



ST.MARY'S UNIVERSTY COLLEGE
SCHOOL OF GRADUATE STUDIES

**RELATIONSHIP BETWEEN REWARD SYSTEM AND
CLERICAL EMPLOYEES' PERFORMANCE: THE CASE OF
DASHEN BANK S.C**

BY: ABEL SEIFU

JUNE, 2017

ADDIS ABABA, ETHIOPIA

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List of abbreviation and acronyms

BA: Bachelor of Art

BSC: Bachelor of Science

DB: Dashen Bank

HR/HRM: Human Resource/Human Resource Management

MA: Master of Art

MSC: Master of Science

SC: Share Company

SPSS: Statistical Package for the social Sciences

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ABSTRACT

The idea of paying or rewarding an individual for his/her labor is not new. It is as old as with the development of modern human being. Any company, whether it is engaged in manufacturing or provision of service, needs human resource in order to achieve its objectives. Among other things, people usually consider attractiveness of the reward package that an organization offers at the time of employment. The objective of this study was to investigate relationship between reward system and clerical employee's performance in Dashen bank S.C, A questionnaire survey was administered to randomly selected, samples of respondents who are working in Addis Ababa. The data were analyzed using descriptive statistics, and regression analysis. The findings of the study showed that the company has incorporated both financial and non-financial rewards in its system. However, majority of them agree that the financial reward type is greater than the non-financial reward types. Also respondents agree the company's reward package system is not capable to retain best performers. On the other hand, the reward system differentiates between high performers and low performers. Contrary to this, majority of the respondents neither agree nor disagree on the existence of clear procedure how to implement the reward policy. Majority of the respondents have reported inequality and inconsistency in the application of the total reward system to all employees. The hypotheses which are used multiple linear regressions (beta coefficients) analysis revealed that, reward immediacy is the first most significant variable employee's performance decision followed by proper recognition of high performers, provision of attractive housing and medical loan policy will help to retain high performers , bonus given to high performer will initiate for better performance, proper implementation of career development will increase employees performance so as to step up to the next position, salary increment made for high performers will motivate others to perform more, rewarding appropriate mix of both financial and non- financial when I perform better, fair and equitable reward system. On the other hand creation of conducive work environment will encourage high performers to increase their performance and supportive organizational culture has no significant effect on employees' performance.

Keywords: *Total reward, employees' performance, clerical employees, reward composition, procedural and distributive justice, need assessment*

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The idea of paying or rewarding an individual for his/her labor is not new. It is as old as with the development of modern human being. As Kunango and Mendonca (1994, p.51) stated the notion of reward is deeply embedded in every culture and society. Any company, whether it is engaged in manufacturing or provision of service, needs human resource in order to achieve its objectives. Among other things, people usually consider the attractiveness of the reward package that an organization offers at the time of employment. Existing employees, also, work in expectation of some rewards.

In the current dynamic market condition, where competition is becoming stiffer than ever, having the right quality and quantity of employees and rewarding them based on their level of performance and need is very important. Despite the level of combination of reward system in general, reward is believed to be a source of motivation for employees to perform with their maximum potential (Kunango and Mendonca 1994).

Employees who perceive their reward system as fair and equitable will have better work motivation, Job performance, job satisfaction and lower turnover. A reward system that is designed with appropriate combination of financial and non-financial options and provided depending on the performance, needs and values of employees will have greater importance in winning the psychology of employees so as to utilize their maximum potential for the achievement of organizational objectives.

In most cases reward systems are designed to attract and retain skilled employees to promote specific job behaviors appropriate for high level of performance and motivate employees to work harder in return to help the company achieve its strategic goals (Gomez-Mejia, Balkin & Cardy, 2005; Kunango & Mendonca, 1994 P50; Mume, 2000, p 5-6). Since the time of scientific management, most managers have tried to relate effort and reward. It was common to use incentive plans like “piece of work” schemes or sales “spiffs” were thought to motivate or incite workers to improve production or sell (Bowen, 2000; p.2). During this time, managers set up

standards of performance, monitor the behavior of employees to observe the extent to which these standards are met, attained or adhered to and allocate rewards or penalties based on the observation of the performance (Singh, 2005). However this approach was criticized, because it assumes that people work for only money. According to this approach, money is considered as the only motivator in fostering high performance work behavior.

However, the value of a given reward provided to an employee greatly differs from individual to individual and society to society.

Kunango and Mendonca (1994, p.42) argues that one reward for all employees will not be effective to induce greater work motivation among employees they add that a reward system in order to attract and retain skilled employees and motivate workers to high level of performance, has to comprise both monetary and non-monetary rewards. Prokopenko (1998, p.208) supports this idea and states that the only way to ensure cooperation of workers is to share with them the gains from productivity both in monetary and non-monetary terms.

Most companies have developed their own reward system contextual to their environment and based on their organizational culture. A reward system comprises both monetary and non-monetary rewards. However, in the past, most managers had been emphasized on the monetary aspect of reward. The differing value of rewards among employees will influence imbalance reward practice between monetary and non-monetary rewards. As a result, companies will fail to achieve the aims of reward system; specifically fostering high work performance behavior.

Even though most scholars suggest on the inclusion of financial rewards in the total rewards system, many companies are still reluctant to either include or implement it. This is mainly because of the differing managerial philosophy and application of different motivational theories. Companies that fail to determine the appropriate mix between the financial and non-financial rewards will not be able to address the needs of their employees.

Dashen Bank S.C. is one of the privately owned commercial banks in the country incorporated under the commercial code of Ethiopia 1960. It was established September 20, 1995, the first founding members were 11 (eleven) business men and professionals that agreed to combine their financial resources and expertise to form this new private bank. After one year obtained license

from NBE went operation with eleven area bank. In 2003 Dashen Bank S.C began rendering encashment service (for visa and master card) as the sole agent of Barclays Bank of London.

The bank has succeeded to raise its number of branches to 220 by the end of June, 2016 it is reported that 105 of the total area banks are located in Addis Ababa and the rest are located in the major cities and towns of the nation.

The bank has managed to secure a total workforce of 5,630 by the end of June 2016.

According to various scholars work, the total reward can be used a means of influencing behavior, enhancing employment relationship, flexibility to meet individuals and winning the war to talent. Companies that want to foster high performance work system will reward employees based on their performance. Hence, reward is utilized as a means of influencing behavior.

A poorly designed reward system is likely to manifest itself in the recruitment of poor quality staff, undesirable level of employee performance, motivation and high level of employee turnover.

Among those features some of them are started to be reflected in Dashen bank S.C, the employees are arguing they are not paid well and promoted effectively and efficiently, employees are leaving in search of better pay and they join other banks in similar or higher position. Employees are also complaining that the current reward system is not comparable with other banks and it is not enough to balance their spending. The researcher is interested on those ideas and which leads to conduct this project work (See Appendix C).

1.2. Statement of the Problem

According to Hume (2000, p.74), a poorly designed reward system is likely to manifest itself in the recruitment of poor quality staff, undesirable level of employee performance and motivation, and high level of employee turnover.

Reward and performance are the two sides of a single coin. Gomez-Mejia, Balkin and Cardy (2005) outlines that the main objectives of any compensation and performance system is to motivate employees to work harder and help managers to decide who should be paid more based

on individual contribution. On the contrary the bank doesn't have clear policies and procedures on how to implement the reward system and what makes worse for the employees of the company is that they didn't have an organization structures which listens their compliance regarding this part of their benefit.

How is the pay package made up? The growing complexity and sophistication of payment arrangements raises all sorts of questions about pay composition (Torrington, Hall, and Taylor, 2008, p. 598). According to the expectancy theory, which is discussed under individual needs and wants vary. Therefore, reward management requires proper composition between financial and non-financial rewards. As stated in Chapman and Kelliher (2011) the owners of organization usually want to ascertain that employees direct their work effort in line with the owner's best interests. Jenson and Meckling, (1976), quoted in Champan and Kelliher, 2011, p. 122) further stated that, owners' interest can be achieved through adjusting the reward mix, in particular the balance between fixed and variable rewards, to ensure that appropriate incentives are in place for the employee to act in the owners interest.

Torrington, Hall and Taylor (2008, p. 639) have identified that a reward system which is aligned with the business strategy will help to motivate staff, use as driving for change, attract skilled employees and retain high performers. As observed from various scholars work, reward is one of human resource management tools that are employed to employees for higher performance. Hence, although many studies have been conducted in various reward system, studies that are conducted in one company/sector might not fit the other. Furthermore, published researches regarding relationship between reward system and employees performance in the case of Dashen bank were not found. Thus, this study is conducted to identify relationship between reward system and employees performance in the case of Dashen bank s.c

In explaining the situation in different meetings and informal ways the employees are arguing they are not paid well and promoted effectively and efficiently and employees are leaving in search of better pay and they join other banks in similar or higher position contrary to this, the inflow of employees from other banks is very rare existing employees also complain that the current reward system is not comparable with other similar banks and it is not enough to balance their spending. The human resource directive doesn't encourage skilled employees to enter at higher position rather than at the grass root level in order to support this by evidence there is no

employee that is employed at top position for the last many years. This will create knowledge transfer at stake, the competition among the sector to be low.

Besides, some benefits stated in bank's human resource policy such as the housing loan which is under a budget restriction from the company which is not comparable with the number employees who demand this loan, are not practical and some of them are highly bureaucratic to implement some employees further claim that they are not rewarded based on their performance. The rewarding criteria are peer-pressured and are biased in support of someone with in a group.

On the other hand Does the reward system of the bank has the expectancy which is the degree to which employees believe that, having achieved a goal will lead to a secondary action, namely a reward. Valency, which is the value they put on that reward and instrumentality, which is the degree of an employee's self belief in their ability to achieve a goal. These are some of the problems that are seen in the banks reward policy that even if the employees are completing achieving the goals that are setting by the company that doesn't guarantee for reward entitlement and even the value that are put on the reward is not that much high as the expectancy of the employees, which they will bring marvelous changes such granting scholarship awards and career development opportunities are not seen in the reward system as a result these are some of the problems that are seen in the reward system of the company which doesn't create conducive environment in the performance of the clerical employees.

However, the higher officials could not make any further analysis on what is wrong on the company's reward system claiming it as the main cause of turnover. It is important to conduct an assessment of the bank's reward system on employee's performance before things get worse. Therefore, the purpose of this study is to see the relationship between reward system and clerical employee's performance in Dashen Bank S.C.

1.3.Research Questions

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

1. What type of reward systems is implemented in Dashen Bank S.C?
2. Is the reward system enough to retain skilled and experienced employees?

3. Does the system differentiate between high performers and low performers?
4. How do employees perceive the procedural and distributive justice of the reward system?
5. Does the company conduct need assessment program to identify the type of reward employee's need?
6. What is the employee's perception on the overall reward system of the company?

1.4.General Objective

Generally, the study has tried to assess the reward system implemented in Dashen Bank on the performance of clerical performance.

1.4.1. Specific Objectives

Derived from the general objectives & research questions, the study is also intended;-

- To identify the type of reward system implemented in Dashen Bank;
- To find out whether the existing reward system is enough to retain skilled employees;
- To describe the extent to which the existing reward system differentiate between high performers and low performers;
- To assess implementation of procedural and distributive justice in the reward system;
- To find out whether the company conducts need assessment program to identify the needs of its employees;
- To identify the overall employees' perception on the existing rewards system.

1.5. Significance of the study

The study is expected to generate the following benefits:

- The results of this study will have greater input to the human resource practitioners that will design and administer their reward system. in particular, this study will have greater importance to Dashen Bank S.C.;
- The study will give insight for other researchers to explore and investigate more in the area, in a broader scope and wider context of the assessment.
- This study can also be used as an input for researchers who want to make further improvement in this area of study.

1.6. Hypothesis of the Study

From the definition of reward system and various scholars works the following hypothesis are formulated.

The company should consider and coordinate all forms of rewards when making decision about rewarding people (Patricia and Jan, 2000 p.10; Armstrong, 2009 p.745). This leads to the formulation of H-1 and subsequent sub hypotheses and H-2. H-1 total reward system has direct impact on employee's performance.

The total reward system is divided in to financial and non –financial reward. Financial reward is further divided into direct and indirect. In order to develop the sub hypothesis salary and bonus are considered as a sample from the direct financial rewards. This is mainly due to the fact that these variables are the most sensitive area in which all employees focus. Besides, these are the common variables that appear in many Human resource books like Armstrong ,2009 p.745 ; Torrington Hall and Teylor,2000, p.635 ; Hume,2000 p.5-6, and other. Besides, the company under study provides bonus every year. Hence, it will be logical to include these items that can be easily understood by the employees.

Likewise, the medical expense and housing loan is considered to be the most sensitive variables that can touch every employee.

Hence, among others these two variables are taken as the representative of indirect financial rewards. These variables are also mention in various books.

The non –financial reward variable is directly adopted from Armstrong and Murlis, 2004 p.12 and Armstrong Brown, 2006 P.25.

Based on the above explanation the following hypotheses are formulated.

H0: salary doesn't motivate employees for better performance.

H1: salary motivates employees for better performance.

H0: Bonus doesn't initiates employees for better performance

H1: Bonus initiates employees for better performance

H0: provision of attractive housing and medical loan doesn't help to retain employees' performance

H1: Provision of attractive housing and medical loan help to retain employee's performance

H0: Recognizing better performers doesn't help low performers to work harder

H1: Recognizing better performers will help low performers to work harder

H0: Conducive work environment doesn't help high performers to boost more

H1: Conducive work environment help high performers to boost more.

H0: Proper implementation career development opportunities doesn't encourage employees to increase their performance.

H1: Proper implementation career development opportunities encourage employees to increase their performance.

H0: Appropriate mix of reward system doesn't motivate employees to perform high

H1: Appropriate mix of reward system motivate employees to perform high

H0: Immediate rewarding of high performers doesn't help high performers to repeat their performance

H1: Immediate rewarding of high performers helps high performers to repeat their performance

H0: Reward system perceived as fair and equitable doesn't enhance employees' performance

H1: Reward system perceived as fair and equitable will enhance employees' performance

H0: Organizations that adopt supportive organizational culture doesn't design reward system that reward employees performance

H1: Organizations that adopt supportive organizational culture design reward system that reward employees performance

H0: appropriate mix of both financial and non-financial rewards doesn't help employees to perform better

H1: appropriate mix of both financial and non-financial rewards help employees to perform better

1.7 Delimitation of the Study

Conducting research on the relationship of all reward systems implemented and employee's performance throughout Ethiopia will be very complex, especially for beginners, and time consuming. As a result, the researcher has focused on one private commercial bank namely;

Dashen Bank S.C. The bank has 220 branches throughout the country, of these 105 are located at Addis Ababa. Hence, the study is carried out in selected branches found in Addis Ababa and departments found at the head quarter focusing on clerical employees only.

The researcher will use questionnaire method, because of the large sample size, that is 300 and to use another data collection method is not cost wise, time consuming and the head office location and branches under the study are far located each other. The data analysis method is delimited to descriptive statistics because of the variables under study are more explaining type and correlate each other.

1.8 Organization of the Paper

The study paper comprises five chapters. The first chapter is introductory part of the study. Chapter two deals with review of related literature chapter three is concerned about research design and method, in this chapter, the design of the study, the sample size , instrument used, sample, data quality assurance and so on will be discussed. Chapter four covers about data presentation, analysis & interpretation. The last chapter of the paper deals will summary of findings, conclusions & recommendations.

1.8.1 Definition Of Terms

- **Reward:** in this context, refers to both financial and non-financial rewards that are provided to employees in return of their contribution.
- **Employee's performance:** refers to employee's efficiency at work.
- **Employees :** are individuals which are hired legally in an organization with payment
- **Clerical employees:** are those who are diploma and above diploma holders and performs professional tasks.

CHAPTER TWO

REVIEW OF RELATED LITERATURES

Introduction

The objective of this paper chapter is to provide the theoretical background on the total reward system and to understand factors that could affect the effectiveness of total reward system. Then, the literature review examined various scholars' work on the significance of total reward system. The third section of the chapter discuss about various problems that may arise during administering total reward. After analyzing the problems, we will assess factors that can affect the effectiveness of reward system. Various theories of motivation that are relevant to the study will be briefly discussed. Finally, the relationship between reward and employees performance will be reviewed based on various empirical studies.

2.1 Definition of Total Reward

In earlier times, the current reward had different names such as wage, pay, remuneration and compensation. However, now days the word reward is replacing those names and becoming common to many books. Stredwick (2005) stated that in recent years, the expression 'reward' has started to replace 'pay' in the human resources vocabulary indicating a much broader approach. Including elements of non-cash awards and presupposes that employees need to actually achieve something to receive their wages or salaries, unlike the more mechanistic attachment that pay indicates.

Despite slight wording differences all authors agree that a total reward includes both financial and non-financial rewards provided to employees by their employer (Armstrong, 2006, p. 627; Armstrong, 2005, p. 7; Cascio, 2003, p. 416; Torrington, Hall, & Taylor, 2008, p. 635).

The financial reward comprises direct payment such as salary, bonus, and other cash payments and indirect payments are provided to employees in the form of benefits. On the other hand, non-financial rewards refer to the intangible or intrinsic rewards such as work autonomy, recognition, challenging assignments, Conducive work environment and so on. According to Armstrong (2005, p.6) reward system contain all elements of reward such as policies, practices, processes, procedures and structures.

2.2 Significance of Total Reward

The concept of total reward encompasses both financial and non-financial rewards. Hence, its significance to both the organizations and employees emanate from its comprehensiveness. According to Armstrong and Stephens (2005, p. 27) total reward can be used as a means of influencing behavior, enhancing employment relationship, flexibility to meet individuals needs and winning the war to talent. Companies that want to foster high performance work system will reward employees based on their performance. Hence, the reward is utilized a means of influencing behavior.

In addition, Stredwick (2005, p. 332-333) stated that total reward that is aligned with the organization's business strategy will help to achieve competitive advantage, emphasize performance, encourage flexibility in working practices, oil the wheels of change, support key competencies and encourage local decision taking, alignment of business strategy with each of the functional strategies in organization is human resource strategy, within the human resource strategy, if the reward strategy supports performance it is possible to achieve competitive advantage through people.

Likewise, Torrington, Hall and Taylor (2008, p. 639) have identified that a reward system which is aligned with the business strategy will help to motivate staff, use as driving for change, attract skilled employees and retain high performers. As observed from various scholars work, reward is one of human resource management tools that are employed to employees for higher performance.

2.3 Components of Total Reward

Different authors agree on the classification of total reward into two broad categories. However the naming differs from author to author with similar connotation. To mention some of the classifications, financial and non-financial, monetary and non-monetary, extrinsic and intrinsic, tangible and intangible, transactional and relational etc.

Regardless of the minor difference, all categories discuss about the same thing. As a result, this study adopts the classification of financial and non-financial rewards.

The table 2.1 is adopted with some adjustments from Armstrong (2009, P. 745) to indicate the components of total reward.

As indicated in the table, total reward is classified into two major categories i.e. financial and non-financial. Financial reward is further sub-divided into direct and indirect payments. Direct payment refers to payments which are made directly in cash to employees such as salary, wage, bonus and other direct payments. Indirect payment, on other hand, refers to employee benefits such as pensions/provident funds scheme, various types leaves, insurance cover, medical cover, company cars, etc. the second category i.e. non-financial rewards refer rewards that do not involve any direct payments.

They may arise from the work itself. For instance, work autonomy, recognition, training, career development opportunities, achievement and quality of work life.

Table 2.1 Components of Total Reward

Financial		Non-financial
Direct	Indirect	Career development opportunities
Salary	Provident funds/pension	Training
Wage	Various types of loans	Recognition
Bonus	Medical provision	Achievement
Contingent pay	Various types of leaves	Quality of work life
Overtime payments and others	Educational support and others	Work autonomy and others

Source: Armstrong (2009, p. 745).

2.4 Reward composition

How is the pay package made up? The growing complexity and sophistication of payment arrangements raises all sorts of questions about pay composition (Torrington, Hall, and Taylor, 2008, p. 598). According to the expectancy theory, which is discussed under 2.12.1 below, individual needs and wants vary. Therefore, reward management requires proper composition between financial and non-financial rewards. As stated in Chapman and Kelliher (2011) the

owners of organization usually want to ascertain that employees direct their work effort in line with the owner's best interests. Jenson and Meckling, (1976), quoted in Champan and Kelliher, 2011, p. 122) further stated that, owners' interest can be achieved through adjusting the reward mix, in particular the balance between fixed and variable rewards, to ensure that appropriate incentives are in place for the employee to act in the owners interest.

Torrington, et al (2008, p. 598) suggest the following four points as important part of conventional wisdom in designing reward system. The first one is younger employees are more interested in high direct earnings at the expense of indirect benefits, such as pensions, which will be of more interest to older employees. Second, incentive, or performance related payment arrangements are likely to interest employees who either see a reliable prospect of enhancing earnings through the ability to control their own activities, or see the incentive scheme as an opportunity to wrest control of their personal activities away from management by regulating their earnings. Third, women with children are less interested in payment arrangements that depend on overtime than men often are. And the fourth is overtime is used by many employees to produce an acceptable level of purchasing power particularly among the lower-paid.

In fact there is no conventional wisdom. Preferences differ according to the value, norms, background, economic status etc of individuals. Despite this fact, Bowen (2000, p. 33-34) argues that rewards for entry level employees, usually youngsters, need be more cash based whereas employees with longer service or higher in the composition scheme may be influenced by cash equivalent or non-cash rewards such as education, extra time off and the like. All of the above points suggest that there should be both financial and non-financial rewards so as to reward employees according to their needs and values.

2.5 Factors that influence a company's reward system

A given reward system is affected by various internal and external factors. Only some of the factors that are directly relevant to the study will be briefly discussed; mainly the internal factors. Source of internal factors are within the company. These are the company's reward philosophy, organizational culture, organization's financial performance, employee's perception, and others. External factors are beyond the control for the organization. These are the labor market, level of competition, economic condition etc. and will not be covered under this study.

2.6 Reward Philosophy

Reward strategy is founded based on company's reward philosophy. It expresses what the organization believes the basis up on which people are valued and rewarded, Patricia and Jay (2000, p. 15) described that a company's total reward philosophy defines the basic principles and parameters for designing rewards throughout the company. According to anonymous writer (p. 418-419), there are two basic reward philosophies. These are entitlement oriented philosophy and performance oriented philosophy.

2.6.1 Entitlement Orientation

The entitlement philosophy can be seen in many organizations that traditionally have given automatic increases to their employees every year. Further, most of those employees receive the same or nearly the same percentage increase each year. Employees and managers who subscribe to the entitlement philosophy believe that individuals who have worked another year are entitled to a raise in base pay, and that all incentives and benefit programs should continue and be increased, regardless of changing industry or economic conditions. Commonly, in organizations following an entitlement philosophy, pay increases are referred to as cost of living raises, whether or not they are tied specifically to economic indicators. Following an entitlement philosophy ultimately means that as employees continue their employment lives, employer costs increase, regardless of employee performance or other organizational competitive pressures.

Market comparisons tend to be made within an industry, rather than more broadly considering compensation in firms of all types. Bonuses in many entitlement-oriented organizations are determined very paternalistically and often do not reflect operating results. Instead, the CEO or owners acts as Santa Claus at the end of the year, passing out bonus checks that generally do not vary from year to year. Therefore employees "expect" to receive the bonuses as another form of entitlement.

2.6.2 Performance Orientation

Where a performance-oriented philosophy is followed, no one is guaranteed compensation just for adding another year to organizational service. Instead, pay and incentives are based on performance differences among employees. Employees who perform well get larger compensation increases; those who do not perform satisfactorily receive little or no increase in compensation. Thus, employees who perform satisfactorily should keep up or advance in relation to a broad view of the labor market for their jobs, whereas poor or marginal performers should fall behind. Bonuses are paid based on individual, group, and/or organizational performance results.

2.7 Organizational Culture

According to Armstrong (2009, p. 384) organizational culture is defined as “the pattern of values, norms, beliefs, attitudes and assumptions that may not have been articulated but shape the way in which people in organizations behave and things get done”. Similarly, Torrington et al (2008, p. 860) defined organizational culture as “the beliefs, conventions, and general patterns of behavior that shaped the people of the organization affects their decision in designing the reward system of an organization.

Companies design strategies at three levels; corporate, business and functional levels. All of these strategies should have to fit one another. Development of human resource (HR) strategies is among the various functional strategies.

According to Armstrong (2006, p. 133) the development of any HR strategy starts by aligning the HR strategy to the business strategy and the organizational culture. He further stated that organizational culture is among the many factors that influence the design of a reward system.

Bowen (2000, p. 35) also stated that the culture of any organization is reflected in its reward and recognition system. He further identifies three major types of cultures. These are constructive, restrictive, and aggressive cultures.

Constructive culture focuses on performance and encourages managers to take actions to reinforce behavior that lead to high individual, group and organizational performance. In this

type of culture, employees feel less apprehensive about taking prudent risks; instead, they will strive to achieve increasingly high levels of performance.

A restrictive (passive) culture is the one that punishes mistakes or demands compliance and tends to discourage organizational members from taking initiatives. This type of culture further focuses more on people than results. They are generally non-constructive because they require conformity ironically, besides, employees creativity is discouraged rather require them to be dependent upon other people specifically authority figures.

The third type of culture i.e. an aggressive culture values completion and power. It is prone to focus on results at the expense of human value. The author finally concludes that constructive cultures enable employees to strive to achieve high levels of performance. This type of culture rewards and recognizes excellence. Hence, according to the author companies that adopt constructive organizational culture will design a reward system that will recognize and reward employees' performance.

2.8 Organizational Performance

An organization who is involved in provision of service, would incur huge amount of money in the form of salaries and benefits.

However, if the company's overall performance is poor, its capacity to pay will also decline. "The resulting business performance and or the financial circumstances of the organization will influence the amount it can afford to pay and its pay policies..." (Armstrong and Murlis, 2004, p. 75.). Hence, the company's paying capacity also dictates or affects its reward system. It should be noted that organizations can perform well on poorly due to various external forces, such as the state of competition in the market place, long-term weather patterns, legal restrictions or the level of interest rates and taxation (Stredwick, 2005, p. 288).

However, the author argued that the biggest influence on organizational performance is the quality of the labor force at all levels of the business.

2.9 Employee's Perception

Behavioral factors affect all types of rewards. Most employees are working in order to gain rewards for their efforts. They expect to receive fair value in the form of reward for their efforts. It could be in the form of salary, variable pay, or benefits, the extent to which employees perceive they are receiving fair value often affects their performance, and how they view their jobs and employers. In relation to this Armstrong and Murlis (2004, p. 338) explained that experience has shown that the communication of employee schemes greatly affects the employee's perception of the scheme and its value. They added further equity and fairness the 'felt-fair' principle applies to levels of pay in comparison with others in accordance with what people believe to be the relative size or importance of jobs and their perceptions of relative levels of performance or contribution. Employees' perception will be further discussed under equity theory.

2.10 Reward and Employees Performance

As market become more competitive on a global scale it is increasingly crucial to maximize the performance of the workforce to maintain the market position (Winfield, Bishop, & Porter, 2004, p. 118). Performance improvement can be obtained by identifying a shared vision of where the organizations want to be and clarifying the role of each employee in that process.

However, even though there is goal clarity individuals are not rewarded based on their performance, their performance would not be consistent.

Reward and performance are the two sides of a single coin. Gomez-Mejia, Balkin and Cardy (2005) outlines that the main objective of any compensation and performance system is to motivate employees to work harden and help managers to decide who should be paid more based on individual contribution respectively from the mid-1980s there was a big growth in pay systems linked to individual performance, particularly performance related pay (Winfield, Bishop, & porter, 2004, p. 133). The introductions of performance related pay (PRP) further strengthen the relationship between the two.

In relation to this, Hume (2000) stated that under a system of performance related reward, the level of employee remuneration is directly related to the level of work accomplished

(performance). He further explains that performance planning gives the means for determining by what measures people will be rewarded. On the other hand, Spangenberg (1994; quoted in Williams, 2002) described that in the integrated model of performance management system, the last step is rewarding performance. Besides the expectancy theory argues that linking incentives to performance motivates employees to increase their effort and performance (Stringer, Didham, and Theivanatham pillai, 2011, p. 162.)

A reward system that is a given for high performance is more effective in inducing high performance in the future than a reward that is not dependent on performance (Kunango and Mendonca, 1994). Based on an empirical study prokopenko (1987) stated that “a survey conducted in some Asian countries indicated that, with proper motivation of workers productivity can easily be raised as high as 90% in small and medium enterprise.”

All of the above scholars agree that there is interrelationship between reward and employee performance.

2.11 Motivation Theories

Human motivation is much more complex and diverse than is suggested by the economic, security, working conditions approach (Mamoria and Gankar, 2001, p. 607). Employees work motivation is important in order to achieve organizational objectives. The general motivation theory, according to Hume (2000, p. 10-33) can be categorized into three schools of thought. These are the physiological, cognitive and social/behavioral schools of thought.

The physiological needs are based on the assumption that humans have a set of innate needs or drives and that these needs constitute the biological determinants of our behavior. The notable theories from this school of thought are Maslow’s hierarchy of needs, Herzberg’s two factor model, Theory X and Y, ERG model and McClelland’s theory of needs.

The cognitive school of thought, on the other hand, suggests that motivation is an active response by humans to factors both inside and outside the individual. Some of the major prominent theories in this school are, Goal setting theory, expectancy theory, and others.

The third school of thought, i.e. the social/behaviorist theory, draws together from two approaches to motivation i.e. social theory and behavioral theory. This school of thought is

concerned about the effect of the environment on behavior of individuals and place specific emphasis on the effect of social interactions. These include equity theory, reinforcement theory, classical conditioning and operant conditioning.

This study, however, is largely based on the theories of Vroom's expectancy theory, reinforcement theory and equity theory.

2.11.1 Vroom's expectancy, valence and instrumentality theory

This theory explains how the goals of individuals influence their effort and the behaviors, individual's selection depends up on their assessment of the probability that the behavior will successfully lead to the goal (Mamoria and Gankar, 2001, p.620). The basics for Vroom's, theory is that individuals will behave in a specific way when there is high expectancy that such behavior will result in a desired outcome. The second aspect in Vroom's theory is valence which essentially refers to the value of outcomes or goals. The third point in this theory is instrumentality. This concept suggests that the behavior of individuals is influenced by the degree to which additional desired goals can be attained as the direct result of such behavior (Hume, 2000, p. 24).

Expectancy has an impact on motivation. Vroom's expectancy theory of motivation recognizes that in the process of motivation the extent to which the individual feels he or she can realistically achieve the target will have an influence on whether he or she is motivated. Different people are motivated by different things. Expectancy theory also identifies that different individuals value different things and hence have different motivational needs. In the process of motivation, only those things that the individual values will spur them to act (Torrington, Hall, and Taylor, 2008, p. 263).

The main idea that can be extracted from this theory is, motivation is the product of three variables; expectancy, valence and instrumentality, for instance, expectancy which is the degree to which employees believe that, having achieved a goal will lead to a secondary action, namely a reward. Valency, which is the value they put on that reward and instrumentality, which is the degree of an employee's self-belief in their ability to achieve a goal.

The implication for employers is that incentive schemes will not work with everybody that considerable care has to be taken with the rewards to ensure a reasonable degree of valence and that honesty and trust must prevail with both the level of targets and the application of the rewards.

Stredwick, 2005, p. 210, scholars like, Torrington, Hall, and Taylor (2008, p. 678) also suggest that incentives are not universally applicable, but can play a role in enhancing individual effort or performance where the conditions and scheme design are right. Problems occur when the wrong system is imposed, on the wrong people, in the wrong circumstances or for the wrong reasons.

2.11.2 Reinforcement theory

Reinforcement theory considers the use of positive or negative reinforces to motivate or to create an environment of motivation. According to this theory, based on Thorndike's law of effect, behavior that results in pleasing outcome will likely be repeated, however, that results in unpleasant outcome is not likely to be repeated (Singh, 2005, p. 169). Reinforcement theory was further experimented by Pavlov and Skinner. Finally they draw a conclusion rewarding pleasant behaviors and punishing unpleasant one immediately will enable to repeat the pleasant and deter the unpleasant one respectively.

2.11.3 Equity theory

The notion of fair play is never far away from reward considerations and equity is an important factor in motivation. According to Singh (2005, p.171) the main theme of any system is maintenance of equity of fairness. Equity theory states that equitable treatment of people will enhance their motivation otherwise the reverse will happen. (Armstrong and Stephens, 2005, p. 77).

This theory suggests that motivation can be maintained through the concepts of distributive justice, where pay is seen to be fairly distributed in line with employee's worth and output, and procedural justice, where the methods of arriving at these judgments are seen to be fair, these methods include employee participation, accurate measurement, and fair appraisal and appeals processes (stredwick, 2005, p.211).

People want to be treated fairly in all facets of compensation, including base pay, incentives and benefits. This is the concept of equity, which is the perceived fairness of the relation between what a person does (inputs) and what the person receives (outcomes). Inputs are what a person brings to the organization and include educational level, age, experience, productivity, and other skills or efforts. What a person receives from the organization, or outcomes are the rewards obtained in exchange for inputs, outcomes include pay, benefits, recognition, and achievements, prestige and any tangible or intangible reward received. Individuals judge equity in compensation by comparing the effort and performance they given with the effort and performance of others and the rewards those others receive.

But it must be stressed that these comparisons are personal and based on individual perceptions, not just facts. A sense of inequity occurs when the comparisons process results in an imbalance between input and outcomes (Anonymous, p. 426-427).

2.11.3.1 Procedural and distributive justice in reward

Internally, equity means that employees receive compensation in relation to the knowledge, skills and abilities (KSAS) they use in their jobs as well as their responsibilities and accomplishments. Two key issues that relate to internal equity are procedural justice and distributive justice.

Procedural justice is the perceived fairness of the process and procedures used to make decisions about employees, including their pay, procedural fairness is viewed in terms of both the policies and procedures and the actions of supervisors and managers who implement the policies and procedures. As it applies to compensation, the process of determining the base pay for jobs, the allocation of pay increases, and the measurement of performance must be perceived as fair. Two critical issues are (1) how appropriate and fair is the process used to assign jobs to pay grades? And (2) how are the pay ranges for those jobs established?

Another related issue that must be considered is distributive justice, which refers to the perceived fairness of the amounts given for performance. This facet of equity refers to how pay rates to performance. For instance, if a hard-working employee whose performance is outstanding receives the same across the board raises as an employee with attendance problems and mediocre performance, then greater in equity may be perceived. Likewise, if two employees have similar performance records but one receives a significant greater pay raises the other one may perceive

that the inequity is due to supervisor favoritism or other factors not related the job. To address concerns about justice, some organizations establish appeals procedures.

2.11.3.2 Pay openness

Another equity issue concerns the degree of openness or secrecy that organizations allow regarding their pay systems, pay information kept secret in “closed” systems includes how much others make, what raises others have received, and even what pay grades and ranges exist in the organization. A growing number of organizations are opening up their pay systems to some degree by informing employees of compensation policies, providing a general description of the basis for the compensation system, and indicating where an individual’s pay is within a pay grade. Such information allows employees to make more accurate equity comparisons. It is crucial in an open pay system that managers are able to explain satisfactorily any pay differences that exist (Stringer, Didham, and Theivanatham pillai (2011).

2.11.3.3 External equity

Externally, the organization must provide compensation that is seen as equitable in relation to the compensation provided employees performing similar jobs in other organizations. If an employer does not provide compensation that is viewed as fair by its employees, that organization may have higher turnover of employees, may have more difficulty recruiting qualified and scarce skill employees and may attract and retain individuals with less knowledge, skills and abilities resulting in lower overall organizational productivity (Stringer, Didham, and Theivanatham pillai (2011).

2.11.3.4 Importance of equity and compensation activities

It is important for human resource professionals and managers to develop, administrator, and maintain compensation programs that are perceived equitable by employees. The consequence of an equitable compensation program is that individuals are more likely to be attracted to and take jobs in organizations where employees do not voice widespread concerns about equity. Greater loyalty, less turnover, and higher commitment to achieve organizational performance. Objectives are more likely if employees believe they are compensated fairly. Also, the organization must have policies, procedures and administrative support systems that are viewed as job-related and

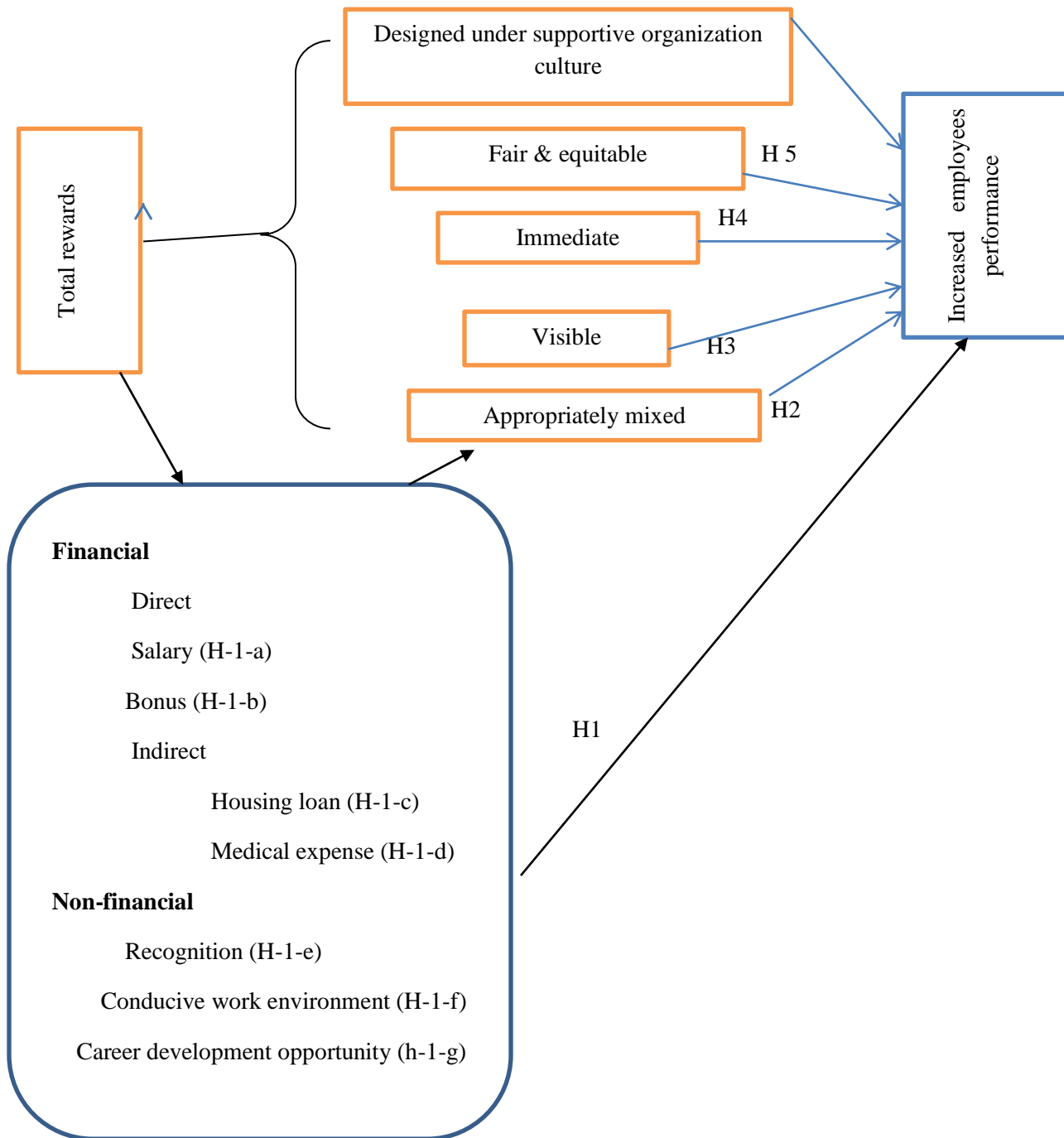
are not manipulated by favoritism or personality preferences of managers and supervisors. Finally, external equity is crucial if the organization is going to compete effectively in the labor market. Increasingly in many labor markets, some employers are finding it difficult to attract and retain a work force with the necessary capabilities to compete in a global market place. Regularly tracking external pay data and updating pay structures are internal to ensuring equity in any organization (Armstrong and Stephens, 2005, p. 230, Bowen, 2000, p. 46; Hume, 2000, p. 62; Patricia and Jay, 2000, p. 99).

A recent study conducted by Striger, Didham, and Theivanatham pillai (2011) on motivation of front line employees have found that there was no significant correlation between pay and satisfaction. They have also found that 40% of the respondents have felt that pay was unfair, when employees perceive that pay is unfair, whether an employee is highly motivated or not, there was a tendency to compare with others or to consider that their pay did not reflect their contribution to the organization. In general, half of the front line employees' rate extrinsic and intrinsic rewards as of high importance.

2.12 Conceptual Frame Work Of The study

A reward system of an organization reflects what an organization sees as important. However, this study adopts the following framework. The model is constructed based on the adoption of supportive organizational culture that designs a reward system comprising both financial and non-financial rewards in order to reward high performers. The financial reward system is further subdivided in to direct (salary & bonus) & indirect rewards (housing loan & medical expense) on the other hand, the non- financial reward comprises recognition, conducive work environment & carrier development opportunities. Besides, the model has included the expectancy theory of rewarding employees based on their needs & equity theory that is perceived as fair & equitable reward system will being increased employee's performance . In general, in constructing the model the expectancy, reinforcement and equity theories of motivation are taken into account.

Total Reward -----> which is -----> leads to



Framework source of variables: variables are adopted from various scholars work.

Figure 1.1 Conceptual framework of the study

CHAPTER THREE

RESEARCH METHODOLOGY AND DESIGN

This chapter presents a detail discussion about the type of research design employed in the study. Moreover, topics related to the sample size and sampling techniques, type of data used, data collection method, and subjects of the study are included. Explanation about the reliability and validity of study are also part of this chapter.

3.1 Research Design and approach

In order to achieve the study objectives, causal research type have been adopted. Causal research design seeks to identify cause and affect relationships. When something causes an effect, it means it brings it about or makes it happen. The effect is the outcome Different literatures and empirical studies were reviewed to gain insights and background information about the relationship between reward system and clerical employees' performance. And This research is designed to identify what types of reward systems are implemented in Dashen bank, is the reward system enough to retain skilled and experienced employees, does the system differentiate between high performers and low performers, how do employees perceive the procedural and distributive justice of the reward system? Does the company conduct need assessment program to identify the type of reward employees need? And finally what is the employees' perception on the overall reward system of the company?

Causal research: seeks to identify cause and effect relationships. When something causes an effect, it means it brings it about or makes it happen. The effect is the outcome.

The research approach that was adopted is quantitative method that uses deductive logic, in which the researcher uses hypothesis and then collect the data which can be used to determine whether empirical evidence to support that hypothesis exists.

3.2. Population and Sampling Technique

The population of the study is 1569 employees. The research type is causal research type which represents the cause and effect of the reward system on the clerical employee's performance. Accordingly, simple random sampling was used to select the number of respondents. The sample

size for this study was 314 in order to develop accurate sample size researchers use simple random sampling technique. Therefore, the study's sample size of 314 is fair enough to represent the population. In order to give equal chance to all employees, questionnaires were distributed to fifteen branches in Addis Ababa, and five departments using simple random sampling method. 194 questionnaires were distributed to each branch and 120 to each department the total distributed questionnaires were 314. Thus, the researcher consider available fund and time, sample size used by similar past studies and own judgment to determine the sample size.

3.3 Sources of Data and Data Collection Tools

The data collection was a very critical aspect for acquiring all the necessary data to properly conduct this causal and descriptive type of research. The data have been collected by using two sources; the primary and secondary data sources.

Primary data: primary data are helpful to get original information from the respondents themselves to know their opinions, feelings, attitudes and perceptions towards a particular issue.

Furthermore, to collect the primary data the study used proper instruments like questionnaire.

Questionnaire is a printed list of questions that respondents are asked to answer and distributed to sample respondents of Dashen Bank S.C. this questionnaire can be in the form of closed ended or open ended questionnaires. The former shows there are limited options provided by the researcher in which respondents will select one of them when it is appropriate to them but they cannot write any answers in a statement form rather than encircling one of the available options on the questionnaire. Moreover, the closed ended questionnaire used rating type of questions in which a rating device is used to record responses.

Rating questions are often used to collect opinion data and most frequently used likert-style rating scale in which the respondent is asked how strongly she/he agrees or disagrees with a statement or series of statements (Sunders et al, 2007).

The latter is characterized by giving chances to respondents to explain their reactions feelings; experiences etc. in a statement from using the space provided on the questionnaire this study distributed only closed ended questionnaires to the sample respondents.

3.3.1 Variables Addressed

The bank's reward system is assessed based on the following variables (sets of data) salary, bonus, recognition, conducive work environment, and career development opportunity (Armstrong, 2006, p.627, Hume, 2000, p.6), financial and nonfinancial (Prokopenko, 1987, p.208), reward immediacy (Kanungo and Mendonca, 1994, p.42), constructive organizational culture, distributive justice and procedural justice (Bowen, 2000, p.24; Kanungo and Mendonca, 1994, p.54; Armstrong, 2006, p.35)

The 314 questionnaires collected from respondents were first checked if any unintended respondents have filled or to identify any damaged questionnaire. Accordingly, twelve questionnaires were not returned and two non-clerical employees have been found in the questionnaire. The usable sample size remains 300. Then, the 300 questionnaires were sorted. After sorting each questionnaire was coded with unique number. After the coding is completed, each questionnaire's items were inserted into computer.

After completion of inserting data in the computer, various statistical analysis tools were utilized. Demographic variables were measured using descriptive statistics and frequencies counting and percentage is used.

3.4 Procedures of Data Collection

The researcher has used questionnaires in order to conduct this research and to conduct the relationship between the reward system and clerical employees performance, from which to measure and in certain cases an indication of what to improve the bank's reward system to its clerical staff. The bank has a total of 5,630 employees as of June 30, 2016 (Dashen Bank S.C 2016, p. 4) of these 1569 are clerical employees found in Addis Ababa. This study has targeted clerical employees only. This is mainly due to their level of awareness in filling questionnaire and understanding items in the questionnaire. Besides, these employees are major source of income for the company that involve in the day to day banking operations. This has determined the total population size.

3.5. Method of Data Analysis

The data analysis was made by using descriptive statistics, descriptive statistics such as frequencies, percentage, means and standard deviation were used to summarize and present the data. In addition to this, causal research design was used to show the effect of the reward system on the performance of clerical employees.

3.6 Reliability and Validity of Research Instruments

3.6.1 Validity

As stated earlier, the questionnaire was developed with due care containing items of which are demographic items. Reward assessment measurements were adopted from various scholar works. Items in the questionnaire were prepared using a five point-likert scale except the demographic items. Maximum efforts were exerted to create logical link between the items in the questionnaire and the objectives of the study.

Therefore, in order to ensure the content validity of the items incorporated in the study two human resource professionals have examined the instrument before it was distributed. One of these professionals is employees benefit and record section head and the other one is training and education section head.

Besides, the instrument was given to my advisor and my peers who have worked more than ten years in the bank to comment on it. Accordingly, based on their comments the questionnaires were distributed to the sample population.

3.6.2 Reliability

Internal consistency of items incorporated in the instrument was checked by using Cronbach Alpha. Means of each variable was computed and then the reliability was checked based on the means. The following table shows the SPSS result on the Cronbach Alpha.

TABLE 3.1 RELIABILITY STATISTICS OF THE INSTRUMENT

Variable	Cronbach's alpha coefficient	Number of items	
Total record	0.84	7	
Perception on the employees performance evaluation system of the company	0.84	5	
Reward composition	Financial	0.88	6
	Non-financial	0.86	7
Reward immediacy	0.80	3	
Procedural and distributive justice in the reward system of the company	0.82	6	
Customized rewards	0.87	5	
Supportive organizational culture	0.81	6	

As indicated in table 3.1, the Cronbach test implies that the instruments internal consistency as 84.5% which is above the acceptable percentage.

3.7 Ethical Considerations

When human beings are the focus of investigation, it is necessary to look at the ethical implications of what are proposing to do. Most ethical issues fall into one of the four categories; protection from harm, informed consult, right to privacy, and honesty with professional colleagues (Leedy and Ormord, 2005).

Therefore taking the nature of this study under consideration, participants have been told the nature of the study to be conducted and given the choice of either participating or not participating because of any participation should be strictly voluntary. More specifically, for ethical consideration the study confirmed containing the following information;

- A brief description of the nature of the study
- A description of what participants will involve, in terms of activities
- The researcher reports the findings in a complete and honest fashion and gives appropriate credit where credits is due and acknowledge any indebtedness to others

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

4.1 Introduction

This chapter presents the data and discussion of the research findings. The data analysis was made with the help of Statistical Package for Social Science (SPSS). The demographic profile of the study sample, the total reward system, perception on the employees performance evaluation system of the company, reward composition, reward immediacy, procedural and distributive justice in the reward system of the company, customized rewards and supportive organizational culture have been described using descriptive statistics. To test hypothesis and achieve the study objectives, different statistical methods were used. Regression method was also employed to test the hypothesis and achieve the study objective that focuses on identifying the most important underlying effect of reward system on the clerical employees' performance. Cronbach's alpha was used to test goodness and internal consistency of the measure.

In order to make the collected data suitable for the analysis, all questionnaires were screened to be complete. All returned incomplete questionnaires are considered as errors and removed from the survey data. During data editing, the collected questionnaires was checked, and 12 questionnaires were not returned, and 2 questionnaires was filled by employees who is not covered in the study. As a result, the usable number of questionnaires Out of the 314 distributed questionnaires 95.5 %(300) response rate has been obtained. The response rate is fair enough to represent the sample.

4.2 Demographic characteristics of the respondents

The first part of the questionnaire consists of five items about demographic information of the respondents. It covers the personal data of respondents, such as sex, age, educational background, year of service in the bank, current job position and salary. The following subsequent tables will reveal the total demographic characteristic of the respondents.

Table 4.1 Summary of respondents by age and sex

Sex of respondents	Age of respondents					
	18-25	26-35	36-44	45 & above	Total	%
Male	38	120	15	9	182	60.67
Female	20	85	5	8	118	39.33
Total	58	205	20	17	300	100

Source: Survey 2017

As shown in table 4.1 of the total respondents 60.67% of (182) were male and the remaining 39.33% (118) were female. With regard to respondents' age category, the highest group of respondents i.e. 205 (68.33%) fall under age category of 26-35. The next higher group 58 (19.33%) and 20 (6.67%) fall under age category of 18-25 and 36-44 respectively. This implies that about 87.66% of the respondents are below the age category of 35 years. The company is said to be fill by youngsters. The remaining group 6.67% (20), 17(5.67%) are under the age category of 36-44, and above 45 respectively. This shows that as Torrington suggested in the literature part of this study the company employees' are youngsters as a result the company should design, high direct earnings at the expense of indirect benefits, such as direct financial rewards, also as Bowen supports rewards for entry level employees, usually youngsters need more cash based rewards.

Table 4.2 Summary of respondents’ educational background and their current working position

Current position	Diploma	Degree	MA/ MSC	PHD	Total	%
Manager	1	1	1	-	3	1
Auditor	4	15	2	-	21	7
Cashier	2	11	5	-	18	6
Marketing expert	-	4	8	-	12	4
Senior marketing expert	-	1	2	-	3	1
Administrative assignment	2	-	1	-	3	1
CSM (customer service manager)	3	8	7	-	18	6
Complain officer	-	2	1	-	3	1
Risk analyst	-	12	-	-	12	4
Risk analysis and marketing	-	9	-	-	9	3
Customer service maker	17	105	31	-	153	51
Senior risk analyst	-	9	-	-	9	3
Senior customer accounts	2	14	5	-	21	7
E-Banking	-	4	2	-	6	2
Senior project officer	-	0	3	-	3	1
Business promotion expert	-	6	0	-	6	2
Total	31	201	68		300	100

Source: survey 2017

Generally respondents’ current job position is categorized into sixteen. As revealed in the above table, respondents under customer maker constitute above 51% (153) of the total respondents. Employees with customer service maker include customer service maker back office, and maker’s front office. The second highest respondents are both senior customer service accounts and auditor both with equal at 7%. Customer service accounts are those who have more than one employee under them. This includes senior customer accounts at back office and senior customer accounts at cash.

The above table also demonstrates educational background of the respondents’. As indicated in the table 201(67%) of the total respondent are holder of first degree followed by 68(22.67%) MA (Master of Art) holders. This implies that the company has highly educated employees.

Majority of the first degree holders' current job position is customer service maker 105 (35%), auditor 15(5%) 4.7% (14) senior customer accounts. 68 (22.67%) MA (Master of Art) holders. This implies that the company has highly educated employees. Majority of the first degree holders' current job position is customer service maker 105 (35%), auditor 15(5%) 4.7% (14) senior customer accounts. 68 (22.67%) MA/MSC holders are found from the total respondents. 31 customer service maker, 8 marketing expert and 7 customer service managers.

Table 4.3 Summary of respondents year of service in the bank and their salary ranges

Year of service in the bank	Salary range of respondents					Total
	3000-6000	6001-9000	9001-12000	12001-15000	Above 15000	
1-3	28	50	5	5	0	88
4-6	10	62	30	5	0	107
7-9	4	31	18	9	4	66
10-13	0	2	4	4	4	14
Above 14	0	0	0	5	20	25
Total	42	145	57	28	28	300
					Total	300

Source: Survey 2017

The bank has been in operation for more than 21 years. However, the above table indicated that 65% (195), of the total respondents have six year or less than six years of experience in the Bank which is less than around 3 fold of the age of the Bank. Its implication is majority of respondents in the bank have far lesser experience. Only 25 (8.33%) employees were found from the respondents who have more than 14 years of experience.

Table 4.3 also depicts the salary range of respondents. 48.33% (145) of the respondent's salary range falls under 6001-9000 category. Of those 62 of them have less or equal to 6 years of experience. Employees' salary increases with their year of service proportionally. As demonstrated in the table, employees with longer year of service fall under salary category of above 15000 birr with more than 14 years of service in the bank.

4.3 Description of Reward system adopted by Dashen Bank

4.3.1 General reward system of the company

In this section of the questionnaire, the researcher has tried to assess the general knowledge and attitude of employees towards the company’s reward system; it was developed by seven items using likert scale. All statements were measured on a five point scale where 1 represent strongly disagree, 2 represents disagree, 3 represents neither agree nor disagree, 4 represents agree, 5 represents strongly agree.

Table 4.4 Level of Agreement/Disagreement about the availability of financial and non-financial system in the company

The company incorporated both financial and non-financial reward types	Frequency	%(percent)	Mean	Standard deviation
Strongly disagree	9	3		
Disagree	37	12.3		
Neither agree nor disagree	80	26.7		
Agree	141	47	4	
Strongly agree	33	11		
Total	300	100		1

Source: Survey 2017

About 141 (47%) of the total respondent agree on the incorporation of both financial and non-financial rewards. Contrary to this, 80(26.7%) neither agree nor disagree on the incorporation of the financial and non-financial reward. However 9(3%) of employees strongly disagree with the incorporation of the both financial and non financial rewards. From this table we can observe that the employees of the company have enough information on the inclusion of the financial and non-financial reward package of the company. This will help the employees to ask those financial and non- financial rewards later as per the standard set by the company.

Table 4.5 Summary of respondents' view on which type of reward is greater in the reward system

More weight is given to financial rewards than the non-financial rewards in the company	Frequency	%(percent)	Mean	Standard deviation
Strongly disagree	7	2.3		
Disagree	51	17		
Neither agree nor disagree	100	33.3		
Agree	117	39		
Strongly agree	25	8.3		
Total	300	100	3	1

Source: Survey 2017

It is known that companies design their reward system to comprise both financial and non-financial reward types. However, their proportion may vary due to various reasons. Previously we have noted that the company's total reward system comprises both financial and non-financial reward types. However, table 4.5 depicts that the financial reward type is greater than the non-financial reward types. This is supported by 117(39%) of the total respondents. On the other hand 100 (33.3%) neither agree nor disagree on the above idea. Meanwhile, 51(17%) doesn't agree on the idea that financial rewarding are greater than the non-financial rewards in the company's total reward system. The overall mean result of 3 indicates that the respondents are neutral between the idea of the financial rewards are greater than the non- financial rewards. It is thus implies that employees do not have clear understanding to which reward is largely offered by the company.

As we will discuss later on, each employee has his/her own unique characteristics what is valued more by one individual will not be valued similarly by others.

Table 4.6 Summary respondents' view on the level of competitiveness of the company's reward package

Competitiveness of the company's reward package with other banks

The company's reward package is competitive with that of other banks	Frequency	%(percent)	Mean	Standard deviation
Strongly disagree	30	10		
Disagree	68	22.7		
Neither agree nor disagree	65	21.7		
Agree	117	39		
Strongly agree	20	6.7		
Total	300	100	3	1

Source: Survey 2017

No company works in a vacuum. Today's market is becoming more competitive than ever. Companies are fighting to get skilled and experienced personnel. Service giving companies, like banks, mainly depend on the skills and abilities of their human resources one way of keeping and attracting skilled employees is by designing a reward system that is competitive to the external market mainly to the industry. Otherwise, employees will leave the organization in search of better pay and the remaining employees' motivation will be lower.

When we come back to the respondents view on the competitiveness of the company's reward system compared with other banks, we find that 117 (39%) of the respondents claim that the company's total reward package is competitive with other banks. Contrary to the 68(22.7%) disagree, that is the company's total regard package is not competitive with other banks. 65(21.7%) of the respondents neither agree nor disagree. The mean result of 3 on this point also shows that majority of the respondents neither agrees nor disagrees on the company's reward package competitiveness.

It is vital for a company to know what its competitors are rewarding their employees. Apart from internal relativities employees also look for external relativities. The above response calls the bank once again to look what its reward package is and to compare it with other similar companies within the industry. The existing lucrative profit in the banking industry is attracting

new entrants. Currently there are about 20 private banks all these banks snatch experienced employees with higher salary from the existing banks in order to get very talented and readymade experiences from them. Hence, the company should take timely correction or version of the total reward system.

Table 4.7 Summary of the company’s reward communication level

The company clearly communicates its reward package to all employees	Frequency	%(percent)	Mean	Standard deviation
Strongly disagree	18	6		
Disagree	77	25.7		
Neither agree nor disagree	64	21.3		
Agree	112	37.3		
Strongly agree	29	9.7		
Total	300	100	3	1

Source: Survey 2017

In any organization, communication matters for all things, if the company fails to communicate its mission, it will fail to accomplish the same. A given reward system is designed for the company’s community. Therefore, it should be communicated on time what is available for them. If company fails to communicate the given reward system the level of employees’ motivation will be lower. This is mainly because they do not know the reward for good performance. In this regard as indicated under table 4.7, 112 (37.3%) of respondents, from the company under study, claim that the company clearly communicates its reward package to for all employees. 77(25.7%) also claim that the company doesn’t communicate clearly to its employees followed by 64(21.3%) the respondent neither agree nor disagree on the level of communication in relation to reward. The mean score also support that the respondents are not clear enough with the communication level of the company. This clearly that either the company’s communication system is poor or the company is not willing to communicate what it has designed. However, communicating what is available helps the company to win the psychology of employees to motivate them for better performance.

Table 4.8 Summary of the company’s reward capability to retain best performers

The company’s total reward package is capable to retain best performers	Frequency	%(percent)	Mean	Standard deviation
Strongly disagree	23	7.7		
Disagree	98	32.7		
Neither agree nor disagree	65	21.7		
Agree	87	29		
Strongly agree	27	9		
Total	300	100	3	1

Source: Survey 2017

One importance of a given reward system is to retain skilled employees. The mean score of 3 indicates that majority of the respondent neither agrees nor disagrees on the strength of existing reward package to retain best performers. In other words, 98 (32.7%) of the respondents disagree on the capacity of the company’s reward system to retain its best performers. Contrary to this, 87(29%) respondents agree on the capability of the reward system to retain best performers. 65(21.7%) neither agree nor disagree on the idea. As a result employees of the company are not clear to what extent the reward system is attractive to retain best performers.

Table 4.9 Summary of respondents’ opinion on company’s reward to differentiate between high performers and low performers

The company’s reward system clearly differentiates between high performers and low performers	Frequency	%(percent)	Mean	Standard deviation
Strongly disagree	15	5		
Disagree	89	29.7		
Neither agree nor disagree	64	21.3		
Agree	104	34.7		
Strongly agree	28	9.3		
Total	300	100	3	1

Source: Survey 2017

In performance-oriented organization, the company’s reward system clearly differentiates between high performers and low performers. High performers will be rewarded according to their performance better than their counter part. Majority of respondents 104(34.7%) agree on the ability of the reward system to differentiate between high performers and low performers. 89(29.7%) of the respondents disagree on the above question. About 64(21.33%) neither agree nor disagree.

The mean result of 3 indicates the majority of the respondents neither agrees nor disagrees. This implies that the company’s total reward system by the employees is on indifferent position to relate it to performance.

In general, results in the company total reward system call the attention of the bank to review the system. As we have seen it even if majority of respondents agree on the existence of both financial and non-financial reward types in the total reward system, however the financial reward out weight the non-financial reward type. Besides, the reward system is not that much competitive as the result of the respondents is neither agree nor disagree, well communicated, capable to retain best performers and capable to retain best performers and capable to differentiate high performers and low performer. All in all, employees who do not see any value in the reward system will not be motivated through it. Implication of the above result of the study is that employees of the company are indifferent that is neither agree nor disagree, on the reward of the system of the company.

4.3.2 Reward composition

In a given total reward system, there are two major categories. These are financial and non-financial rewards. In order to assess the existence of both types of rewards and their level of composition, there are financial, non-financial rewards, and appropriate composition.

4.3.3 Financial rewards

Under this category there are two sub categories i.e. direct and indirect financial rewards. Under direct financial reward, salary and bonus are included in the study due to their familiarity in the bank. Whereas, under indirect financial rewards; the housing loan and medical coverage are covered. However, it should be noted that lists under both categories are not limited to these items only. Summary of mean and standard deviation is presented in the following table.

Table 4.10 Summary of respondents' opinion on the financial reward type of the company

Item	Frequency					Mean	Standard deviation
	5	4	3	2	1		
There are sufficient financial rewards in the company	15	83	70	95	37	3	1
High performers will get additional pay for their performance	27	66	90	75	42	3	1
Salary increment made for high performers will motivate others to perform more	48	103	59	68	22	3	1
Bonus is given to all employees regardless for their performance	43	86	60	85	26	3	1
Bonus given to high performers will initiate for better performance	47	161	55	28	9	4	1
Provision of attractive housing loan policy will help to retain high performers	94	105	46	44	11	4	1

Source: Survey 2017

Despite majority of employees agree that the financial reward type is greater than the non-financial reward type as I discuss earlier, the above table depicts that there is neither agree nor disagree. As shown in the table, the mean of 3 that majority of them neither agree nor disagree on the existence of the non-financial reward. In terms of frequency and percentage about 95(31.67%) of the total respondent disagree. This implies that even if financial rewards are

greater than the non-financial reward types, however the existing financial rewards is not sufficient or up to the expectations of the employees.

In a performance oriented culture, employees are rewarded based on their performance. As discussed earlier, high scores are not entitled for additional pay. The mean result 3 indicates that majority of respondents neither agrees nor disagrees about the raised issue. The frequency of the result also supports it 90(30%) neither agree nor disagree. Supportive to this 75(25%), disagree on the idea. Contrary to this, 66(22%) of them agree that high performers will get additional pay for their performance. This could be mainly due to the fact that every year the company provides additional one-step salary increment for employees who are recommended by the president of the company.

At the end of every fiscal year of the company, it is customary that the company provide one month or two-month salary bonus and salary increment for its employees depending on its profit. As indicated in the table, the company follows merit based reward philosophy. This means the company provides both salary increment and bonus to all employees depending on their performance.

As clearly indicated in frequency the company salary increment for high performers will motivate others to perform more, by it is supported by a frequency and percentage of 103 (34.33%).

The company provides various types of indirect financial rewards. Among this, provision of housing loan at the lowest interest rate is the one that is common to most employees. Majority of the respondents also agree that the housing policy of the company is attractive as indicated by mean result of 4.

In terms of number of respondents about 105(35%) agree 94(31.33%) strongly agree on the attractiveness of the housing loan policy. This means the perception of employees is positive towards the housing loan policy of the company.

4.3.4 Non-financial rewards

Non-financial rewards are invisible rewards. According to Herzberg's hygiene and factor theory, the invisible rewards have more power than the visible one in terms of motivating employees for higher performance. However, it is not my intention to emphasize on the theory of Herzberg. Rather this study basis on appropriate mix of the two. The questionnaire was also incorporated some non-financial rewards in order to assess its existence and employees perception towards to it, mainly recognition, conducive work environment, and clear career development opportunities have been covered through the questionnaire. The following table presents summary of the means, frequencies, and standard deviation of the responses.

Table 4.11 Respondents' views on the non-financial reward types of the company

Items	Frequency					Mean	Standard deviation
	5	4	3	2	1		
My supervisor appreciates a job well done	53	128	63	45	11	4	1
The recognition I got due to my performance is visible to others	20	97	81	89	13	3	1
Proper recognition of high performers will motivate lower formers to work hard	-	44	169	54	33	4	1
Creation of conducive work environment will encourage higher formers to increase their performance	-	86	161	29	24	4	1
The company's promotion policy is clearly communicated to all employees	24	72	100	65	39	3	1
Usually the company fills vacant position in the form of internal promotion	7	72	135	58	28	4	1
Proper implementation of career development opportunities will increase employees performance so as to step-up the next position	76	142	45	31	6	4	1

Source: Survey 2017

In the company in table 4.11, as revealed by the mean result of 4, majority of the respondents have been appreciated by their immediate supervisor.

However, respondents neither agree nor disagree whether the recognition or appreciation they got is visible to other as revealed by mean result of 3. Here the company should develop a mechanism to communicate high performers or good job behaviors of employees to all other employees so as to increase their recognition visibility. This in turn will build the morale of high performers and encourage others to perform more.

Employees work in different situations. Conducive work environment can be expressed in the form of office set up, good colleagues, good leadership etc. In general, majority of respondents from the company, as reflected in the mean result of 4, have said there is a conducive work environment in the company for high performers.

An employee working in the company has a target that he/she wants to reach in the future. Whenever they perform better, the company recognizes their effort, and their promotion confirms their progress towards their future career what they aim for. Employees should be clearly communicated about their future career development and companies should design mechanisms to develop employee's future career, promotion and training/career development programs are the two items covered in this study. Employees were asked about the existence of clear career development opportunity.

Accordingly, the mean result of the study 4 revealed that respondents agree on the existence of clear career development opportunity. However, the mean result for the company's promotion policy is neither agreed nor disagreed; the company's promotion policy is not communicated in a clear way. If employees are not clearly communicated about the promotion policy it will raise transparency questions. Besides, procedural justice cannot be verified. However, they have strongly agreed that the company usually fills vacant positions in the form of internal promotions revealed by mean result of 4. This has a great importance because employees will have a hope that they will have a place in the company in the future. However, the company should work hard to make clear its promotion policy.

As I am part of the organization, as an employee, I have observed that the company has various short-term training aiming to increase the skills of jobholders.

4.3.5 Reward immediacy

The time gap between exhibiting good behavior and rewarding for it influences the future occurrence of that behavior. Employees were requested two questions whether there is immediate reward or remarkable time gap between good performance and reward. Hence, summary of results are presented subsequently in the following table.

Table 4.12 Time gap between good performance and reward in the company

Item	Frequency					Mean	Standard deviation
	5	4	3	2	1		
Employees are rewarded in the company immediately when they perform best	16	65	65	104	50	3	1
There is remarkable time gap between the reward and good performance	31	128	61	60	20	3	1
Immediate rewarding of employees for registering best performance will help to repeat that performance in the future	83	153	37	25	2	2	1

Source: Survey 2017

As indicated in the above table, the company does not reward employees immediately when they perform best. It is to be recalled that I have discussed earlier on how the company rewards its employees. It is once in a year that employees of the bank get salary increment based on their performance to the budget set by the company. As indicated in table 4.12 majority of the respondents with 104 (34.67%) disagree, that employees are rewarded in the company immediately when they perform best. And 128 (42.67%) of the employees agree that there is remarkable time gap between the reward and good performance should the company encourage good performance, it needs to change its reward timing. Employees who deserve immediate reward should get immediately. This will create high achievement motive by the employees of the company and it will initiate those best performers to repeat it again their success rate.

4.3.6 Procedural and Distributive justice

Employees' perception of fairness, justice, and equity of the reward system greatly affects its effectiveness. Sample respondents were requested 6 items to describe the procedural and distributive justice of the company's reward system.

Table 4.13 Summary of respondents' opinion on procedural and distributive justice of the company

Item	Frequency					Mean	Standard deviation
	5	4	3	2	1		
The company has clear procedural on how to implement the reward policy	20	99	105	49	27	3	1
Reward policies and procedures of the company equally and consistently apply to all employees	20	90	78	92	20	3	1
Employees of the company know where to appeal when the reward policy and procedure are violated	16	79	98	80	27	3	1
The company's total reward system is just (reasonable) and fair (free from bias)	8	88	94	74	36	3	1
In the company's there is favoritism in rewarding employees	20	75	133	59	13	3	1
I am rewarded based on my performance	28	92	79	61	40	2	1

Source: Survey 2017

In order to run fair and just reward system the first thing is designing of appropriate reward policy. Then the procedure how to implement this reward policy should be clearly articulated in a way all employees can understand. Their employees should be communicated. This will lay the foundation for procedural justice. Then, implementing according to the procedure and creating of grievance procedure so as to hear employees' voice when rules are violated.

However, in our country many policies and procedures are kept under lock of the manager or supervisor. Many of them are not willing to show for their employees. They only show when employee is supposed to be punished to confirm their action is according to the company's policy and procedure. Nevertheless, many of the policies and procedures are kept as confidential. Besides, some company's do not update their policies periodically, rather any additions and omissions are conducted through memos and letters. These letters and memos will be field in different fields. Hence, things will be hard for employees to get a clear picture of the company's reward system.

Respondents of the company were requested to express their level of degree of the existence of clear procedure on how to implement the reward policy. Result of the mean 3 revealed that many

of respondents neither agree nor disagree. This implies that employees neither know the existence of any procedure or policy in the company let alone its understandability. Hence, the company should put for its maximum effort to make clear how it is implementing its reward policy.

When respondents were requested about equally and consistent application of reward policies and procedures to all employees, they are also neither agree nor disagree. This indicates the company should work on giving on its policies and procedures training and refreshment on their inclusion of equality and consistently applying to all employees.

In relation to the above point, respondents were asked their knowledge where to go for appeal when policies and procedures are violated or any unfair practices undergo in the reward system of the company. The mean score of 3 implied that respondents neither agree nor disagree with idea; this implied that respondents have limited knowledge where to go to appeal for unfair reward practices and violation of reward policies and procedures. This indicates that the company does not communicate its employees where they should go if there is any organ to hear their complaint. Generally speaking in such situations it is hard to maintain the rule of law and the company lacks transparency.

As stated earlier employees perception is the most powerful for effectiveness of a reward system. If majority of them have feeling of unfairness and injustice on the reward system, it may not bring what the organization wants to get through it such as increased performance, motivation, satisfaction, lowered rate of absenteeism and turnover etc. rather those feelings will accelerate the rate of dissatisfaction, absenteeism, and turnover. Besides, their morale will be dropped.

Respondents' mean score of 3 reflects that the existence of unfair and injustice reward policies in the company. Respondents' also claim that they are not rewarded based on their performance with the mean score of 2. All of the issues are major problems that should be addressed soon.

Distributive justice can be seen in relation to employees' perception compared with their fellow workers and their performance. It is natural that anybody wants to know what others are getting to compare with them.

In due course if employee felt that his/her reward is less than the people allowed without legitimate reason would bring a state of frustration. Besides employees will try to value their reward based on their own effort contributed to the work.

4.3.7 Customized rewards

Employees needs and wants vary from person to person depending on age, sex, level of education, economic background and many other variables. What is important (valuable) for me may not be the same to others. That is why this study proposes appropriate mix between financial and non-financial reward is important. If there are variety of rewards in the total package the chance of addressing employees' needs will increase. Customization fosters reward tailor according employees need and value.

Companies usually design their reward system by giving too much emphasis on the direct financial reward type. This reward type may work, to some society up to some level. Direct financial rewards may satisfy their material need. However, she/he is, human being wants recognition for his work, good working relationship with colleagues and supervisors and future development. This requires appropriate mix between financial and non-financial rewards and presenting a wide variety of rewards for employees to choose among them when they perform better. In the questionnaire five items were included to assess whether the company conducts need assessment program, if employees have the chance to choose the way they like to be rewarded etc.

Table 4.14 Summary of respondents' opinion on customized rewards

Item	Frequency					Mean	Standard deviation
	5	4	3	2	1		
There is need assessment and program in the company on how to reward employees	36	102	86	61	15	3	1
I will be happier if the company consults me what I need most when I perform better	55	173	42	30	-	3	1
I like to be rewarded only direct financial rewards like salary increment and bonus when I perform better.	48	131	44	64	13	3	1
I like to be rewarded only non-financial reward such as recognition special training, career development opportunity etc. when I perform better	48	73	71	90	18		1
I like to be rewarded appropriate mix of both financial and non-financial rewards when I perform better	110	109	44	31	4	3	1

Source: Survey 2017

Need and wants of human being are not static. They change with time and situations. Companies that design best reward policy should not keep quiet for long period of time.

They should conduct need assessment program periodically through attitude survey or any other methods in order to know what is valued by the current work force. With regard to the above point respondents from the company agrees that 102(34%) there is need assessment and program in the company on how to reward employees, and the mean score is 3 which is neither agree or disagree.

The output of the need assessment is what is valued more by employees. Employees will be happier if they are rewarded what they value most. In the company under study, majority of respondents agree that they get the chance to choose the way they like to be rewarded by 173 (57.67%).

Similar to this majority of the employees have expressed their happiness if the company consults them what they need most when they perform better. Mean score of 4 of the respondents have expressed their level of agreement. This ascertains that individuals' needs are viewed and it is

because of their difference they want to be consulted when they perform better. Hence, the company should device a mechanism to address employees' needs and want.

Most people believe that employees, in developing countries, are motivated by financial rewards only. With this attitude, most companies in these countries craft their reward policy with too much emphasis on the financial reward type only. Many companies have cost a lot by losing their skilled and experienced employees and by recruiting and training of new employees due to this naïve behavior.

Respondents were asked what they like to be rewarded when they perform better. Three items were prepared to identify what they like most. These are only direct financial, only non-financial and both mix of both financial and non-financial reward mix.

Accordingly, mean score of 3, 3 and 4 were registered respectively. The result clearly shows that employees like to be rewarded both financial and non-financial rewards with appropriate mix. Hence, the company should look into its reward policy and practice and adjust them according to the needs of its employees.

4.3.8 Supportive organizational culture

The culture of any organization has direct impact on the development of its reward system. Culture change programs aimed at encouraging specified behavior and performance with improve motivation. The culture of an organization affects the way in which people behave and has to be taken into account as a contingency factor in any program for developing organizations and human resource policies and practices (Armstrong, 2009, p. 384).

As stated by Bowen (2000, p. 66) a given company organizational culture is generally divided into three. These are supportive, reflective and aggressive organizational cultures.

According to the Author supportive organizational culture is characterized by its participatory decision making system, encourages employees to take initiative and take risks, supports and rewards performance and the decision making system is participatory.

Respondents' were requested to express their attitudes towards the company's organizational culture. Six items were developed in the questionnaire to assess the existence of supportive

organizational culture in the company. The following table depicts summary of mean of employees view on the organizational culture of the company.

Table 4.15 Summary of respondents’ attitude on the existence of supportive organizational culture

Item	Frequency					Mean	Standard deviation
	5	4	3	2	1		
There is organizational culture in the company that encourages to perform best	31	96	91	65	17	3	1
My supervisor encourages me to take action even if the associated risk is high	30	96	88	77	9	3	1
I am always strictly ordered to abide by the rules and recognition of the company	39	135	67	53	6	3	1
Performance is measured by complying rules lot by results	29	119	97	38	17	3	1
The company always get things done at the expense of its employees	32	106	101	45	16	3	1
The company’s decision making system is participatory	27	74	81	72	46	3	1

Source: Survey 2017

Respondents’ mean score of 3 shows that the level of their neither agree nor disagree on the company’s organizational culture. The result implied that the company does not have clear supportive organizational culture. Contrary to this majority of the respondents’ 96(32%) respondents their supervisor encourages them to take action, even if the associated risk is high.

On the other hand, respondents agree that the company is highly rigid. This is reflected by the score of 135(45%). Employees are strictly ordered to abide by the rules and regulations of the company. If in a given company the degree of formality is high or too rigid, it is susceptible for creation of new way of working. Besides, employees agree that the company measures performance mainly through complying rules rather than the outcomes (performance). The 119 (39.67%) responses revealed this fact. Lastly, employees were requested to express their view that the company is doing things at their expense.

Accordingly, majority of the respondents as shown 106(35.33%), have the attitude that the company is doing things at the expense of employees. This implies that employees have

developed a feeling of exploitation by the company. This attitude is usually developed when the reward and the work burden are not compatible.

In general from the above table, we can infer that the company does not have supportive organizational culture that is suitable for performance orientation. The company's culture can be expressed as restrictive organizational culture, as per the classification of Bowen (2000) that orders employees to follow rules and refer authority.

Hence, in order to cope up with the current and coming competitive environment the company should change its culture to the supportive organizational culture, which mainly focuses on performance and excel employee's potential.

Regression analysis

In order to see the relationship between employees performance and reward system multiple linear regression was employed. Employees' performance was used as the dependent variable while underlying factors of reward system were used as the independent variables.

The regression model presents how much of the variance in the measure of employees performance is explained by underlying factors of reward system. The model or the predictor variables have accounted for 53.9% (adjusted R square) of 26.6% with estimate standard deviation 0.54014 of the variance in the criterion variable (employees' performance).

Table 4.16 Regression of employees performance

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.684	.241		6.990	.000
Salary increment made for high performers will motivate others to perform more	.077	.035	.124	2.198	.003
Bonus given to high performers will initiate for better performance	.100	.032	.163	3.139	.002
Provision of attractive housing and medical loan policy will help to retain high performers	.112	.031	.175	3.579	.000
Proper recognition of high performers will motivate low performers to work hard	.112	.027	.232	4.131	.000
Creation of conducive work environment will encourage high performers to increase their performance	.33	.031	.039	1.070	.0286
Proper implementation of career development opportunities will increase employees performance so as to step-up to the next position	.086	.030	.162	2.832	.0005
I like to be rewarded appreciate mix of both financial and non-financial rewards when I perform better.	.003	.008	.064	.416	.004
Reward Immediacy	.216	.052	.276	4.164	.029
Procedural and distributive justice in the reward system of the company (fair and equitable)	.079	.051	.102	1.526	.028
Supportive organizational culture	.09	.033	0.014	.277	.782

Source: Survey 2017

As it is stated earlier in this chapter, this Study aims to identify the most contributing respondent variables in the prediction of the dependent variable. Thus, the strength of each predictor (independent) variable influence on the criterion (dependent) variable can be investigated via

standardized beta coefficients. The regression coefficient explain the average amount of change in dependent variable that caused by a unit of change in the independent variable. The larger the value of Beta coefficient that an independent variable has, brings the more supports to the independent variable as the more important determinant in predicting the dependent variable.

The R-square value only indicates the variance in overall employees' performance of the total reward. However, when we see the extent to which each independent variables influence the dependent variable, immediate rewarding, proper recognition, provision of attractive of housing and medical loan, bonus, proper implementation of career development, salary increment, fair and equitable reward system and appropriate mix of both financial and non-financial rewards when I perform better was found to be the better determinant of employees performance, in their descending order.

According to the above table, the regression standardized coefficients for the eight independent variables i.e. immediate rewarding, proper recognition, provision of attractive housing and medical loan, bonus given to high performers, salary increment to high performers, fair and equitable reward system, career development and financial and non-financial reward system are .276, .232, .175, .163, .162, .124, .604 & .102 respectively. Their significance levels 0.03, 0.000, 0.000, 0.002, 0.005, 0.044 & 0.028 respectively, which are less than 0.05. This indicates significant relationship between them and the dependent variable (employees' performance). Since coefficients, of the predictor variables are statistically significant at less than five percent, alternative hypotheses related to with career development, immediate rewarding, proper recognition, provision of attractive housing and medical loan policy will help to retain high performers, bonus, supportive culture, salary, fair and equitable reward system, appropriate mix of both financial and non-financial rewards were accepted and the remaining two alternative hypotheses which are related with conducive work environment and supportive organizational culture were rejected.

4.17 Table summary of the overall outcome of the research hypothesis

Research hypothesis

Hypothesis	Result	Reason
H0: salary doesn't motivate employees for better performance H1: salary motivate employees for better performance	H0: Rejected H1: Accepted	B= 0.124, P<0.05
H0: Bonus doesn't initiate employees for better performance H1: Bonus initiate employees for better performance	H0: Rejected H1: Accepted	B= 0.163, P<0.05
H0: Provision of attractive housing and medical loan doesn't help to retain employees performance H1: provision of attractive housing and medical loan help to retain employees performance	H0: Rejected H1: Accepted	B= 0.175, P<0.05
H0: conducive work environment doesn't encourage high performers to boost more H1: conducive work environment help high performers to boost more	H0: Accepted H1: Rejected	B= 0.039, P>0.05
H0: proper implementation of career development opportunities doesn't encourage employees to increase their performance H1: proper implementation of career development opportunities encourage employees to increase their performance	H0: Rejected H1: Accepted	B= 0.162, P<0.05
H0: appropriate mix of both financial and non-financial rewards doesn't motivate employees to perform better H1: appropriate mix of both financial and non-financial rewards motivate employees to perform better	H0: Rejected H1: Accepted	B= 0.064, P<0.05
H0: immediate rewarding of high performers doesn't help high performers to repeat their performance H1: immediate rewarding of high performers help high performers to repeat their performance	H0: Rejected H1: Accepted	B= 0.276, P<0.05
H0: Reward system perceived as fair and equitable doesn't enhance employees performance H1: Reward system perceived as fair and equitable will enhance employees performance	H0: Rejected H1: Accepted	B= .102, P<0.05
H0: organizations that adopt supportive organizational culture doesn't design reward system that reward best employees performance H1: organizations that adopt supportive culture design reward system that will reward best employees performance	H0: Accepted H1: Rejected	B= 0.014, P>0.05
H0: recognition better performers doesn't help low performers to work harder H1: recognizing better performers will help low performers to work harder	H0: Rejected H1: Accepted	B= 0.232, P<0.05

In general as the above table clearly shows, among the ten predictors, multiple linear regression (Beta coefficients) analysis revealed that, reward immediacy is the first most significant variable employees performance decision followed by proper recognition of high performers, provision of attractive housing and medical loan, bonus given to high performers, proper implementation career development opportunities will increase employees performance, salary increment made for high performers will motivate others to perform more, appropriate mix of both financial and non-financial rewards when I perform better, and fair and equitable reward. On the other hand creation of conducive work environment will encourage high performers to increase their performance and supportive organizational culture have no significant effect on employees performance as it is explained by significance level $p > 0.05$.

This indicates that, clerical employees do not significantly consider the creation of conducive working environment and supporting organizational culture for their performance

CHAPTER FIVE

SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATION

5.1 Summary of Major Findings

The demographic characteristics implied that

- We can clearly understand that majority of respondents in the company are youngsters. Besides, it warns the company, the reward package it designs should accommodate its work force age composition.
- Majority of the respondents are holders of first degree. This future implies that the work forces of the company are fairly educated. This implies that they are able to understand and respond to questions distributed to them through the questionnaire.
- Majority of the workforce in the company worked between 4-6 years. This implies that majority of them lack well experience.

General questions on the company's total reward system

- Majority of the respondents indicated that the company has incorporated both financial and non-financial rewards in its reward system. However, majority of them also agree that the financial reward type is greater than the non-financial reward types, and majority of the respondents also agree the company's total reward package is competitive with other banks. Moreover, the company clearly communicates its reward package to all employees revealed by majority response rate. On the contrary, majority of the respondents have agreed that the company's reward package system is not capable to retain best performers. But most of them agree that the reward system differentiate between high performers and low performers as indicated by majority of response rate. Majority of the respondents also agree that rewards motivate them to increase their performance.

Employees' perception towards the company's employees' performance evaluation system

Majority of the respondents agreed that there is periodic employee's performance evaluation program in the company. However, majority of them doesn't agree on the inclusion of job related contents free from bias in the performance evaluation form. On the other hand, they are neither agreed nor disagree whether the performance evaluation report reflects their true performance. Most of them agree that there are clear standards to be called high performers. Besides majority of them agree that even if someone gets the highest evaluation score he/she may not be entitled for additional pay. This clearly sheds negative perception on the performance evaluation program of the company.

Reward composition

As discussed above, from the total reward system of the company the financial rewards are greater than the non-financial reward types. However, most of the respondent agrees that the existing financial rewards are not sufficient. On the other hand, about majority of the respondents neither agree nor disagree that high performers get additional pay; the company mainly promotes performance based rewarding its employees. As per the information obtained from the respondents, most of them agree that bonus given to high performers will initiate for better performance of other employees. In addition, majority of the respondents agree that the housing and medical loan policies are attractive to high performers.

The company has been recognized positively in one of the major non-financial rewards. As per the majority of the respondents' their supervisor appreciates a job well done. This is a very good culture that the company should develop. And respondents agree that the recognition they get due to their performance is visible to others, majority of them agree that proper recognition of high performers will motivate low performers to work hard. Creation of conducive work environment will encourage high performers to increase their performance is supported by majority of respondents. Besides, most of the respondents claim that there is clear career development opportunity in the company. Majority is agreed the company fills vacant position in the form of internal promotion.

Reward immediacy

Majority of respondents have agreed that the company does not reward employees immediately when they perform best. Rather, most of them claim that there is remarkable time gap between reward and best performance. This has hindered employees to some extent to repeat their good performance.

Procedural and distributive justice in the reward system of the company

Majority of the respondents neither agree nor disagree on the existence of clear procedure how to implement the reward policy. But most of them have observed inequality and inconsistency in the application of the total reward system to all employees. Besides, majority of them neither agree nor disagree that employees of the company know where to appeal when the reward policy and procedure are violated.

Majority of the respondents neither agrees nor disagrees about the company's total reward are just and fair. The same to this idea majority of them also neither agree nor disagree on the idea. In the company there is favoritism in rewarding employees. But below average of the respondents behave that they are rewarded based on their performance.

Customized rewards

As per the information obtained from the respondents, majority of the respondents agree on the existence of need assessment program in the company. Majority of them said that employees are happier if the company consults them what they need most when they perform better. Most of them agreed that they like to be rewarded direct financial rewards.

Supportive organizational culture

Results on the company's organizational culture revealed that the company's organizational culture resembles supportive organizational culture. Most of the respondents agree that there is supportive organizational culture.

But most of the respondents are said the decision making system is not participatory, respondents have developed a feeling of exploitation by the company's practice. As majority score indicated,

majority agreed that performance is measured by complying rules not by results. As a result employee's creativity and innovative behavior is at stake.

5.2 Conclusions

Based on the data presented in the previous chapter the following main conclusions are drawn.

Majority of the hypothesis formulated to test the company's reward system on the clerical employees' performance has shown positive relationship except the four. The findings obtained confirmed that there is significant relationship between reward and performance. The seven items used to assess about the general reward system of the company revealed that, even if the financial reward is dominant in the total reward system but it is not capable to retain the best performers,

- ❖ The company rewards both financial and non financial rewards, but as the finding implies that Dashen bank also follows the old mechanism of rewarding employees that is mainly focusing on the financial rewards as the respondents view. As a result this will create in the future the bank not to be effective in the total quality management.
- ❖ The company reward package is competitive with other banks besides the company clearly communicates its reward package to all employees and the reward given by the company motivates the employees to increase their performance. This will create a conducive working environment in the company and the bank should strengthen this culture for the future
- ❖ Employees of the company have some degree of unfairness and injustice in the company's reward system, in equality and inconsistency in the application of the total reward system observed. This will have an implication of a bad image by the employees on the company as a result productivity of employees may fail.
- ❖ The company's organizational culture resembles supportive organizational culture where by employees are encouraged to take actions as the condition but the respondents have a feeling of exploitation by the company, performance is measured by complying rules not results. This may create employees not to be creative and industrious and the company may loss employees who are outstanding and achievers.

- ❖ Respondents agree the company's reward package system is not capable to retain best performers. As a result this will create among employees to loss motivation and it will hinder the excellence of the total quality management of the company.
- ❖ On the other hand, the reward system differentiates between high performers and low performers. This will create among employees to work hard and to achieve the highest rank.
- ❖ Majority of the respondents neither agree nor disagree on the existence of clear procedure how to implement the reward policy. This implies that there is a policy gap by the company on how to implement its reward package as a result of these vague image employees may frustrate on what reference they should be rewarded.
- ❖ Majority of the respondents have observed inequality and inconsistency in the application of the total reward system to all employees. What aggravates more is that an employee of the company doesn't know where to appeal when the reward policy and procedures are violated.
- ❖ As information obtained from the respondents, they agree on the existence need assessment program in the company, above half of the participants said that they are happier if the company consults them what they need most when they perform better. Most of them agree that they like to be rewarded direct financial rewards. This is as a result of the majority of the respondents is youngsters. Besides it warns the company, the reward package it designs should accommodate its workforce age composition. Since, youngsters are more volatile for turnover for cash and other differentials the company has to craft its reward according to the industry's pace.
- ❖ The employees' perception on the overall reward system is: the organization culture resembles supportive organizational culture, but respondents have developed the feeling of exploitation by the company's total reward practice. The respondents' score indicate that performance is measured by complying rules not by results. As a result employees' creativity and innovation behavior is at stake.

5.3 Recommendations

The study's finding provides brainstorming on the perception of the Bank's employees about their company's reward and performance evaluation. Some of the results call the attention of the company to make corrective action so as to improve employee's performance through effective reward system.

The following points are forwarded by the researcher as major areas that the company should focus to correct the existing problems.

- ❖ The company should have appropriate mix of both financial and non-financial rewards by revising its reward package by conducting need assessment program.
- ❖ The company's reward package should have a place for skilled and experienced as those employees are great asset for the company, this can be done by giving recognition, creating conducive working environment, promoting timely.
- ❖ As employees success rate should be appreciated in order to differentiate between low performer and high performers of the company, the company have to correlate high performer in the company means success that can be done promoting employees by performance not by year of services, as a result this can create employees to be creative.
- ❖ Communicating the reward system through various means of communication media should be conducted. This has to be communicated from the induction program when fresh employees start a job. This will increase employees' awareness and motivate them to work hard.
- ❖ The employees' performance evaluation result should have some meaning to employees in terms of reward and promotion. Hence, the company should devise a mechanism to attach rewards with performance.
- ❖ The company should adopt clear procedure that could be applied consistently. In relation to this, it should also arrange an office or committee that can hear the voice of employees when policies and procedures are violated.
- ❖ The company should work hard in order to reverse the existing adverse feelings of employees, by communicating with them about the reward package of the company and if there should be amendments on package, by doing so.

- ❖ The company should correlate high performers with entitlement for additional pay; this can be done by selecting best performers every year and rewarding financial and non financial such as bonus, recognition, career development package, as a result other employees can motivate.
- ❖ The company should be free from bias and favoritism between its employees as employees are the while of the company.

5.4 Limitation of the study

Everything has got its own limitations. In the same manner, this study also faced some confines. Researcher's lack of prior experience in conducting systematized research. The second major problem is to find out researches that are made on the relationship between reward & performance in our country context, the problems, stated above, would have some impact on the result of the study that will call up for other researchers to prove the reliability of this study. Furthermore, this study is conducted on a single company therefore; the results will be hard to make generalizations. Finally, it is important to bear in mind factors such as the researcher's lack of prior experience in undertaking systematized research and our society's poor attitude in filling out Questionnaires with due care and returning it in time that could have some impact on the studies Result. Hence, I suggest other scholars also to work in the area of reward which is one of Interesting parts of HRM that is deeply rooted in every society. Specifically, hypotheses whose test revealed as negative relationship have to be re-checked?

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Appendix-A Questionnaire
Saint Mary's University
School of Graduate Studies
Masters of Business Administration

Dear participant

I am Abel Seifu, a graduate student at Saint Mary's University, school of Graduate studies, currently, I am undertaking a research to collect data on the total reward system in order to carryout project work entitled "Effect of Reward System on clerical employees' Performance; the case of Dashen Bank S.C." for partial fulfillment of Masters of Business administration, it is intended for academic purpose only, besides the result of the study will assist in developing the human resource manager compensation, benefit and employees relations of the bank to develop a better total reward package to its employees and develop strategy that can improve their existing offering and benefit package to the clerical employees and the company' decision makers in a better way.

Note

- ✓ Please do not write your name
- ✓ Put "✓" or "x" mark in the box to the point which highly reflect your idea.
- ✓ All information will be treated confidentially
- ✓ Your honest and unbiased response will greatly contribute for the research to achieve its objective.
- ✓ I thank you very much in advance, for your sincere cooperation.

Part I- General profile

1. Age 18-25 26-35
 36-44 45 & above
2. Gender Female Male
3. Highest educational level obtained:
 Diploma MA
 BA/BSC Degree PhD
4. Years of service in Dashen Bank S.C.
 1-3 7-9
 4-6 10-13
 Above 14
5. What is your current position? _____
6. In which of the following salary ranges for your salary?
 3,000 – 6,000
 6,001 – 9000
 9001 – 12000
 12,001 – 15,000
 Above 15,000

Part – II Research Related questions

The following questions are presented on a five point likert scale. If the item strongly matches your response choose 5 (strongly Agree), if you moderately agree on the idea choose 4 (Agree), if you do not have any idea or information on the point choose 3 (Neutral), if you moderately disagree with the point choose 2 (disagree) and if you completely disagree with the point choose 1 (strongly disagree)

5 = “Strongly Agree”

4 = “Agree”

3 = “Neutral”

2 = “Disagree”

1 = “Strongly Disagree”

A. General questions on the company's

Total reward system

No	Items	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Both financial and nonfinancial reward types are incorporated in the total reward system of the company	1	2	3	4	5
2	In company's total reward system, financial rewards are greater than non-financial rewards	1	2	3	4	5
3	The company's total reward package is competitive with other banks	1	2	3	4	5
4	The company clearly communicates its reward package to all employees	1	2	3	4	5
5	The company's total reward package is capable to retain best performance	1	2	3	4	5
6	The company's reward system clearly differentiates between high performers and low performers	1	2	3	4	5
7	Reward motivates me to increase my performance	1	2	3	4	5

B. Perception on the employee's performance evaluation system of the company

No	Items	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	There is periodic employees performance evaluation program in the company	1	2	3	4	5
2	Job related contents are fairly(free from bias) included in the employees performance evaluation form	1	2	3	4	5
3	I believe the performance evaluation report reflects my true performance	1	2	3	4	5
4	There are clear standards to be called high performer	1	2	3	4	5
5	Even if someone gets the highest performance evaluation score she/he may not be entitled for additional pay	1	2	3	4	5

C. Reward composition

i. Financial reward

No	Items	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	There are sufficient financial rewards in the company	1	2	3	4	5
2	High performers will get additional pay for their performance	1	2	3	4	5
3	Salary increment made for high performers will motivate others to perform more	1	2	3	4	5
4	Bonus is given to all employees regardless of their performance	1	2	3	4	5
5	Bonus given to high performers will initiate for better performance					
6	Provision of attractive housing loan and medical policy will help to retain high performers	1	2	3	4	5

ii. Non-financial Reward

No	Items	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	My supervisor appreciates a job well done	1	2	3	4	5
2	The recognition I get due to my performance is visible to others	1	2	3	4	5
3	Proper recognition of high performers will motivate low performers to work hard	1	2	3	4	5
4	Creation of conducive work environment will encourage high performers to increase their performance	1	2	3	4	5
5	The company's promotion policy is clearly communicated to all employees	1	2	3	4	5
6	Usually the company fills vacant position in the form of internal promotion	1	2	3	4	5
7	Proper implementation of career development opportunities will increase employees performance so as to step-up to the next position	1	2	3	4	5

D. Reward Immediacy

No	Items	Strongly disagree	Disagree	I don't know	Agree	Strongly agree
1	Employees are rewarded in the company immediately when they perform best	1	2	3	4	5
2	There is remarkable time gap between the reward and good performance	1	2	3	4	5
3	Immediate rewarding of employees for registering best performance will help to repeat that performance in the future	1	2	3	4	5

E. Procedural and distributive justice in the reward system of the company

No	Items	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	The company has clear procedure on how to implement the reward policy	1	2	3	4	5
2	Reward policies and procedures of the company equally and consistently apply to all employees	1	2	3	4	5
3	Employees of the company know where to appeal when the reward policy and procedure are violated	1	2	3	4	5
4	The company's total reward system is just(reasonable) and fair(free from bias)	1	2	3	4	5
5	In the company there is favoritism in rewarding system	1	2	3	4	5
6	I am rewarded based on my performance	1	2	3	4	5

F. Customized rewards

No	Items	Strongly disagree	Disagree	I don't know	Agree	Strongly agree
1	There is need assessment and program in the company on how to reward employees	1	2	3	4	5
2	I will be happier, if the company consults me what I need most when I perform better	1	2	3	4	5
3	I like to be rewarded only direct financial rewards like salary increment and bonus when I perform better	1	2	3	4	5
4	I like to be rewarded only non-financial rewards such as recognition, special training, career development opportunity etc. when I perform better	1	2	3	4	5
5	I like to be rewarded appreciate mix of both financial and non-financial rewards when I perform better.	1	2	3	4	5

G. Supportive organizational culture

No	Items	Strongly disagree	Disagree	I don't know	Agree	Strongly agree
1	There is constructive organizational culture in the company that encourages to perform best	1	2	3	4	5
2	My supervisor encourages me to take action even if, the associated risk is high	1	2	3	4	5
3	I am always strictly ordered to abide by the rules and recognitions of the company	1	2	3	4	5
4	Performance is measured by complying rules not by results	1	2	3	4	5
5	The company always get things done at the expense of its employees	1	2	3	4	5
6	The company's decision making system is participatory	1	2	3	4	5

Thank You!

Appendix B- List of Branches and Departments covered in the study

Sr. No	Branch Name	DEPARTMENT
1	SHOLLA GEBEYA	CREDIT
2	WUHALIMAT	HRM
3	MEGENAGNA	FINANCE
4	SIGNAL	MARKETING
5	MESSALEMIA	RISK
6	PIASSA	
7	BOLE	
8	AFRICA GODANA	
9	HEAD OFFICE	
10	TANA	
11	BALDERAS	
12	BOLE MEDHANIALEM	
13	ABAKORAN	
14	SARIS	
15	AFRICA ANDINET	

Linear regression analysis

Module summary

Model	R	R Square	Adjusted R Square	Std. Error of the estimate
1	.539 ^a	.291	.266	.54014

ANOVA

Model	Sum of squares	df	Mean square	F	Sig.
Regression	34.588	10	3.459	11.855	.000 ^b
Residual	84.315	289	.292		
Total	118.903	299			

Appendix C

Year	2012/13	2013/14	2014/15	2015/16
Number of staffs	3690	4284	4597	5630
Number of branches	1037	1201	1374	1435
Turnover	232	312	371	413

Source: Annual report of Dashen Bank S.C. for the fiscal year 2015-2016

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of my advisor Goitom Abraham (Ass. professor). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in partial or in full to any other higher learning institution for the purpose of earning any degree.

Student

St. Mary's University College, Addis Ababa

Signature

June, 2017

ENDORSEMENT

This thesis has been submitted to St. Mary's university college, school of graduate studies for examination with my approval as a university advisor.

Advisor

Signature

St. Mary's University College, Addis Ababa

June, 2017