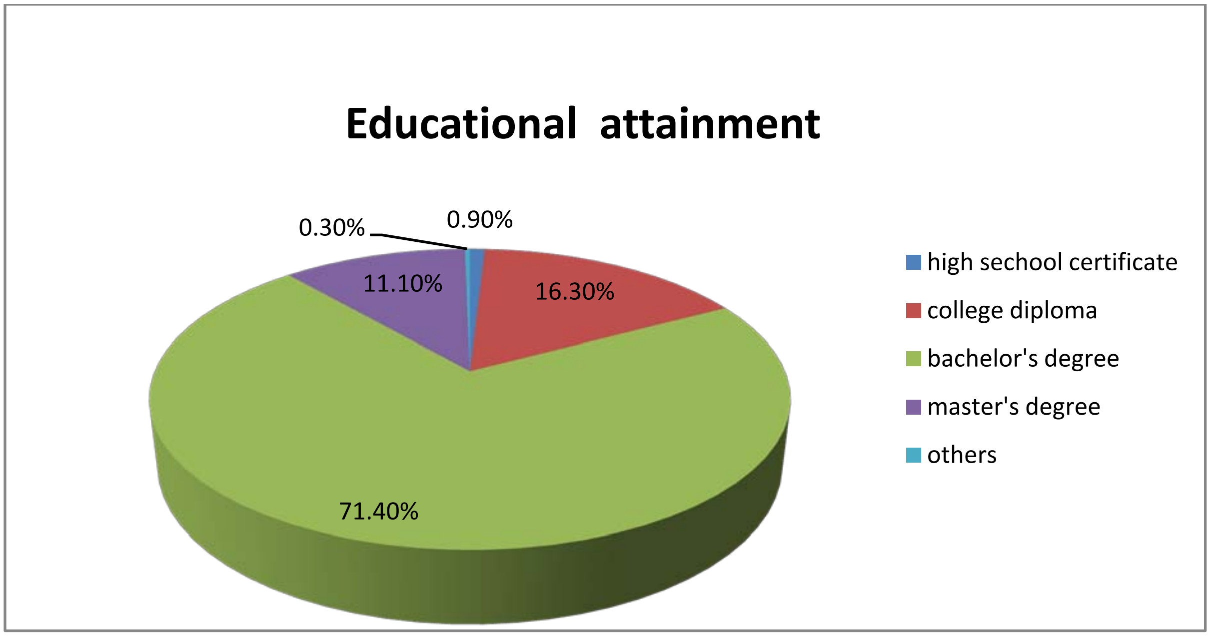
Table 3 Respondents distribution based on gender age & marital status

Category	Measurements	Numbers	Percentage (%)
Gender	Male	193	59.4
	Female	132	40.6
	Total	325	100
Age	less than or equal to 25	116	35.7
	26-30	113	34.8
	31-35	54	16.6
	36-40	19	5.8
	41-45	12	3.7
	46 and above	11	3.4
	Total	325	100
Marital status	Single	212	65.2
	Married	105	32.3
	Divorced	5	1.5
	Widowed	3	0.9
	Total	325	100

(Source; survey questionnaire)

As we can see from figure 4, 0.9% (3) of them have high school certificate, 16.3% (53) have a college diploma, 71.4% (232) are degree holders and 11.1% (36) are masters degree holders the remaining one respondent said that he have advanced degree certificate , none of the respondents have a doctorate degree.

Figure 4 Educational attainments of Respondents



(Source: survey questionnaire)

Table 4 Respondents characteristics

Category	Measurements	Number	Percentage %
Job level	Managerial	29	8.9
	Clerical	159	48.9
	professional	105	32.4
	Non clerical	1	0.3
	Others	32	9.5
	Total	326	100
Experience in CBE	1-5 years	201	61.8
	6-10 years	73	22.5
	11-20 years	30	9.2
	21-30 years	15	4.6
	31 and above	6	1.8
	Total	325	100
Salary range	Under 2000	4	1.2
	2001-6000	217	66.8
	6001-10,000	62	19
	10,001-14,000	35	10.8
	Above 14,001	7	2.2
	Total	325	100

(Source: survey questionnaire)

As shown on Table 4, 8.9% (29) of the respondents have a managerial position, 41.8% (159) of them are clerical workers, 32.3% (105) are professional employees, and one employee was clerical employee because of the scope of this study the questionnaire that was filled by him was rejected. The remaining 9.5% (31) have other professions.

With regard to years of experience in CBE 61.8% (201) have 1-5 years experience , 22.5% (73) of them have been working in CBE from 6-10 years, 9.2% (30) employees have an experience of 11-20 years, 4.6% (15) of them have 21-30 years of experience and the remaining 18% (6) have been working in CBE for more than 30 years.

When we see the salary range of employees 1.2%(4) of the respondents get 2000 and less , 66.8% (217) respondents salary fall under 2001-6000, 19.1% (62) respondents get a salary between 6001-10,001,10.8% (35) of the respondents get a salary between 10,001-14,000 and the remaining 2.2% (7) of them get a salary above 14,000 .

4.2. Assessment of general questions on reward management practice in CBE

In this section employees rating of the general reward management practices in CBE are presented, employees were asked questions to assess their perception towards the overall pay practice of the bank.

Table 5 Employees perception towards market value

Questions	measurements	number	Percentage %
Do you think CBE has pay scale which considers market value of each profession	yes	147	45.24
	no	178	54.76
	Total	325	100
Have you ever got rewarded based on your performance?	Yes	112	34.5
	No	213	65.5
	Total	325	100

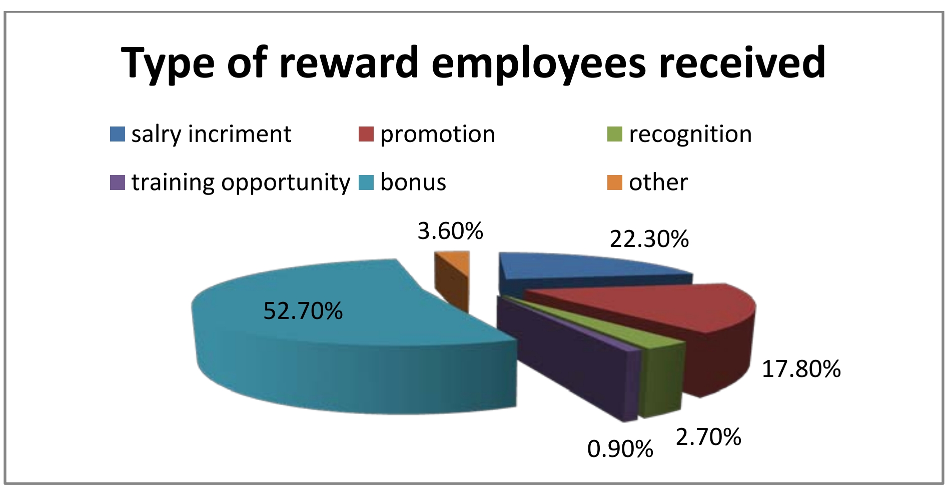
(Source: survey questionnaire)

As it can be shown in the table 5, employees were asked to answer if they perceive that CBE has a pay scale which consider market rate of each profession and according to their response 54.8% or 178 of the respondents think that it does not consider market value of each profession the rest 45.2 % or 147 of them think that it considers market value of each profession. From this result we can say that it slightly 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.

The other question that was posed to respondents was to find out if they ever got rewarded based on their performance. The result showed that most of the respondents (65.5%) of them never got rewarded based on their performance and the rest (34.5%) said that they have been rewarded based on their 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. According to chart 2 those employees who said that they got rewarded based on their performance 22.3% or 25 have received salary increment, 17.8% or 20 got promotion as a reward to their performance,2.7% or 3 respondents got recognized for their performance ,0.9% or a single respondent got rewarded with a training opportunity, 52.7% or 59 respondents received bonus and the rest 3.6% or 4 employees receive other types of rewards. The overall response showed that respondents don't get rewarded based on their performance.

According to the data gathered from HR transaction manual CBE has started to implement a performance management system since July 2014 that uses balanced scorecard to analyze individuals performance, It will be used on July 2015 to asses individuals performance and reward them based on their own performance. But since it is on implementation phase its effect on the current reward management practice it not yet identified. Employees are rewarded based on group performance like branch performance for branches' deposit and foreign currency mobilization and the like.

Figure 5 Type of Rewards that Employees received based on their performance



(Source: survey questionnaire)

Table 6 Employees perception towards market value

Questions	Measurements	Number	Percentage %
Are you motivated for a better performance by the reward management policy of CBE	Yes	107	32.9
	No	218	67.1
	Total	325	100
Does the bank provide financial rewards than non financial rewards?	Yes	123	37.8
	No	202	62.2
	Total	325	100

(Source: survey questionnaire)

When we see Table 6. Employees were asked for their perception of whether they are motivated for a better performance by the reward management practice of CBE or not and 67.1 % (218) respondents said that they are not motivated for a better performance by the reward management practice of CBE and the rest 32.9% (107) of them are motivated for a better performance , 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. People are motivated if they perceive that they will be rewarded but this is not the case in CBE.

The other question that was posed to employees was to find out whether there is proper composition of financial and non financial rewards and as it can be shown on the above table 62.2 % or 202 respondents said that the composition of non financial rewards is higher than financial rewards and the remaining 37.8% or 123 employees think that the proportion of financial rewards is higher than non- financial rewards.

Respondents were asked to give their perception whether the criterion of CBE'S payment system align with the core value of the bank , 56% (182) of them said that it is aligned and the remaining 44% (143) said that it is not aligned with the core values of the bank. This implies that CBE's criterion used for payment system is somehow aligned with the core values of the bank. Ann Gilley (2006) says that align your compensation criteria with the organization's culture, values, and strategic goals and objectives. Compensation should be integrated with all aspects of the business.

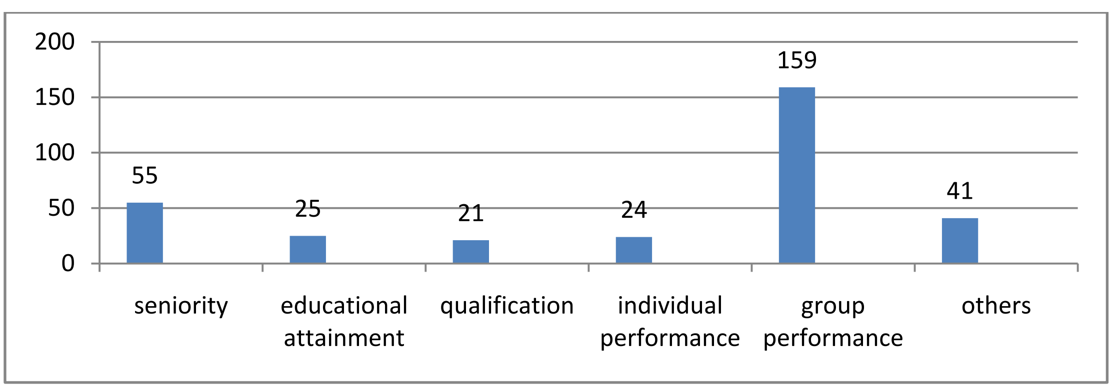
Table 7 Employees perception towards market value

Questions	Measurement	Number	Percentage %
Does the criterion of CBE's payment system align with the core values of the bank?	yes	182	56
	No	143	44
	Total	325	100
Does CBE's reward management policy consider inflation?	Yes	69	21.2
	No	256	78.8
	Total	325	325

(Source : survey questionnaire)

As Table 7 shows that respondents were asked if they think that CBE's reward management practice considers inflation and significant number of employees (78.8%) or 256 said that it does not consider inflation whereas the remaining 21.2% of tem think that it considers inflation according to the overall response rate CBE's reward management policy does not consider inflation.

Figure 6 Factors that are used in CBE in providing Rewards



(Source: survey questionnaire)

As we can see from Figure 6 respondents were given a list of factors and then choose a single factor that may be taken into consideration in providing rewards the most. 48.9% (159) respondents rate group performance as the most important factor the second most important factor based on respondents choice was seniority, 16.9% (55) of them said so. The third most important factor was educational attainment based on 7.7% (25) respondent's response. The forth factor is individual performance based on 7.4% (24) of the respondents response. The fifth factor that was rated by 6.5% (21) respondents was qualification and the remaining 12.6 % (41) respondents said that there are other factors which were not listed on the question.

This implies that the most important factor in giving reward in CBE is group performance According to the HR transaction manual as it was mentioned on the above section in order to provide reward specially bonus CBE Has been considering the group performance of employees but it is implementing BSC which will change the rewarding strategy by taking in to consideration of individual performance.

4.3. Perception towards Intrinsic and Extrinsic rewards

The section below shows, employee's perception towards the existing intrinsic and extrinsic reward management practices of the bank. Like that of the previous section, in this section employees were requested their opinion with regard to the statements presented under the issue of intrinsic and extrinsic rewards and options were provided in the form of Likert Scale: strongly agree(5), agree (4),neutral(3), disagree (2)and strongly disagree(1).

4.3.1 Intrinsic rewards

Table 8 Employees perception about some dimensions of intrinsic rewards

Item		5	4	3	2	1	Total	Missing	valid
I am praised regularly for my work	No	56	108	65	58	25	312	13	325
	%	17.2	33.2	20	17.8	7.7	96	4	100
My job activity is meaningful to me	No	83	140	36	42	22	323	2	325
	%	25.5	43.1	11.1	12.9	6.8	99.4	0.6	100
The job that I do has significant importance to the bank	No	138	129	31	17	7	322	3	325
	%	42.5	39.7	9.5	5.2	2.2	99.1	0.9	100

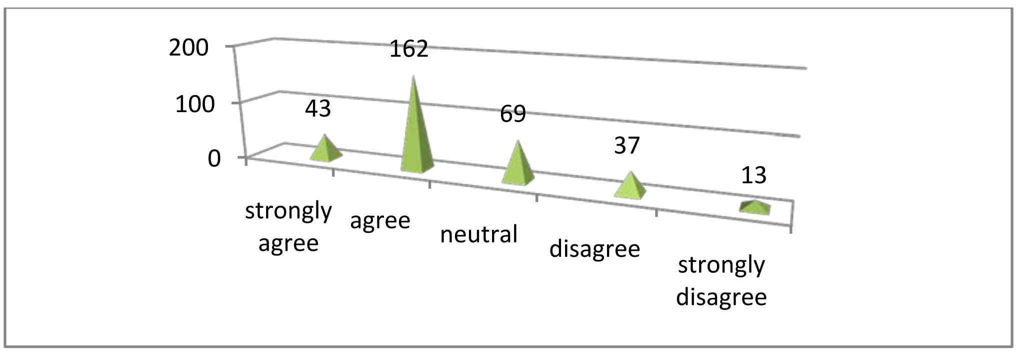
(Source: survey questionnarie)

As shown on Table 8 employees were requested to express their perception of the existence of praising culture for their work and Results of the assessment shows that 50.8%employees agree ,65(20%) of them are indifferent about it and 58 of them disagree and the remaining . from this we can say that there is a strong culture of praising employees for the work they do. respondents were also asked to show their perception whether their job activity is meaningful to them or not and majority (140or 43.1%) of the respondents believe that their job activity is meaningful to them whereas 36 respondents are indifferent and 64 respondents disagree that their job activity is meaningful. we can say that CBE's employees value their job as meaningful.

When we see employees response for the question that was aimed to find out if the job that the job they do has significant importance to the bank most of them (138 or 42.5%) strongly agreed with the statement ,129 (39.7%) agreed whereas 31 are indifferent and in contrary 5.2% of them disagree . The overall result implies that employees in CBE believe that their job has a great importance for the achievement of organizational goals and objectives.

As we can see from figure 7 majority (162 or 49.8%) agree that they get regular feedback from their supervisor 69of them are indifferent about it whereas 37or 11.4% of them disagree the remaining . This implies that employees get regular feedback regarding their day to day tasks from their supervisors and managers.

Figure 7 Respondents Feedback rate from their supervisors



(Source: survey questionnaire)

Table 9 Employees perception towards authority and opportunity

Item		5	4	3	2	1	Total	System Missing	Valid total
I have certain authority in my work	No	28	105	50	104	32	319	6	325
	%	8.6	32.3	15.4	32	9.8	98.2	1.8	100
I have the opportunity to take part when decisions are made	No	16	53	86	139	26	320	5	325
	%	4.9	16.3	26.5	42.8	8	98.5	1.5	100
My manager treats all employees fairly	No	4	155	69	37	21	323	2	325
	%	12.6	47.7	21.2	11.4	6.5	99.4	0.6	100

(Source: survey questionnaire)

Item one on Table 9 Shows that 105 or 32.3% respondents agreed that they have certain authority on their work in contrary 104 or 32% of them disagree , the remaining 50 or 15.4 % are indifferent from this, it is possible to say people in managerial position have authority.

139 or 42.8 of the respondents disagreed that they have the opportunity to take part when decisions are made , 86 of them are neutral on the other hand 53 respondents agree . The overall result implies that most employees do not participate in the decision making process regarding different issues.

Item three on Table 9 shows that large number of respondents agreed that their manager treats them fairly while 41 or 12.6% of them strongly agreed ,69 or 21.2% are indifferent about it the 11.4% of them disagree. This implies that employees are treated fairy without bias in the bank.

4.3.2. Extrinsic rewards

Table 10 Employees perception towards some dimension of extrinsic rewards

Items		5	4	3	2	1	Total	System missing	Valid total
I am satisfied with the list of benefits that I receive	No	9	49	75	157	27	317	8	325
	%	2.8	15.1	23.1	48.3	8.3	97.5	2.5	100
The benefit package more favors managerial position	No	87	106	66	56	6	321	4	325
	%	26.8	32.6	20.3	17.2	1.8	98.8	1.2	100
The bank revises its salary scale with a reasonable time period	No	20	22	85	156	33	316	9	325
	%	6.2	6.8	26.2	48	10.2	97.4	2.6	100

(Source; survey questionnarie)

Item one on Table 10 shows that significantly large number of respondents (157or 48.3) disagreed with the statement, 75 respondents are indifferent, on the other hand 49 respondents agree . The overall response shows that employees are not satisfied with the list of benefits even though benefits provide a quantifiable value for individual employees.

Item two on Table 10 shows that most respondents (106 or 32.6%) believe that the benefit package of the bank more favors managerial position while 66 of them are indifferent and in contrary 17.2% of them disagree. From this we can conclude that respondents perceive that distribution of the benefit package is subjected to bias regarding the position that individuals hold.

Respondents were also asked for their opinion if the bank revises its salary scale with a reasonable time period or not and 156 or 48% didn't think that it is not revised within a reasonable time period while 33(10.2%) strongly disagreed ,26.2% of them are unresponsive. The result implies that the bank's salary revision period is not reasonable considering external or internal factors.

Table 11 Employees perception towards salary revision, bonus & current payment system

Items		5	4	3	2	1	Total	System missing	Valid total	mean	Standard deviation
Salary increment is based on my performance	No	5	25	72	170	50	322	3	325	2.2	0.8709
	%	1.5	7.7	22.2	52.3	15.4	99.1	0.9	100		
CBE's bonus considers the level of individual contribution to the team	No	8	24	64	184	41	321	4	325	2.3	0.8747
	%	2.5	7.4	19.7	56.6	12.6	98.8	1.2	100		
The current pay system encouraged better performance	No	7	37	63	176	36	319	6	325	2.4	0.9100
	%	2.2	11.4	19.4	54.2	11.1	98.2	1.8	100		

(Source: survey questionnaire)

Table 11 shows that 170 or 52.3 of the respondents disagreed that salary increment is based on their performance while, 72 or 22.2% of them are indifferent on the other hand 25 of them agree respectively. From this result it is possible to say that the bank's salary increment does not consider the level of individual performance.

Item two on Table 11 shows that more than half of the respondents 184(56.6%) disagreed that CBE's bonus considers the level of individual contribution to the team,64 or 19.7 of them are neutral ,on the contrary the 7.4% of them agree. This implies that the bank's bonus as a reward to employees for high achievement doesn't consider individuals contribution to the team.

Respondents were also asked about their opinion whether the current pay system encourages better performance or not and 176 or 54.2% of them disagreed while 36(11.1%) of them are indifferent and 37 agreed. From this we can say that respondents do not believe that the current pay system doesn't encourage better performance.

4.4. Equity

The section below shows results found from employees by using questionnaires regarding internal and external equity.

4.4.1. Internal equity

Table 12 Employees perception towards some dimensions of internal equity

Items		5	4	3	2	1	Total	System Missing	Valid Total
The pay that I receive is equivalent with my educational qualification	No	20	154	60	67	21	322	3	325
	%	6.2	47.4	18.5	20.6	6.5	99.2	0.8	100
Employees who perform the same type of work get equal pay	No	33	148	53	59	26	319	6	325
	%	10.2	45.5	16.3	18.2	8	98.2	1.6	100
My salary is fair in relation to my responsibility	No	15	81	69	118	35	318	7	325
	%	4.6	24.9	21.2	36.3	10.8	97.8	2.2	100
I believe the salary difference among d/t pay grades is fair	No	20	124	53	88	37	322	3	325
	%	6.2	38.2	16.2	27.1	11.4	99.2	0.8	100

(Source: survey questionnaire)

As we can see from the above table majority of respondents(47.7 %or 154) agree that the pay they receive is equivalent with their educational qualification whereas,60(18.5%) are indifferent about it ,21 (6.5%) strongly disagree .Significant number of respondents (148) of them agree with the statement that employees who perform the same type of work get equal pay while ,59(18.2%) of them disagree , 53 respondents are indifferent whereas 26 strongly disagree. this implies that CBE is successful in meeting employees expectations of pay with regards to paying equal pay for equal work and paying fairly in equivalence with their educational background(qualification).

Table 12 Shows that 118(36.3%) respondents do not think that the salary they get is not fair in relation to their responsibility while significant number of respondents(81) of them think that it is fair , 69 (21.2%) of them are indifferent about it. From this we cannot conclude that CBE ‘s payment system does not consider the level of responsibility that a person bears because as much as most employees disagree also a large number of employees agree with the statement this implies that the payment system moderately considers employees responsibility in providing rewards.

Respondents were also asked for their perception whether they believe that the salary difference among different pay grades is fair or not and large number of employees (124 or 38.2%) agree 6.2% whereas 88 or % disagree , 53of them are indifferent the remaining 37 strongly disagree . since majority of the respondents agreed with the statement it is possible to say that CBE's pay grade difference among different pay grades is fair.

4.4.2 External equity

Table 13 Employees perception towards external equity

		5	4	3	2	1	Total	System missing	Valid total
Compared to the banking industry the bank offers better salary and benefit packages	No	23	44	31	197	27	322	3	325
	%	7.1	13.5	9.5	60.6	8.3	99.1	0.9	100
The salary & benefit package that I am getting is similar to employees in other banks with a similar position get	No	18	51	89	123	44	325	0	325
	%	5.5	15.7	27.4	37.8	13.5	100	0	100
There is a better promotion opportunity in CBE than other banks	No	38	100	85	60	41	324	1	325
	%	11.7	30.8	26.2	18.5	12.6	99.7	0.3	100
CBE's working environment is more challenging than other banks	No	85	98	76	50	14	323	2	325
	%	26.2	30.2	23.4	15.4	4.3	99.5	0.5	100

(Source: survey questionnaire)

As it can be seen from the above table respondents were asked to reflect their opinion if CBE offers its employees better salary and benefit packages than other banks and most of the respondents(119 or 60.6%) of them disagreed when 31(9.5%) are indifferent , 44 respondents agree respectively. When it comes to individuals perceived equity with regards to the salary and benefit package they get compared to employees of other banks with similar positions get significant number of respondents 123(37.8%) disagreed about its equivalence.

The overall result of item one and two implies that CBE is not effective in providing external equity to its employees with regard to the banking industries salary and benefit packages that it offers to its employees.

Respondents were also asked about their opinion whether there is a better promotion opportunity in CBE than other banks 100 or 30.8% of the respondents agreed with the statement while 85 (26.2%) of them are indifferent from this result we can say that most employees believe that there is a better promotion opportunity in CBE than other banks .

98or 30.2% of the respondents agreed that CBE's working environment is challenging. This result shows that most employees think that CBE's working environment is challenging.

According to Jacques's 'felt-fair' principle, which states that, to be equitable, pay must be felt to match the level of work and the capacity of the individual to do it. When we come to employees in CBE the overall response rate shows that the internal equity felt by employees is greater than the external equity.

4.5. Transparency

Ivana (2009) founds that reward practice must satisfy a full and open transparency regarding awards, the communication of the availability of the rewards, the criteria to be satisfied, and the identification of the award recipients .the section below describes the findings of the questionnaires filled by respondents concerning some of the transparency dimensions.

Table 14 Employees awareness about understanding of the existing pay practice

Items		5	4	3	2	1	Total	System missing	valid
I am well communicated about the benefit packages	No	15	153	95	43	14	320	5	325
	%	4.6	47.1	29.2	13.2	4.3	98.5	1.5	100
I am informed about how the current reward system function	No	14	55	95	133	26	323	2	325
	%	4.3	16.9	29.2	40.4	8	99.4	0.6	100
The existing pay practice is simple to understand	No	15	106	90	92	14	317	8	325
	%	4.6	32.6	27.7	28.3	14.3	97.5	2.5	100

(Source: survey questionnaire)

Table 14 shows employees perception of questions related to the transparency of reward management practice in CBE and according to item one significant number of respondents (153 or 47.1%) said that they are well communicated about the benefit packages provided ,95 or 29.2% are indifferent , 43 respondents disagree respectively.

when we look at respondents response for item two most respondents (133 or 40.4%) disagree that they are not informed on how the current reward system function ,from this we can say that CBE is successful in communicating the benefit packages to employees but most employees are not informed on how the current reward system function this implies that when CBE adjusts its reward system it does not update its employees .

respondents were also asked about their perception weather the existing pay practice is simple to understand or not 106 (32.6%) respondents think that it is simple 90 or 27.7% of them are indifferent ,92(28.3%) of them disagree.

When we see Figure 8 Majority of the respondents (183 or 56.3%) don’t know the criteria to get promoted ,while 69 or 21.2% are indifferent and 6.2% agreed respectively. This implies that CBE is not successful in communicating the criteria to get promoted to its employees

Figure 8 Frequency of employee's awareness of the criteria to get promoted

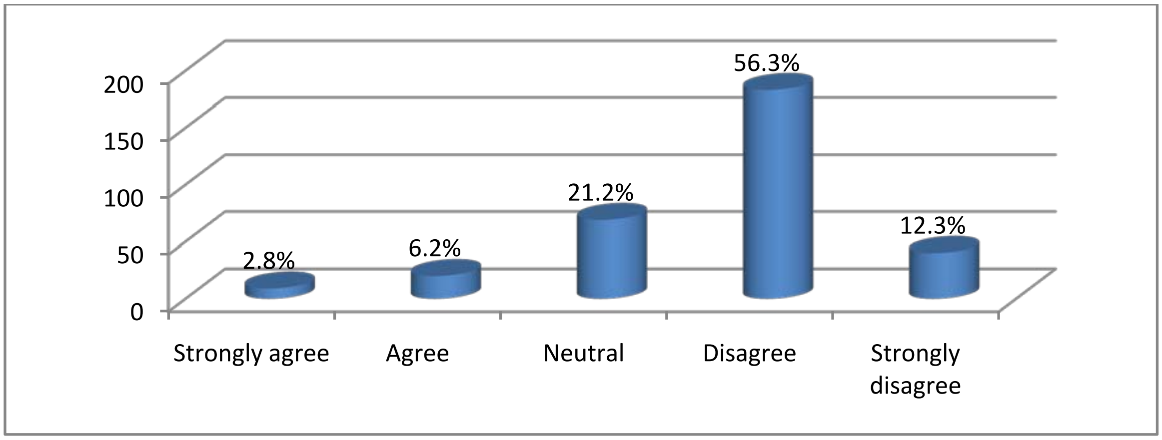


Table 15 Employees perception towards transparency

Items		5	4	3	2	1	Total	System missing	valid
I understand how salaries ,benefits & pay increases are determined	No	6	26	98	162	31	323	2	325
	%	1.8	8	30.2	49	9.5	99.4	0.6	100
I have a say on how my pay grade is determined	No	4	25	66	182	43	320	5	325
	%	1.2	7.7	20.3	56	13.2	98.4	1.2	100
Promotion is based on one's contribution	No	10	31	81	142	59	323	2	325
	%	3.1	9.5	24.9	43.7	18.2	99.4	0.6	100

(Source : survey questionnaire)

The above table shows that majority of the respondents (49.8%) disagreed on the statement that they know how their salary and pay grades are determined. Item two shows that significantly large number of respondents (56.8%)disagreed on they have a say on how their pay grade is determined. From the overall result of the above two items we can say that CBE does not communicate to employees how their salary, benefits and pay increases are determined in addition to this employees do not have a say on how their pay grade is determined.

The last item on table 15 shows that 43.7% of the respondents disagree that promotion is based on one's contribution. This implies that CBE's promotion policy is not based on one's contribution.

4.6. Consistency

Table 16 Employees perception towards consistency of pay

Items		5	4	3	2	1	Total	System missing	Total
Pay decisions don't vary among employees who are at the same level	No	49	141	66	56	10	322	3	325
	%	15.1	43.4	20.3	17.2	3.1	99.1	0.9	100
The criteria used to reward employees are consistently applicable to all employees	No	29	166	59	47	23	324	1	325
	%	8.9	51.1	18.2	14.5	7.1	99.7	0.3	100
Benefit administration practices shows consistency among varied department of the bank through time	No	26	99	97	77	10	319	6	325
	%	8	30.5	29.8	23.7	6.2	98.2	1.8	100

(Source : sample survey)

Respondents were asked if they think the pay decisions do not vary arbitrarily among employees who are at the same level and 141 or 43.4% of them agreed, 66 or 20.3% of them are indifferent about it and 56 respondents disagreed about it. From this we can conclude that in CBE employees who are at the same level with similar position get consistent pay without bias.

Item two on table 16 shows that almost half (166 or 51.1%) of them believe that the criteria used to reward employees are consistently applicable to all employees ,59 or 18.2 % are indifferent and

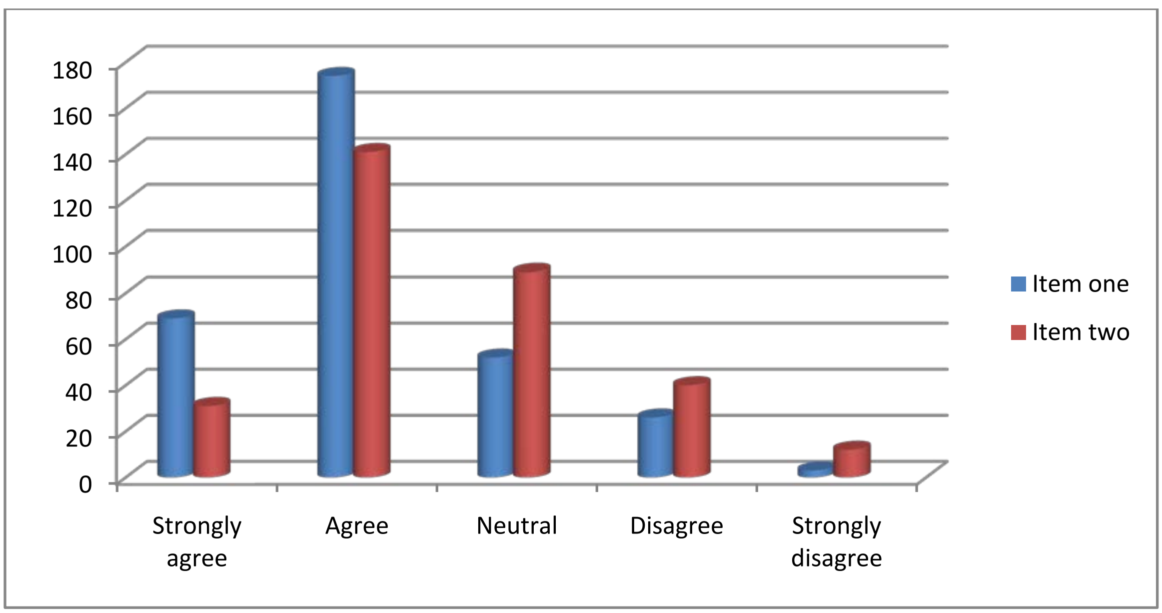
47 respondents disagreed respectively. From this we can say that CBE's criteria used to reward employees is consistent to all employees without difference in individuals' position.

On item three employees were asked for their opinion whether benefit administration practices shows consistency among varied departments of the bank through time and 99(30.5%)of them agree while 97 or 29.8% are indifferent ,77 or 23.7 respondents disagreed.

4.7. Alignment

Figure 9 shows that most respondents (174 or 53.4%) agree that their performance goals are strongly aligned with CBE's organizational goals whereas 141 or 49.9 % of the respondents agreed that CBE's reward management practice is aligned with the business strategy of the bank . From the overall result of the two items we can say that CBE 's performance goals and reward management practices are strongly aligned with organizational goals and business strategy of the bank.

Figure 9 Employees perception about alignment



Item one- my performance goals are strongly aligned with CBE'S organizational goals

Item two- CBE's reward management practices are aligned with the business strategy

(Source : survey questionnaire)

Table 17. Respondent's response on alignment question

Items		5	4	3	2	1	Total	System missing	Valid total
CBE's reward management strategy is aligned with the HR strategy	No	20	41	94	146	23	324	1	325
	%	6.2	12.6	28.9	44.9	7.1	99.7	0.3	100

(Source: survey questionnaire)

As it can be shown on table 17 most of the respondents (146 or 44.9%) of the respondents disagreed that CBE's reward management strategy is aligned with the HR strategy of the bank ,94 or 28.9% are indifferent about it while 12.6% of respondents agree with the statement. This implies that employees do not believe that the bank's reward management strategy is aligned with the HR strategy of the bank.

Chapter Five

Summary, Conclusion and Recommendation

In this final chapter, the main findings of the study are summarized and conclusions are drawn .based on the results of the study, recommendations are suggested.

5.1. Summary of major findings

- 178 or 54.8% of respondents don't think that CBE don't have pay scale which considers market value of each profession and most respondents (65.5%) said that they didn't get rewarded based on their individual performance and from those who said that they got rewarded based on their performance 52.7% of them were rewarded with bonus.
- More than half of the respondents (67.1%) said that they are not motivated for a better performance by the reward management policy of CBE.202 or 62.2% of the respondents think that the composition of non financial rewards is higher than financial rewards.
- Majority of the respondents (182 or 56%) think that CBE's payment systems align with the core values of the bank. Significant number of respondents (256 or 78.8%) said that CBE's reward management policy doesn't consider inflation. According to individuals rating of some of the factors that are taken into consideration in providing reward 48.9% of them rate individuals performance as the most important.
- In terms of intrinsic rewards most respondents said that they are praised regularly for their work, their job activity is meaningful to them, the job they do has significant importance to the bank , they are given regular feedback from their supervisors and their manager treats them fairly but in contrary majority of respondents disagreed that they have the opportunity to take part when decisions are made
- Considering some dimensions of extrinsic rewards, majority of the respondents

Are not satisfied with the list of benefits that they receive, most of the respondents think that the bank doesn't revise its salary scale with a reasonable time period and the current pay system doesn't encourage better performance,170 of them disagreed that salary increment is based on their performance. Majority of them also believe that CBE's salary scale is not revised within reasonable time period and CBE's bonus doesn't consider the level of individual contribution to the team.

- When we summarize internal equity 47.4% of The respondents agreed that the pay they receive is equivalent with their educational qualification, employees who perform the same type of work get equal pay and salary difference among different pay grades is somehow fair. On the other hand most respondents (118%) disagreed that their salary is fair with the amount of responsibility that they have.
- With regards to external equity, CBE is not effective in providing external equity to its employees with regard to the banking industries salary and benefit packages that it offers to its employees but also majority of the respondents (98%) agreed that CBE's working environment is challenging on the other hand large number of respondents agreed that there is a better promotion opportunity in CBE than other banks.
- According to employees rating of transparency aspects 47.1% of them said that they are well communicated about the benefit packages offered even though 40.4% of the respondents disagreed that they are informed on how the current reward system function. majority of the respondents disagreed that they know the criteria to get promoted, understand how their salaries are determined, have a say on how their pay grade is determined and get promoted based on their performance.
- When we take a look at consistency aspects of employees response majority of the respondents or (141 or 43.4%) of them agreed that the bank's pay decision do not vary among employees who are at the same level and 51.1% of the respondents agreed that the criteria used to reward employees are consistently applicable to all employees when the number of employees who think that benefit administration practices shows consistency and who says that it doesn't show consistency among varied departments is almost equal.
- With regard to reward alignment concept majority of the respondents agreed that their performance goals are strongly aligned with CBE's organizational objectives and that CBE's reward management practices are aligned with the business strategy,

of the bank but in contrary 146 or 44.9% of the respondents disagreed that reward management strategy is aligned with the HR strategy of the bank.

5.2. Conclusion

Commercial bank of Ethiopia is one of the largest bank in Ethiopia with is expected to play a major role in the growth and development of the nation with a vision of becoming world class bank by the year 2025. Increasing motivation and raising levels of commitment and engagement are key organizational imperatives. In order to achieve this employees have to be properly rewarded. This study assessed reward management practice of CBE and Based on the findings of this research the following conclusions can be made

- Commercial bank of Ethiopia doesn’t have a pay scale which considers market value of each profession
- CBE is successful is providing intrinsic rewards than extrinsic rewards , the findings showed that employees are satisfied with intrinsic rewards than extrinsic rewards .
- With regard to equity relatively CBE has achieved in ensuring internal equity (equal pay for equal work), equivalent pay with level of educational qualification and having a fair difference in pay level between different job levels in contrary the salary level of employees is not fair in relation to the level of responsibility that they bear .there are more than 15 private banks in the banking industry and the competition between them is higher than ever however compared to the banking industry CBE does not provide better salary and benefit packages for its employees in addition to this CBE’s working environment is more challenging than other banks.
- When we see transparency aspects CBE communicates well about the benefit packages provided to its employees but fails to update them on a regular basis when adjustments are made and even though the existing pay practice is simple to understand most respondents failed to know the criteria’s that the bank uses to promote its employees in addition to this promotion is not based on one’s contribution. CBE failed to communicate on how salaries, benefits & pay increases

are determined and does not participate employees on how pay grade is determination.

- According to the assessment made there is consistency in the bank with regard to paying employees equally who are at the same level and having the same criteria to reward all employees however benefit administration practices show moderate level of consistency among departments through time.
- When we see alignment, performance goals and reward management practices are strongly aligned with the business strategy ,organizational objectives of the bank. But the most important alignment that can help in boosting employees performance which is alignment of reward management strategy with the HR strategy seems to be poor.
- The overall ratings of the respondents response regarding the general reward management practice of the bank showed disagreement as per the respondents response, CBE does not consider individuals performance in providing reward and bonus and does not recognize inflation but also it doesn't motivate employees for a better performance in addition to this the non financial benefits provided to employees outweigh the financial rewards.

5.3. Recommendation

The Objective of reward management is to reward employees fairly, equitably and consistently in correlation to the value of these individuals to the organization. Reward system exists in order to motivate employees to work towards achieving strategic goals which are set by entities. Reward management is not only concerned with pay and employee benefits. It is equally concerned with non-financial rewards such as recognition, training, development and increased job responsibility. In this section recommendations are proposed based on the findings of the whole research.

1. In order to satisfy employees, CBE may adjust its salary rate by conducting environmental scanning in the labor market to review the relationship between demand and qualified manpower supply survey of the market.
2. Even though some researches proved that intrinsic rewards have higher effect than extrinsic rewards in employees motivation CBE can make every effort to maintain

its employees full satisfaction by making the extrinsic rewards competitive as much as the intrinsic rewards in order to attract and retain competent employees.

3. Since the competition between banks is higher than ever with different aspects CBE can maintain satisfying its employees with internal equity and work on satisfying external equity of employees by creating a better working environment and competent salary by making a salary survey and benefit scheme because the degree of fairness (equity) or unfairness that an employee perceives in the work place determines employee's productivity and satisfaction.
4. In order to create a transparent pay system CBE may communicate the criteria to be promoted and availability of the rewards because when there is lack of communication employees may underestimate the reward they get even if it is higher than the market. Also involving people in their reward package decision can give them a strong message and commitment.
5. CBE is successful in paying equal pay for equal work so it can maintain on keeping its consistency with pay to satisfy employees more but with regards to employee benefit administration since employee benefits policies and practices of an organization provide a competitive total remuneration package that both attracts and retains high quality employees and increases the commitment of employees the level of consistency among different departments should be reviewed by the bank and appropriate adjustment should be made.
6. To increase the alignment level between the reward management strategy and the HR strategy the reward management strategy have to be redesigned to fit with the HR strategy because it is necessary to ensure that reward strategies are bundled with other HR strategies so that they complement and reinforce one another.
7. In order to motivate employees for a better performance CBE may consider cost of living adjustment (COLA) to compensate its employees of the highly increasing the inflation rate, CBE have to balance the composition of financial and non financial rewards, and value individuals performance on providing rewards and bonus because providing only rewards and bonus based on group performance may not consider individuals contribution to the team .

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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 "Assessment of Reward Management Practice 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 Assessment of Reward Management Practice in CBE. 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
   - ☐ 20-26
   - ☐ 26 – 30
   - ☐ 31 – 35
   - ☐ 36 – 40
   - ☐ 41 - 45
   - ☐ 46 and Above
2. Marital Status
   - ☐ Single
   - ☐ Married
   - ☐ Divorced
   - ☐ Widowed
   - ☐ Other _______________
3. Gender
   - ☐ Male
   - ☐ Female
4. Educational Attainment
   - ☐ High school certificate
   - ☐ College Diploma
   - ☐ Bachelor's Degree
   - ☐ Master's Degree
   - ☐ Doctorate Degree
   - ☐ Other (Please Specify)………
5. Job level
   - ☐ Managerial
   - ☐ Clerical
   - ☐ Other --------------------------------
   - ☐ Professional
   - ☐ Non clerical
6. Your experience in CBE

- ☐ 1-5Years
- ☐ 6 – 10 Years
- ☐ 11 -20 Years
- ☐ 21 – 30 Years
- ☐ >= 31 Years

7. In which salary range does your salary level
   - ☐ Under 2000
   - ☐ 2001 - 6000
   - ☐ 6001 –10,000
   - ☐ 10,001 – 14,000
   - ☐ Above 14,001

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
    - ☐ Promotion
    - ☐ Recognition
    - ☐ Training Opportunity
    - ☐ Bonus
    - ☐ 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 Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
1	I am praised regularly for my work					
2	My job activity is meaningful to me					
3	The job that I do has significant importance To the Bank					
4	I am given a regular feedback from my supervisor regarding the job I do					
5	I have certain authority in my work					
6	I have the opportunity to take part when decisions are made					
7	My manager treats all employees fairly					
	Extrinsic Rewards					
1	I am satisfied with the list of benefits I receive					
2	The benefit package more favors managerial position					
3	The bank revises its salary scale with a reasonable time period					
4	Salary increment is based on my performance					
5	CBE's bonus considers the level of individual contribution to the team					
6	The current pay system encourages better performance					

B) Equity

No.	**Internal equity**	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
1	The pay that I receive is equivalent with my educational qualification					
2	Employees who perform the same type of work get equal pay					
3	My salary is fair in relation to my responsibility					
4	I believe that the salary difference among different pay grades is fair					
	External equity					
1	Compared to the Banking Industry the Bank offers better salary and benefit packages					
2	The salary & benefit package that I am getting is similar to employees in other Banks with a similar position get					
3	There is a better promotion opportunity in CBE than other Banks					
4	CBE’s working environment is more challenging than other Banks					

C). Transparency

No.	**Items**	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
1	I am well communicated about the benefits packages provided					
2	I am informed about how the current reward system function					
3	The existing pay practice is simple to understand					
4	I know the criteria to get promoted					
5	I understand how salaries, benefits & pay increases are determined					
6	I have a say on how my pay grade is determined					
7	promotion is based on one’s contribution					

D) Consistency

No.	**Items**	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
1	In the bank pay decisions do not vary arbitrarily among employees who are at the same level					
2	The criteria used to reward employees are consistently applicable to all employees.					
3	Benefit administration practices shows consistency among varied departments of the bank through time.					

E) Alignment

No.	**Items**	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
1	My performance goals are strongly aligned with CBE'S organizational objectives					
2	CBE 's reward management practices are aligned with the business strategy					
3	CBE ' s reward management strategy is aligned with the HR strategy					