

**ST. MARY'S UNIVERSITY  
SCHOOL OF' GRADUATE STUDIES**



**ASSESSMENT ON THE REWARD PRACTICES IN THE CASE  
COMMERCIAL BANK OF ETHIOPIA**

**BY**

**SIHNEMARIAM AYELE**

**ID N<sup>o</sup>-SGS/0100/2008A**

**JULY, 2017**

**ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF  
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**APPROVED BY BOARD OF EXAMINERS**

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## **DECLARATION**

I, undersigned, declare that the work entitled “Assessment on the Reward Practice In the case of Commercial Bank of Ethiopia”, is the outcome of my own effort and study and that all sources of materials used for the study have been acknowledged. I have produced it independently except for the guidance and suggestion of my Research Advisor. This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the Degree of Master of Business Administration [General MBA] by:

Sihnemariam Ayele

Signature \_\_\_\_\_

Date \_\_\_\_\_

St. Mary's university, Addis Ababa

## ENDORSEMENT

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

Mohammed Mohamednur (Assis. Prof.)

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Advisor

Signature

St. Mary's university, Addis Ababa

July, 2017

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## **ABBREVIATIONS**

CBE- Commercial Bank of Ethiopia

CEO- Chief Executive Officer

GBPRRS-Group Performance Related Reward Systems

HR/HRM- Human Resource/Human Resource Management

IBPRRS-Individual Based Performance Related Reward Systems

PEF- Performance Evaluation Form

NBE- National Bank of Ethiopia

PRRS- Performance Related Reward Systems

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## **Abstract**

*Employees today are more concerning on the rewarding approaches in which they seek for the ground elements that should be demonstrated in accordance to ensure that one's organizational reward practice will be effective as possible. Reward system refers to all the financial, non-financial payments that an organization provides for its employees in exchange for the work they perform. This study was designed to assess the reward practice of Commercial Bank of Ethiopia with the objective to give a relevant recommendation and applicable solution to the problem. The study used descriptive research design. In order to get relevant data from the target population questionnaire and interviews were used. Data collected through questionnaire were prepared based on various scholars work and interview is undertaken with the HR personnel's. The reliability of the instrument was measured using Cronbach Alpha and the result was 83.9%, the result refers there is high consistency on the measuring instruments. The target population of the study was the employees of Commercial Bank of Ethiopia (CBE). A purposive sampling method was used, and 232 questionnaires were distributed to the employees of the bank and out of these questionnaires, 198 were filled properly. As a result, the overall response rate was 85 percent. Descriptive statistics and frequencies were utilized to analyze the data. Interpretation is made on the frequency and percentage of the data and qualitative data were analyzed using textual explanations. Furthermore, the qualitative data (data from interview) were analyzed together with the quantitative one to triangulate the results found from the questionnaire. The findings generally indicate that employees of the bank are not motivated by the bank's current reward system. The bank's reward system mainly consists of financial rewards. Besides, results have shown that respondents have felt unfair and injustice the bank's reward system. Employees like to be consulted what they need most when they perform better. Finally, the researcher suggests that the commercial bank of Ethiopia human resource management body must revise the reward system properly to retain best performer.*

**Keywords- Employees, Reward Practices, Financial reward, Non- financial Reward**

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

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, works in expectation of some rewards. 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 (Hume, 2000).

According to Cascio (2003) "Reward includes direct cash payments, indirect payments in the form of employee benefits and incentives to motivate employees to strive for higher levels of productivity." In human resource management, reward is referred to money and other non-monetary benefits given to an employee for providing services to the employer.

Ajila and Abiola (2004) revealed that reward package can influence on employee performance. Based on their findings they concluded that reward system helps to increase employee performance by enhancing employee skills, knowledge and abilities in order to achieve organizational objectives. According to the Allen and Kilmann (2001), reward practices play a vital role in improving employee performance and to achieve organizational goals. As mentioned earlier, many researchers have identified that employee rewards directly attached to employees performance. According to Heng (2012), he identify, if organization fails to reward employees, it will directly affect to decrease employee performance and an efficient reward system can be a good motivator but an inefficient reward system can lead to de motivate the employees in terms of low productivity, internal conflicts, absenteeism, high turnover, lack of commitment and loyalty, lateness and felling grievances. Therefore, organization needs to develop strategic

reward system for employees in order to retain competent employees which result to obtain sustainable competitive advantage.

The banking industry in Ethiopia is rapidly expanding both in number of banks, their branches and employees that they recruit. According to National Bank of Ethiopia data (NBE), there are 19 licensed government and private commercial banks in Ethiopia right now. The state owned Commercial Bank of Ethiopia (CBE) still dominates the market in terms of Assets, Deposits, and Capital and branch network despite the growing competition from private banks. Having the total of more than 1000 branches across the country, more than 12.4 million account holders and leading the other banks with assets of Birr 359.3 billion, CBE also combines a wide capital base with more than 28,000 talented and committed employees, as of June, 2016 (CBE corporate performance report 2015/2016).

Many organizations in private and public sectors adopt their own reward practices. However, the existence of the reward system by itself does not guarantee the effectiveness of their reward practices rather it highly de motivates employees if it is practiced poorly. Researchers like Zekaria (2011) stated that there is a need of transparent, competitive and strategically aligned reward practices. The need of transparent reward system involves the preferences towards having a clear communication of how the reward is distributed. The employees also need to understand the connection between the company's business objectives, how they contribute, and how they are rewarded. In addition to this, the reward provided should be distributed equitably among employees depending on their performance. As Brian (2005) says the failure to ensure equity or fairness will result compensatory damage on the organizational performance.

Therefore, it is important that this research need to conducted, to understand commercial bank of Ethiopia's reward system. The main intention this paper is designed is to assess the current reward practices of Commercial Bank of Ethiopia.

## **1.2. Statement of the Problem**

Currently in Ethiopia, the banking industry is in an intensely competitive market. In such environment, capability to retain efficient and experienced workforce in an organization is

very crucial for the overall performance of the organizations. The highly motivated employees serve as the competitive advantage for companies because their performance leads an organization to well accomplishment of its goals. In this highly competent and fast growing industry, organizations seek to attract and retain highly qualified employees to improve and sustain the performance of their respective organizations. However, seeking to acquire or acquiring of highly qualified employees may not result success without being able to motivate employees to attain the organizational goals.

With an increasingly educated workforce who desire more information about pay and benefit practices, it will be essential to communicate far more effectively than today and effective understanding and acceptance of reward policies lead employees to contribute their maximum effort for the achievement of organizational objectives. According to Hume (2000) 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.

For effective utilization of human assets sound human resource practices need to be adopted by organizations. Among other human resource practices reward systems plays a vital role in employees development and organization well being. Keeping in view the existing competition for talent among the players competing in banking sector, effective human resource practices can help organizations to retain their employees. CBE claim that the most valuable assets they have are the human resources, therefore rewarding based on their performance is considered to be a prerequisite for achieving organizational goals.

Commercial bank of Ethiopia (CBE) have a vision of becoming world class commercial bank by the year 2025 and a mission of deploying highly motivated, skilled, and disciplined employees capable of providing banking products and services that can meet international best practices and standards (Annual Report 2013/2014). Therefore, CBE should improve its employee performance by decreasing employee turnover and by deploying effective performance based reward system for successful attainment of its massive vision and mission.

In explaining the situation, at an informal interview, some employee's of the bank, who are HR officers of the bank and planning officers, said that "From the exit interview, majority of employees leave in search of better pay and they join other banks in similar position". Contrary to this, the inflow of employees from other banks is very rare, except for managerial levels, the institution because of its rewards from other banks. Existing employees also complain that the current reward system is not comparable with other similar banks and is not enough to resist the current inflationary situation. For instance the new comer salary of CBE is 2,935 this is the lowest payment compared to other private banks. Besides, some benefits stated in the bank's personnel policy are not practical and some of them are highly bureaucratic to implement. Many employees, who are worked in branch level, further claim that they are not rewarded based on their performance. Employees are resigning from the institution due to the prevailing reward system. However the higher officials could not make any further analysis on what is wrong on the bank's reward system claiming it as the main cause of turnover. It is important to conduct an assessment of the bank's reward practice before things get worse. Therefore, the purpose of this study is to assess reward practices implemented in CBE.

### **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 practices are implemented in CBE?
2. Which rewards (Financial or Non financial) motivate the employees of Commercial Bank of Ethiopia better?
3. What type of reward can CBE practiced to retain skilled and experienced employees? And is it enough to retain those employees?
4. Does the system differentiate between high performers and low performers?
5. How do employees perceive the existing reward practice?



## **1.4. Objective of the study**

### **1.4.1 General objective**

This research was intended to assess reward practices implemented in CBE and to give relevant recommendation on the necessary and applicable solution to the problem stated.

### **1.4.2 Specific objective**

In addition to the general objective, the research work also dealt with the following specific objectives.

- To identify the type of reward system implemented in CBE.
- To identify which rewards (Financial or Non financial) motivate the employees Commercial Bank of Ethiopia more.
- To find out whether the existing rewards 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 employees' perception on the existing reward practice

## **1.5. Significance of the Study**

The results of this study may have greater input to the human resource practitioners that design and administer their reward system. In particular, this study has greater importance to commercial bank of Ethiopia. This study used as an input for researchers who want to make further improvement in this area of study, and also it gives the researcher, the opportunity to gain deep knowledge in the study area.

## **1.6. Scope of the Study**

Conducting research on the effectiveness of all reward system practiced throughout Ethiopia is very complex, especially for beginners, and time consuming. As a result, the researcher has focused on only Commercial Bank of Ethiopia reward practice.

Geographically, CBE has more than 1000 branches with different grades throughout the country, out of these four districts are located at Addis Ababa, with in each district there are different branches. Since it is difficult and impractical, the study was carried out in Grade four branches found in East Addis Ababa District only.

### **1.7. Limitations of the Study**

Everything has got its own limitations. In the same manner, this study has also faced some confines. Researcher's lack of prior experience in conducting systematized research. The second major problem was lack of awareness among our society to fill out questionnaires with due care and return them on time. Employees were not willing to fill out questionnaires, this was one of the challenges that I have faced.

Despite the useful findings of the study, this study has several limitations that need to be acknowledged. The data for this study was only collected from commercial bank of Ethiopia specifically in East Addis Ababa District because of time constraints, so it needs further research in other districts or other private or government institution, thus the results may not be generalized.

### **1.8. Organization of the Paper**

This research work is presented by five major chapters that constitute varied sub chapters under each. The first chapter incorporates background of the study, statement of the problem, objective of the study, the research questions, and significance of the study, scope of the study and limitation of the study. The second chapter has presents varied reviewed literature that support the research conducted. The third Chapter describes about the methodology used by the researcher.

Chapter four discuss about data presentation, analysis, and interpretation, data gathered from employees through questionnaire and interview is analyzed and presented with the help of tables and description is made under each table. In the last chapter, chapter five, conclusion of the research work is made followed by suggestion or recommendation given by the researcher.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1. Theoretical Literature**

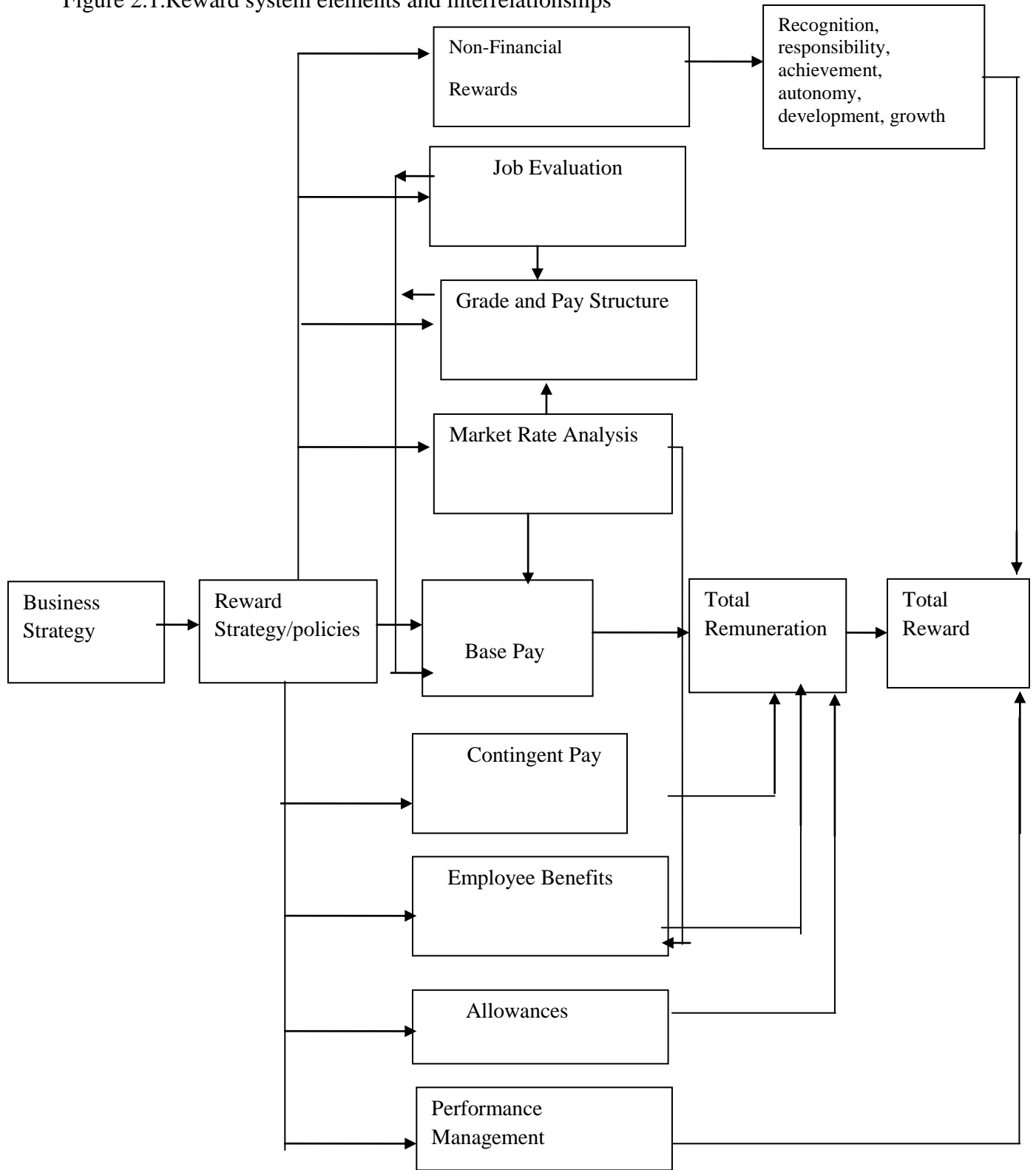
##### **2.1.1. The Reward System**

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

A reward system is linked with many processes in HRM: recruiting new employees, motivating and steering current employees and also retaining the best employees. Rewarding is not only refer compensating people for their time at work but also aiming more and more on improving the performance of the individuals as well as that of the organization. It is highly desired in competitive business environment where organizations seek for improvement in productivity (Moisio et al 2007). Reward system is supposed to be much more than just bonus plans and stock options. It is a process that reinforces behavior to hit the target and meet the standards. In general, reward (total reward) can be defined as: "...All of the employer's available tools that may be used to attract, retain, motivate and satisfy employees..." (Defined by World at Work and cited by Armstrong and Murlis, 2005).

According to Armstrong (Armstrong, 2006) the reward system has varied elements which are interrelated to each other. The system begins from the business strategy, which is a base for the reward strategies and policies and goes through varied steps up to the development of total reward packages. The whole process can be visualized with the help of the diagram. Figure 2.1

Figure 2.1. Reward system elements and interrelationships



Source M. Armstrong, 2007

Most companies have developed their own reward system contextual to their environment and based on their organizational culture. As a result, companies will achieve the aims of reward system; specifically fostering high work performance behavior and organizational objective achievement. (Hume, 2000) In addition, Stredwick (2005) stated that, 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 will help to achieve organizational objectives. One 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.

#### **2.1.1.1. Elements of Reward System**

The design, implementation and administration of a reward system require sensitivity to and an understanding of human perception, needs and derive. When identifying employees demand, certain requirements will appear to be almost universal in nature. At survival or even subsistent level employee food, housing, and closing requirement must be satisfied. In this modern time employees will almost always expect transportation, healthcare and other benefits that extend beyond subsistence in to luxury categories (Henderson, 1984). On the other direction, from the organization's point of view, the reward system design is made based on the business strategy of the organization. A brief description on each elements will be made in the below section.

##### **❖ Reward strategy and policies**

According to Armstrong (2007) reward strategy flows from an analysis of the business drivers. The question is: 'How can these are supported by reward in order to achieve the goals of the business?' The reward strategy will define longer-term intentions in such areas as pay structures, contingent pay, employee benefits, and steps to increase engagement and commitment and adopting a total reward approach. Reward policy will cover such matters

as levels of pay, achieving equal pay, approaches to contingent pay, the use of job evaluation and market surveys and flexing benefits.

### ❖ **Contingent pay**

The author Manas wrote additional financial rewards may be provided that is related to performance, competence, contribution, skill or experience. These are referred to as 'contingent pay'. Contingent payments may be added to base pay, i.e. 'consolidated'. If such payments are not consolidated (paid as cash bonuses) they are described as 'variable pay' (Manas, 2006).

### ❖ **Allowance**

Allowances are paid in addition to basic pay for special circumstances such as work place assignment, work out of normal working hours, etc. The major types of allowances are location allowances, overtime payments, shift payments, working conditions allowances and stand-by or callout allowances made to those who have to be available to come in to work when required. The amount of allowance is determined by the organization alone or with negotiation with the existing employee association (J. Kent, 2006).

### ❖ **Total Remuneration**

Total remuneration consists of the financial rewards represented by total earnings plus the value of the benefits received by employees.

### ❖ **Job Evaluation**

Job evaluation is a systematic process for defining the relative worth or size of jobs within an organization in order to establish internal relativities and provide the basis for designing an equitable grade structure, grading jobs in the structure and managing relativities. It does not determine the level of pay directly. Job evaluation can be analytical or non-analytical. It is based on the analysis of jobs or roles, which leads to the production of job descriptions or role profiles (J. Kent, 2006).

### ❖ **Market Rate Analysis**

Market rate analysis is the process of identifying the rates of pay in the labor market for comparable jobs to inform decisions on levels of pay within the organization and on pay structures. A policy decision may be made on how internal rates of pay should compare with external rates – an organization's market stance.

### ❖ **Grade and Pay Structure**

Armstrong (2006) describes that jobs may be placed in a graded structure according to their relative size. In such a structure, pay is influenced by market rates, and the pay ranges attached to grades provide scope for pay progression based on performance, competence, contribution or service. Alternatively, a 'spot rate' structure may be used for all or some jobs in which no provision is made for pay progression in a job. There are varied types of graded structures. The major types graded structures are:

- ✓ **Narrow-graded structures**- which consist of a sequence of narrow grades generally ten and more. It is sometimes called multi-graded structures.
- ✓ **Broad-graded structures**- which have fewer grades generally six to nine.
- ✓ **Broad-banded structures**- It is limited number of grades or bands often four to five. However the structures with six or seven grades are sometimes described as broad banded.
- ✓ **Career family structures**- which consist of a number of families (groups of jobs with similar characteristics) each divided typically into six to eight levels. The levels are described in terms of key responsibilities and knowledge, skill and competence requirements and therefore define career progression routes within and between career families. There is a common grade and pay structure across all the career families.
- ✓ **Job family structures**- They are similar to career families except that pay levels in each family may differ to reflect market rate considerations (this is sometimes referred to as market grouping). The structure is therefore more concerned with market rate relativities than mapping careers. The number of levels in varied families may vary.

- ✓ **Combined structures-** in which broad bands are superimposed on career/job families or broad bands are divided into families.
- ✓ **Pay spines-** consisting of a series of incremental ‘pay points’ extending from the lowest- to the highest-paid jobs covered by the structure.

## **2.1.2. Total Reward**

### **2.1. 2.1. Definition of Total Reward**

In human resource management, reward is referred to money and other benefits given to an employee for providing services to his employer. Money and benefits received may be in different forms-base pay in money form and various benefits, which may be associated with employee's service to the employer like provident fund, gratuity, insurance scheme, and any other payment which the employee receives or benefits he/she enjoys in lieu of such payment. Cascio (2003) has defined compensation as follows: "Reward includes direct cash payments, indirect payments in the form of employee benefits and incentives to motivate employees to strive for higher levels of productivity."

Malhotra et al (2007) define rewards as ‘all forms of financial return, tangible services and benefits an employee receives as part of an employment relationship’. It is without doubt that every employee expects some level of reward after delivering a function or task. As defined by Manus and Graham, total reward ‘includes all types of rewards indirect as well as direct, and intrinsic as well as extrinsic’. All aspects of reward, namely base pay, contingent pay, employee benefits and non-financial rewards, which include intrinsic rewards from the work itself, are linked together and treated as an integrated and coherent whole. According to Holt “Compensation is output and the benefit that employee receive in the form of pay, wages and also same rewards like monetary exchange for the employee’s to increases the Performance” (Holt,1993).

According to John w.2007 total rewards is the monetary and nonmonetary return provided to employees in exchange for their time, talents, efforts, and results. It involves the deliberate integration of five key elements that effectively attract, motivate, and retain the talent required to achieve desired business results. 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 payments 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 environments and so on. According to Armstrong (2005, p. 6) reward system contain all elements of reward such as policies, practices, processes, procedures and structures.

### **2.1.2.2. Benefits of Total Reward**

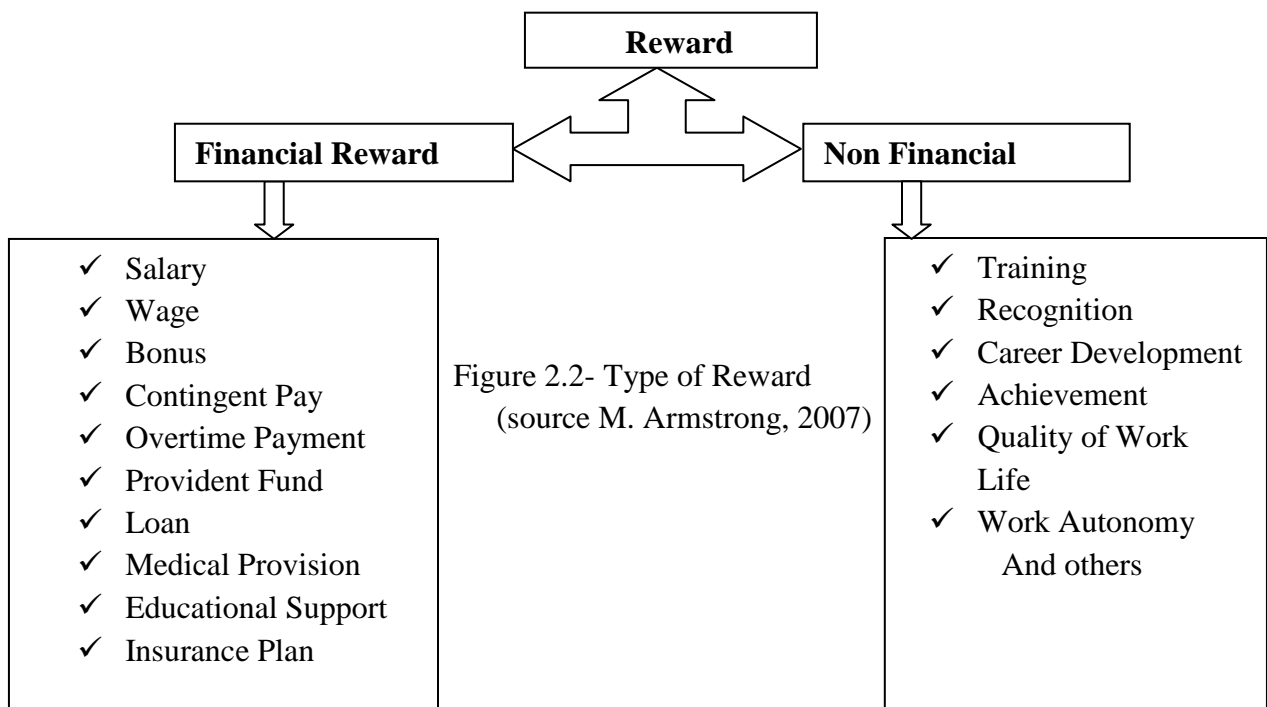
Total reward is composed of financial and non financial rewards. Hence the benefit is for both the organization and for employee as it is comprehensive. In today's highly competitive business environment win-win relationship is important that forms the right treatment of employees by the organizations. Lawler (1990) stated that in order to treat the employees of the organization right, rewarding them properly is one of the important components. Rewarding for good performance encourages employees to continue their performance and improve their skills and knowledge day by day to contribute positively towards organization. An organization which is growing healthier supposed to provide its employees the opportunity to grow and prosper.

Well designed reward system enables organizations to attract qualified employees required and retain and motivate the existing work force towards goal achievement. The most obvious reward employees get form work is pay (Decenzo and Robbins, 1999). On the contrary, if reward is not tied to work, employees are likely to look for better paying job. Moreover, where employees are dissatisfied with the type of reward, their contribution towards goal attainment tends to be lower. In severe cases, pay dissatisfaction may lower performance, causes strike, increase grievance, and leads to forms of physical or psychological withdrawal ranging from absenteeism and turnover to increased visit to dispensary and poor mental health (Werther and Davis, 1996).The objectives of reward is to create a system equitable to employers and employees alike, so that employees are attracted to work and motivated to do good job for the employer. Through effective reward Werther and Davis (1996) has identified the following seven objectives: Acquire qualified

personnel, retain current employees, ensure pay equity, reward desired behavior, control cost, comply with legal considerations, and facilitate understanding. As observed from various scholars work, reward is one of human resource management tools that are employed to employees for higher performance.

### 2.1.3. Type of Reward

Different authors agree on the classification of total reward in to 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. Reward systems should therefore be designed and managed in such a way as to provide the best mix of all kinds of motivators according to the needs of the organization and its members. As a result, this study adopts the classification of financial and non-financial rewards.



### **2.1.3.1. Financial Rewards**

From Armstrong (2009) point of view financial rewards comprise all rewards that have a monetary value and add up to total remuneration – base pay, pay contingent on performance, contribution, competency or skill, pay related to service, financial recognition schemes, and benefits such as pensions, sick pay and health insurance. Another author Monney and Noe (1990) wrote that financial reward includes direct reward, which is paid to employees in the form of wages, salaries, bonuses, and commission in exchange for their performance and indirect reward in the form of insurance plans( life, health, social assistance), Retirement benefits, educational assistance, employee services, and paid absence for vacation, holydays, sick leave, etc.

### **2.1.3.2. Non- Financial Rewards**

Non-financial rewards are those that focus on the needs people have to varying degrees for recognition, achievement, responsibility, autonomy, influence and personal growth. They incorporate the notion of relational rewards, which are the intangible rewards concerned with the work environment (quality of working life, the work itself, work–life balance), recognition, performance management, and learning and development. Non-financial rewards can be extrinsic, such as praise or recognition, or intrinsic, arising from the work itself associated with job challenge and interest and feelings that the work is worthwhile. (Armstrong, 2009)

#### **❖ Recognition**

Recognition of work is the essence of securing good work. It is one of the most powerful motivators. Efficient people would naturally like to get recognition for their skill and excellence in their work. Such recognition can do many things that what a cash reward can do. Armstrong and Murlis (2005), underlined on the point that, recognition is supposed to be given judiciously. That is, it must be related to real achievements of employees. The recognition given will have a great impact if it is followed by provision of achievement bonuses awards. Organization can also give other forms of recognitions such as long service awards, status symbols of one kind or another, sabbaticals and work related trips abroad.

### ❖ **Achievement**

The other type of non financial reward is achievement. It is defined as the need for competitive success measured against a personal standard of excellence. This is one of the three major needs of employees at managerial position: achievement, power, and affiliation. Employees' achievement motivation can be raised by organizations through processes such as job design, performance management, and skill or competency-related pay schemes (Malhotra, 2007).

### ❖ **Training**

Training is the process whereby people acquire capabilities to perform jobs. Training provides employees with specific, identifiable knowledge and skills for use in their present jobs. It typically focuses on providing employees with specific skills or helping them to correct deficiencies in their performance (Gomez M, 2012).

### ❖ **Career Development**

According to Gomez m, (2012) career development is a formal approach taken by an organization to help its people acquire the skill and experiences needed to perform current and future job. The organization can offer this opportunity by providing people with a sequence of experience and training that will equip them for whatever level of responsibility they have the ability to reach. Talented individuals can be given the guidance and encouragement they need to fulfill their potential and achieve a successful career in tune with their abilities and aspirations.

### ❖ **Work Environment**

Pearson (1991), identifies that organizational values, supervisor style and physical condition are factors related to work environment. According to Kruger (1996) physical working condition pertains to the quantity of work and availability of resource, such as machine and tool, ventilation, lightning, workspace and air conditioning. Furthermore, according to Singleton (1989) climate condition play an influential role in differences in work behavior.

#### **2.1.4. Reward Strategy Alternatives**

Reward is an expense in the sense that it reflects the cost of labor (Mondey and Noe, 1990), often governed by the organization reward policies. Glueck (1978) has identified three alternative strategies. These are:

*The high-pay-level strategy:* under this strategy organizations choose to pay higher than the average pay level that the market pays. The assumption is that a higher salary or wage will enable organizations attract and retain competent employees and this, in turn enhances employee's productivity.

*The low-pay-level strategy:* In this alternative, the organization pays a minimum salary or wage to employees. This may be because a poor financial condition or the work doesn't require highly qualified personnel.

*The comparable-pay-level strategy:* This strategy requires organizations to follow "equal pay for equal work". In this strategy employees are paid based on comparable value of jobs they are performing within the company and/or the market.

#### **2.1.5. 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, & Taylor, 2008, p. 598). According to the expectancy theory, individual needs and wants vary. Therefore, reward management requires proper composition between financial and non financial rewards. As stated in Chapman & Kelliher (2011) the owners of organization usually want to ascertain that employees direct their work effort in line with the owners' best interests. Jensen and Meckling, (1976, quoted in Chapman 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, & Taylor (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 compensation 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.

### **2.1.6. Reward and Employees Performance**

As markets 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 if 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, & Cardy (2005) outlined that the main objectives 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 of 1980s there was a big growth in pay systems linked to individual performance, particularly performance related pay (Winfield, Bishop, & Porter, 2004, p. 133).The introduction 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, & Theivanathampillai, 2011, p. 162).

A reward system that is given for high performance is more effective in inducing high performance in the future than a reward that is not dependent on performance (Kanungo & 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.

### **2.1. 6.1. Performance Related Reward Systems**

The theory of Performance Related Reward Systems (PRRSs) is inevitably linked to two concepts: the notion of equity, or ‘norm of distributive justice’, and the notion of equality. The ‘norm of equity’ is the belief that individuals should be rewarded in proportion to their contributions, with those performing better being offered better rewards (Harris, 1999). This conforms in most cases to the feelings of most individuals regarding to rewards (Hills, Scott, Markham & Vest, 1987). Rewarding employees according to their performance will motivate them to exert extra effort, function as a role model, which in turn should enhance overall organizational performance (Baruch *et al*, 2004; Lawson, 2000). In PRRSs, base pay is directly linked to one’s performance and therefore there is a direct link between pay expenditures and individual productivity (Henderson, 1989).

In contrast of the ‘norm of distributive justice’ there is the notion of equality, which suggests that every party should be allocated an equal proportion of the reward, regardless of their contributions. Thus, everybody who performs more or less the same task must

receive the same rewards regardless of their relative contributions (Deutsch, 1975, 1985; Leventhal, 1976). Discussion about PRRSs goes back to the early 1980s and there is still no consensus whether it is effective or not (Gomez-Mejia & Balkin, 1992; Campbell, Campbell & Chia, 1998; Baruch *et al*, 2004).

PRRSs can be based on individuals or on groups. Individual Based PRRSs (IBPRRSs) have the advantage above group based that it embraces the 'norm of distributive justice' in its utmost form. Since it motivates employees individually, there is a good chance that outstanding performers will arise. In turn, they might set good examples and serve as a role model for other employees, which could enhance firm's overall performance. Group Based PRRSs (GBPRRSs) tend to ignore individual outstanding performers, which might cause them to put less effort into their job and just 'go with the flow' (Campbell, Campbell & Chia, 1998). Group Based systems might also allow group-members to not fully participate in all the processes, i.e. the free rider problem, which might lead to in-group dissatisfaction and conflicts. However, besides the disadvantages of Group based systems they also have some advantages.

First, it is generally a lot easier to measure group performance as compared to individual performance since jobs tend to be interrelated, unique individual contributions are hard to measure and employees tend not to be fully in control of their own results (Deming, 1986). Second, individuals are not likely to agree with a disappointing evaluation and therefore lower reward. The complex system of self-evaluation makes it difficult for employees to accept lower appraisals from their supervisors as their own. This individual defensiveness is greatly reduced by the use of Group Based systems, where employees are not individually reviewed and not solely responsible for the outcomes (Campbell, Campbell & Chia, 1998). Third, Individual Based PRRSs might cause employees to focus only on 'rewarded' tasks and become single-minded and inflexible. Group Based systems encourage employees to not only think about their own outputs, but also about achieving the unit's mission which requires good overall performance. Thus, in this system, many of the disadvantages of individual rewarding, such as measurement problems, acceptance problems, individual defensiveness and jealousy, are overcome.



## **2.2. Empirical Review**

Various studies have been done to see the effect of the reward system. While some of the studies indicate that the use of rewards as enhances employee performance, others note that rewards do not motivate or doesn't have any effect on employee performance at all.

The study by Veling and Arts, the authors aimed at examining 'whether monetary rewards can reduce failures to act on cued task goal' (2010:188). With a research sample comprising of thirty-six (36) undergraduates, the authors experimented to see how quick their respondents reacted to specific tasks when given a range of monetary rewards ranging from low to high rewards. The studies found out that giving relatively high monetary rewards, led to 'overall faster responses' to the specific tasks given to respondents. The authors noted that respondents overall fast response to task was positively correlated to the high rewards given them. Conversely, the authors also noted that when rewards were on the low side, respondents either slacked or showed little in the task at hand. Their finding is consistent with other studies which noted that relatively high monetary rewards may function as a catalyst for enhanced effort or determination by employees to perform well (Bijleveld et al. 2009, Locke and Braver 2008, Waugh and Gotlib 2008).

In a meta-analysis of seventy-two field studies, Stajkovic and Luthans (2003) found that the use of monetary rewards by organizations led to a 23% improved performance while social recognition and the giving of feedback improved task performance by 17% and 10% respectively. The authors however noted that when all three forms of incentives were combined, it led to a 45% improvement in task performance. They thus concluded that financial incentives or rewards only improve task performance moderately to a significant level. The effectiveness of the use of monetary rewards is thus contingent on the conditions which pertain in the organization in question.

In the research involving six different case studies from Italian central government, (Azzone and Palermo, 2011, p. 107) found serious flaws in the reward structure where no link could be found between performance appraisal and rewards. In this case performance was found to suffer adversely, and it was recommended to use existing reliable performance measures to overcome this especially when the organization is going through change. However, in the context of the public sector performance-based rewards schemes

(PBRs), and pay as a facet of these, have been shown to be effective in managing employee performance, especially high performers. Performance based pay aligned with a broader performance assessment can facilitate better customer focused performance metrics as well as other organizational objectives within a public sector environment (Kealesitse et al., 2013). This study on developing customer-focused public sector reward schemes in the Botswana government's performance based reward system, found that implementing a performance based reward scheme was difficult where employees do not have a high degree of autonomy, which is common in many public sector bodies. They also found the broad and conflicting nature of targets within this public sector meant performance related pay schemes were more difficult to implement successfully and thus to increase performance.

Another meta-analysis of 39 studies done by Jenkins et al. (1998) focused specifically on college students. Here, the authors were interested in the effect of the use of financial rewards on the quality and quantity of performance. The study noted that the use of financial rewards is positively related to the quantity of performance but not its quality.

Interestingly, a meta-analysis of participation research by Wagner (1994) concluded that employee participation has a positive effect on employee performance but in a limited way. He asserts that despite the limited effect of participation on performance, organizations should provide opportunities for employee involvement albeit in issues that are geared towards specific processes and with limited duration. This according to Locke and Schweiger (1979), is because the relationship between participation and performance is contingent on various contextual and interrelated factors which requires critical considerations.

Having the right type of rewards program will help workers to grow, mature and ultimately add value to their organization. Pay, both 'variable and base', is key to ensuring to get the most value from the employees, especially high performers according to a report on salary surveys (Zingheim, 2010, p. 9). Organizations that spread pay more evenly drive away high performers and encourage the same type of average performance throughout the organization.

In the study of the effect of cash bonuses on employee performance in the Kenya Power and Lighting Company Ltd, Njanja et al. (2013) found that although the majority of staff surveyed had a perception that cash bonuses motivate performance, the study concluded that these cash bonuses had no effect on employee performance. Those who had received a bonus and those who had not, perceived it to affect their performance the same; hence it did not have a significant effect on performance. However, conversely in their study of reward structures within the British construction industry (Drunker and White, 1996, p. 142) showed that due to the project nature of that industry and the clear distinction in its work force between the manual and white collar workforce, PRP systems may yield results among professional and senior managers in that industry. It suggests that this PRP model could be developed in the context of improving performance in a project team, and around a competency or skill based pay system.

In 2010 research, Ahmed Kelil, looked employee's perception towards compensation and benefit policy. The study concludes that the compensation and benefit packages are not periodically updated and evaluated for effectiveness. Furthermore, the existing benefits are not well communicated to employees. Both salary and benefits available in the institutions were rated unfavorably or most unfavorably. (Ahmed Kelil, 2010).

From the above description reward system is affect employee perception directly and indirectly, unfavorable benefit package may affect the performance of the employees. So the researcher is interested to study on the title "assessment on reward practice in the case of Commercial Bank of Ethiopia".

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1. Research Approach**

The researcher has used mixed approach which is both qualitative and quantitative approach. According to John w. (2003) a mixed methods is useful to capture the best of both quantitative and qualitative approaches.

The quantitative techniques utilized in this study have descriptive statistics' like percentage (%), ratio and tables have employed to show the results of the analysis and to facilitate the interpretation of data. The qualitative techniques of data analysis comprise the preparation of codebooks for questionnaires edited and coded have carried out for this research.

#### **3.2. Research Design**

The purpose of this study is to assess the effect of reward system on employee performance in commercial bank of Ethiopia. The researcher prefers a descriptive design through using questioners and interview. According to C.R.Kothari (2004) Descriptive research studies are those studies which are concerned with describing the characteristics of a particular individual, or of a group, studies concerned with specific predictions, with narration of facts and characteristics concerning individual, group or situation. Other author Zikmund (2003) indicates descriptive research tries to paint a picture of a given situation by addressing who, what, when, where, and how questions.

Therefore this study has attempted to describe the general reward system of the bank under study. It was also describe about employees' perception on the existing reward system, the reward composition, and employees' view on the policy and procedural of the bank's reward system.

### **3.3. Population and Sampling Techniques**

#### **3.3.1. Population / Participants**

Subject for the research are commercial bank of Ethiopian employees who are worked in different position. There are more than 28,000 employees currently worked in commercial bank of Ethiopia. From those employees 2,230 are in East Addis Ababa district. As compared to other districts in performance, East Addis Ababa district is the winner of 2015/2016 trophy (CBE corporate performance report 2015/2016).

So the total population of the study is 2,230 employees who are worked in East Addis Ababa district. There are 97 branches exist in this district with different grades. Four grades are exist; Grade 1, Grade 2, Grade 3 and Grade 4. The employees included in the study are manager (4), customer service managers (15), employees of the bank in different position (213) and HR personnel's (2) to provide a variety of information needed for this study.

#### **3.3.2. Sampling Technique**

The researcher used purposive sampling technique to select one district from the existing different districts. According to Bruce L. (2001) a purposive sampling, researchers use their special knowledge or expertise about some group to select subjects who represent this population. From different districts in Addis Ababa, East Addis Ababa District is selected by the researcher previous knowledge about this district. In the previous year East Addis Ababa District is the one that was achieve the target stated and win 2015/2016 trophy by the performance achieved in the ended fiscal year.

Specifically, from this district, grade 4 branches are selected for the following reasons; number of employees are huge in number, the service facilitated in those branches are different and vast, the turn over and new comers are large as compared to other grade 1,2,&3 branches. According to the above description the sample branches are namely: Andinet Branch, Africa Avenue branch, Bole branch and Megengna Branch. The numbers of employee who are worked in those branches are; - Andinet 55, Africa Avenue 67, Bole 51, and Megenagna 59, so total no of sample is 232. To select each employee, the study has used census method because the total number is tolerable to consider in the analysis.

### **3.4. Data Sources**

To fulfill the purpose of this research work, both primary and secondary types of data are gathered. Primary data was collected from the employee of the bank and human resource department of the bank and secondary data obtained from annual reports, internal magazines and CBE public websites and external websites.

#### **3.4.1. Data Collection Tools**

To make the research output thorough, a triangulated list of methods of data collection instruments were employed. The data were collected both from the primary data sources (using questionnaire and interview) and the secondary data sources.

Structured questionnaires were used, to obtain data from the respondents. The questionnaires consisted of closed-ended questions. To ensure success, the questionnaires were short and simple, with questions moving from easy to more difficult ones (Kothari 2004). The questions captured data in line with the study objectives. A five point Likert scale was used, where 1=strongly Disagree, 2=Disagree, 3 = Neutral 4 = Agree, and 5=strongly Agree was used to capture the respondents view concerning on the current reward system.

Interview was the other type of data collection instrument used in the study. This means of data collection instrument helps the researcher to get reliable information from the target population that how they feel and think about the problem. Consequently, the purpose of the interview was to substantiate the results obtained from the questionnaire thereby to get a greater depth of information. The interview questions were prepared in a semi structured type. There were a total of 9 questions asked to human resource personnel of the bank.

### **3.5. Procedures of Data Collection**

In order to get direct employees' view on the existing reward system of the bank, it is very important to collect data only from them. Hence, current employees of the bank have served as the main source of primary data source.

The distributed questioner consists of two parts. The first part is simply the demographic background of the respondent. And the second section is deeply raised questions directly relate to the research question through using five-point Likert Scale.

Through distributing questioner collect demographic status of the employee like sex, age, educational background, service year in CBE and the current position also the salary range. Beside this the next section of the questioner is raise the question directly related with the variables, such as financial and non-financial reward, composition of both financial and non financial rewards, performance evaluation system and policy and procedure were collected mainly through questionnaire.

### **3.6. Method of Data Analysis**

To meet the objective stated in the above section, data's collected from the structured questionnaires was analyzed using a Software Package for Social Science 20.00 version (SPSS). In this section, raw data are transformed into a form that has made them easy to understand and interpret; rearranging, ordering and manipulating data to generated descriptive information. For the purpose of this research quantitative and qualitative method of data analysis was used. Moreover, to analyze the data obtained through interview qualitative method of data analysis was employed. Perhaps, the data gained through this method was used to back the information gathered via the main tool of the research, which is the questionnaire, and, hence no separate section was dedicated to it.

#### **3.6.1. Date Processing**

It involves the transformation of the raw data in to some processed form to facilitate analysis. Highlight the characteristics of data, facilitate comparisons and render it suitable for further statistical analysis and interpretations. In this, section the collected raw data will be checked and adjusted to identify omissions: eligibility, consistency, completeness, uniformity and accuracy of the response given by the respondents

### **3.7. Reliability and Validity**

Reliability refers to the consistency or dependability of measuring instruments. 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**

<b>Cronbach's Alpha</b>	<b>N of Items</b>
.839	44

As indicated from the above table, the Cronbach Alpha test implies that the instrument's internal consistency as 83.9% which is above the acceptable percentage.

Validity refers to the extent to which a measurement instrument actually measures what it intended to measure. 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 effort was exerted to create logical link between the items in the questionnaire and the objectives of the study. The researcher also used interview method of data gathering technique to triangulate with the results of the data found from the questionnaire and to validate the reliability of the results eventually.

### **3.8. Ethical Considerations**

Before the research was conducted on the selected bank, the researcher informed the participants of the study about the objectives of the study, and was consciously consider ethical issues in; seeking consent, avoiding deception, maintaining confidentiality, respecting the privacy, and protecting the anonymity of all respondents. A researcher must consider these points because the law of ethics on research condemns conducting a research without the consensus of the respondents for the above listed reasons.



## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

This study was aiming to assessment on the reward practices in the case of Commercial Bank of Ethiopia. The data were collected from the HR personnel's, the manager and the customer service officer of the bank. To gather relevant data for the purpose of the study, questionnaire and interview means of data instruments were employed. Therefore, the data collected from the target population of the study through these instruments were presented and discussed in this chapter.

In this section, the collected data were discussed, analyzed, presented. In doing so, the data gathered through the questionnaire were presented in tables. Apart from this, the data collected through interview were merged together and interpreted with the result of the questionnaire. This chapter generally consists of presentation of the statistical results obtained, illustrated tables, discussions of the results obtained from the questionnaire and interview of the target population.

As discussed earlier, questionnaire was designed and distributed to 232 employees of the bank who are currently working in East Addis Ababa District in Grade Four branches. Accordingly, 198 questionnaires were returned; which is about 85.34% of the total distributed questionnaires. The response rate is fair enough to represent the sample.

#### **4.1. Participant Demographic Characteristics**

This section analyzed the general profile of the respondents based on gender, age, qualification, year of service, Job title or position and salary. This section is useful because it reflects on the general characteristics of the respondents, who were used to obtain the findings and derive the conclusion of the study.

**Table.4.1. Demographic Characteristics of respondent**

Sex of Respondent	Age of Respondents					Total	Percentage
	20-25	26-30	31-35	36-40	Above 40		
Female	35	22	10	5	7	79	39.9
Male	37	40	17	19	6	119	60.1
Total	72	62	27	24	13	198	100
Percentage	36.4	31.3	13.6	12.1	6.6		
Academic Qualification of the Respondents	Service Year of Respondents					Total	Percentage
	1-3	4-6	7-9	10-12	Above 12		
Diploma	2	10	14	3	4	33	16.7
First Degree	71	47	13	5	3	139	70.2
Masters	4	8	3	1	2	18	9.1
Other	2	-	2	1	3	8	4
Total	79	65	32	10	12	198	100
Percentage	39.9	32.8	16.2	5	6.1		
Salary Range of the Respondents	Job Title of the Respondents			Total	Percentage		
	Clerical	Professional	Managerial and Administrative				
2,935-4,573	27	-	-	27	13.6		
4,574-8,674	8	98	-	106	53.5		
8,675-10,758	-	47	-	47	23.7		
10,759- 11,861	-	-	14	14	7.1		
Above 11,862	-	-	4	4	2.1		
Total	35	145	18	198	100		
Percentage	17.7	73.2	9.1				

(Source: Researcher's Survey, 2017)

As shown in the Table employees' gender composition shows 60.1% of them are males where as 39.9% of the respondents are females. With regard to respondents' age category, the highest group of respondent's, which are 36.4% fall under age category of 20-25. The next higher group 31.3% and 13.6% fall under age category of 26-30 and 31-35 respectively. This implies that about 81.3% of the respondents are below 36 years of age. The bank is said to be dominated by youngsters.

The above table also demonstrates educational background of the respondents. As indicated in the table, 70.2% of the total respondents are holder of first degree followed by diploma holders 16.7%. There are 9.1% MA/MSC holders are found from the total respondents. This implied that the CBE has fairly educated employees. The other respondents 4% are

certificate and 12+. As indicated from table 4.1, about 39.9% of the total respondents have one year or less than four years of experience and 32.8% of respondents are less than seven years of experience in the bank which is nearly new comers. Only 6.1% employees were found from the respondents who have more than 12 years of experience.

The interview result also indicated that before 6 years in the recruitment and selection process, the recruited employees are diploma holder. But after 2010/2011 the entrants are must be fulfill the requirement minimum a holder of first degree and fresh graduate and maximum 2 years of service after the graduation more than two years of experience after graduation is not accepted by the bank recruitment policy. Most of the bank employees are youngster so they are a holder of first degree in minimum and also master's holder, who are upgrade themselves. The other new entrants are masters/MSC holder for the position on management trainees.

Generally respondents' current job position is categorized in to different categories. From those professional employees are the highest in number which is 73.2% under this categories customer service officers, senior customer service officers, accountants, auditors customer related officers are there. The second highest respondents are clerical employees 17.7% those employees include junior officers and secretaries. Managerial and Administrative respondents are 9.1% of the total respondent.

The above table also depicts the salary range of respondents. 13.6% of the respondents' salary range falls under 2,935-4,573 category. This implies that the clerical workers employees' salary falls in this category. As demonstrated in the table, employees with longer years of service but who are clerical are fall under salary category of 4,574- 8,674. The other category 4,574- 8,674 and 8,675-10,758 is the highest of all range 53.5% and 23.7% more than half of employees are under these categories. The last categories are 10,758-11,861 and above it these categories include the managerial position respondents because the salary range indicates that. From this description conclude that the salary is not competitive with other banks.

From the interview, the opinion of the interviewee is that the salary is competitive, but most of employees are complain on it. The interviewee is in doubt on the competitiveness of the salary with other same industry.

## 4.2. Analysis of Collected Data

### 4.2.1. General Reward System of CBE

In this section of analysis, the researcher has tried to assess the general knowledge and attitude of employees towards the bank’s reward practice. It was developed by using Likert Scale. All statements were measured on a five-point scale where ‘1’ represents strongly disagree, ‘2’ represents disagree, ‘3’ represents neutral, ‘4’ represents agree and ‘5’ represents strongly agree.

**Table.4.2. Respondents Opinion on the Total Reward Practice of CBE**

Item	Frequency in%						Mean	Std.
	SD	D	N	A	SA	Total N		
CBE has involved both financial and non financial rewards.	5.6	28.8	7.6	30.3	27.8	198	3.46	1.31
In bank’s total reward system, financial rewards are greater than nonfinancial rewards	5.1	23.7	9.1	39.3	22.2	198	3.5	1.22
The CBE total reward package is competitive with other banks	30.3	47.0	5.6	12.6	4.5	198	2.14	1.12
The reward system is visibly differentiates between high performer and low performers.	20.7	44.4	8.6	22.7	3.5	198	2.44	1.15
The total reward package is capable to retain best performers.	18.7	36.4	14.1	19.7	11.1	195	2.68	1.29
Reward motivates me to increase my performance.	27.3	37.4	5.6	18.7	10.6	197	2.48	1.34

(Source: Researcher’s Survey, 2017)

About 58.1% of the total respondent agrees that the institution's total reward system incorporates both financial and non-financial rewards. Contrary to this, 34.4% of respondents do not agree on the incorporation of the financial and non-financial rewards in the total reward system of the bank. In addition to this, 7.6% of employees do not know about the issue at all. The general implication of the response is more than 50% of the respondents have knowledge of inclusion of financial and non-financial reward types in the bank's total reward system. The interview also supports the above idea, the interview said that there are both financial and non financial reward is practiced in CBE.

It is known that companies design their reward system to comprise both financial and nonfinancial reward types. However, their proportion may vary due to various reasons. Previously we have noted that the CBE's total reward system comprises both financial and nonfinancial reward types. However, table 4.2 depicts that the financial reward type is greater than the non-financial reward types. This is supported by 62.1% of the total respondents. On the other hand, 28.8% of the respondent doesn't agree on the above idea. The other respondents are neutral to give any suggestion.

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 organizations, 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, the performance of the employee is decreased time to time.

When we back to the respondents' view on the competitiveness of the bank's reward system compared with other banks, we find that 77.3% of the respondent claim that the CBE's total reward package is not competitive with other banks. Contrary to this, 17.1% of the respondents agree on the competitiveness of the reward package. The remaining 5.6% of the employees are neutral. From this point of view majority of the respondents disagree on the bank'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.

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 are disagreeing on the ability of the reward system to differentiate between high performers and low performers. About 65.1% of the respondents disagree on the above question. This implies that the CBE's total reward system is not related to employee's performance appraisal result.

The major importance of reward system is to retain skilled and experienced employees. From table 4.2, 55.1% of the respondent disagrees on the capability of the bank's reward system to retain its best performers. Contrary to this, 30.8% respondents agree on the capability of the reward system to retain best performers. 14.1% no comment about the question raised.

From the respondents 64.7% are respond the reward system is not motivate them to increase their performance, contrary to this 29.3% of respondents are agrees on the reward system practiced in CBE motivates them to increase the performance. From the total respondent 5.6% have no ideas about it and 1 respondent skipped this question.

#### **4.2.2. Composition of Reward**

The total reward system is composed of financial and non financial rewards. Under this title the questionnaire have two sub-sections. These are financial rewards and non-financial rewards with a total request of 17 items (questions).

##### **4.2.2.1 Financial Reward**

Under this topic direct and indirect financial rewards are raised. Under direct financial reward; salary, bonus and transportation allowance are included in the study due to their applicability in the bank. Whereas, under indirect financial reward; the housing loan, automotive and medical coverage are included.

**Table.4.3. Respondents Opinion on the financial rewards of the bank**

Item	Frequency in %						Mean	Std.
	SD	D	N	A	SA	Total N		
There are sufficient financial rewards in the CBE	25.3	36.9	14.1	14.6	7.6	195	2.42	1.23
Employees are rewarded based on his/her individual performance.	35.4	36.4	6.1	11.1	9.6	195	2.22	1.31
High performers will get additional pay for their performance.	34.3	34.8	11.6	11.1	8.1	198	2.24	1.26
The salary is satisfied me as compared to other employees in similar industries.	42.9	40.9	5.6	8.6	2.0	198	1.36	0.99
Bonus is given only for high performers.	43.4	30.8	10.6	13.6	1.5	198	1.98	1.11
Transportation and housing allowance is enough to cover those costs.	24.2	44.9	6.1	19.7	5.1	198	2.36	1.19
The CBE's housing and automotive loan policy is attractive	23.7	34.8	8.1	19.2	14.1	198	2.65	1,39
Provision of extensive medical coverage will help to retain high performers.	12.6	35.9	10.1	22.2	16.7	193	2.94	1.34
Only financial rewards are enough to retain skilled employees.	28.8	42.4	9.6	14.1	5.1	198	2.24	1.16

(Source: Researcher's Survey, 2017)

It is recalled that part majority of employees are agreed on the financial reward type is greater than the nonfinancial reward type. The above table depicts that there is no sufficient financial reward in the total reward system. In terms of percentage about 62.2% of the total respondents disagree on this. This implies that even if the financial rewards are greater than the non-financial reward types, the existing financial reward is not sufficient or up to the expectations of the employees.

Performance related reward system implies that individuals are paid according to their performance. Here from the total respondent 71.8% are disagree, it implies employees are rewarded without considering the performance or appraisal result. This shows the bank isn't have performance oriented culture.

In related to this issue from the interview question, how this department motivate high performer of the bank? The interview responds that now a time there is no additional motivation tool for high performer.

On the other hand high scorers are not entitled for additional pay. The percentage result indicated that about 68.1 % of the total respondents disagree on the idea. Contrary to this, 19.2% 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 bank provides additional one-step salary increment for employees regardless of the performance. Generally, the result will attract the bank's attention since majority of respondents do not agree.

At the end of every fiscal year of the bank, it is customary that the institution provides one month or two-month salary bonus depending on the branch achievement. And the salary increment for its employees is depending on its profit of the bank got at the ended fiscal year. As indicated in the table, the bank follows entitlement reward philosophy. This means the company provides both salary increment and bonus to all employees regardless of their performance. This philosophy argues that individual should be rewarded based on their tenure not on performance. Hence, high performers do not have special privilege in this regard. This may cause to de motivate the high performers.

CBE has transportation and housing allowances. In this regard 69.1% of the respondents are disagree, and 24.8% are agree on the item this allowances are not enough to cover the costs stated. This is true those allowances are tax free so the employees are very happy on it but for the current costs on related with renting houses and the transport problem of the city these allowances are not enough.

CBE has provides various types of indirect financial rewards. Among this, provision of housing loan and automotive loan at the lowest interest rate is the one that is common to most employees. However, majority of respondents agree that the housing policy of the company is not attractive as indicated by mean result of 2.652. In terms of number of respondents percentage 58.5% disagree on the attractiveness of the housing and automotive loan policy. This means the perception of employees is negative towards the housing and automotive loan policy of the bank. Hence, the company should revise it to make as much



as possible attractive for its employees. Since this loan is a long-term loan i.e. for 25 years, CBE should use it as a method of retaining its employees.

Other financial indirect reward is medical coverage or life insurance. Every employee who is worked in CBE is 24 hour insured. Any medical issues are covered by the bank except the disease is serious and it needs to go out of the country, in this regard some of the cost is covers by the bank and may allowed to change the currency from local to foreign currency come with the visa. From this perspective 48.5% of respondents are disagree on the medical coverage is not retain high performers, contrary to this 38.9% of employees agree on the issue. There is no much difference on respondents view. To use this reward to retain high performers extend the medical coverage for the families of employee who are very intimate to them.

The last item regarding on financial reward system of the bank is only financial reward are enough to retain the skilled employees. But most of the respondents are disagree 71.2% of them and contrary to this 9.6% are agree on it. However, majority of respondents agree that the only financial reward of the bank is not attractive and affect employee's performance negatively.

#### **4.2.2.2. Non-Financial Reward**

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, training, conducive work environment, and clear career development opportunities have been covered through the questionnaire. The following table presents summary of the frequencies and means of the responses.

**Table.4.4. Respondents Opinion on the Non-Financial Rewards of the bank**

Items	Frequency in %						Mean	Std.
	SD	D	N	A	SA	Total N		
The manager/ customer service manager inspires well done employees.	16.2	35.4	12.1	23.7	12.6	198	2.81	1.31
Proper recognition of best performers will motivate others.	21.2	39.9	10.1	23.7	5.1	198	2.51	1.21
Conducive work environment will motivate employees to increase their performance.	4.5	17.2	7.1	32.3	38.9	198	3.84	1.23
There is a training schedule which is related to the job you done.	12.6	35.4	10.1	28.3	13.6	198	2.95	1.30
There is clear career development opportunity in CBE.	27.3	31.3	15.7	21.7	4	198	2.44	1.21
Proper implementation of career development opportunities will increase employees' performance so as to step-up to the next position	9.1	37.4	6.1	29.3	18.2	198	3.10	1.34
Usually the bank fills vacant position in the form of internal promotion	13.1	24.2	13.6	34.8	14.1	198	3.13	1.29
The bank's promotion policy is clearly communicated to all employees	27.3	27.8	12.6	24.2	8.1	198	2.58	1.34

(Source: Researcher's Survey, 2017)

In the above table as revealed by the percentage of 51.51%, majority of the respondents have not been appreciated by the customer service manager who is immediate supervisor. This is not a good culture so it should be developed because the recognition of best performer can motivate others to do more. However, respondents do not know whether the recognition or appreciation they have got is visible to others as revealed by the result of

61.11%. Here the organization 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. CBE has a chance to post a recognition letter on its own website which is open to all employees and posted on this CBE Portal may motivate other employees. Now the managers are use this recognition type and it must be increased through the next periods.

Employees work in different situation. Conducive work environment can be expressed in the form of office setup, good colleagues, good leadership etc. In general, majority of respondents 71.2% from the total, have said that there is conducive work environment in CBE for high performers.

CBE has various short-term training aiming to increase the skill of jobholders. But most of the respondents 48% are not taking any training related with the task they do, despite to that 41.9% are included in the training schedule. So it is a relatively the balanced number as I am part of the organization, as an employee, I have observed that the bank has various short-term training I am also took different trainings. But it is not consistent which means if the rotation occurred it needs training for that specifically assigned place but not.

Respondents were asked about the existence of clear career development opportunity. Accordingly, the result 58.6% revealed that respondents do not agree on the existence of clear career development opportunity. Besides, majority of respondents have disagreed that, as indicated by the percentage of 55.01%, CBE's promotion policy is not communicated to all employees. If employees are not clearly communicated about the promotion policy it will create transparency question. Besides, the procedural justice cannot be verified. They have agreed that the bank usually fills vacant position in the form of internal promotion the percent 48.99% are as indicated. This has a great importance because employees will have a hope that they will have a place in the bank in the future. As a trend to promote from one grade to the other job position an individual must have an experience more than 4 years it may de motivate and bored on the job that present assigned.

### 4.2.3. Performance Evaluation System of the CBE

As Patricia & Jay (2000, p.66) said “you cannot manage what you cannot measure.” The main message of this quotation is without proper employees’ performance measurement and management, effective total reward system is impossible. One importance of employees’ performance evaluation is to know who is performing better and who should be rewarded according to his/her performance. The performance evaluation system of CBE was presented in five items using five-point scale.

**Table.4.5. Respondents Opinion on the Performance Evaluation System of CBE**

Items	Frequency in %					Total N	Mea n	Std.
	SD	D	N	A	SA			
CBE has periodic employee’s performance evaluation program.	1.5	16.7	11.1	50	20.7	198	3.72	1.02
The content included in performance evaluation form is clear and understandable.	16.2	39.4	14.6	24.2	5.6	198	2.64	1.17
The performance evaluation report reflects my true performance.	19.2	39.4	10.1	25.3	6.1	198	2.59	1.23
There is clear standard to call the employee high performer.	14.8	45.4	16.8	16.3	6.6	196	2.54	1.13
There is additional benefit for high performers, who have highest performance evaluation score	22.2	48.0	10.1	13.6	6.1	198	2.33	1.14

(Source: Researcher’s Survey, 2017)

As indicated in the above table, the huge percentage of respondents 70.5% indicated that CBE conducts periodic performance evaluation program. In this regard the organization conducts employees’ performance appraisal in each quarters which four times a year. At the end of each quarter if the rotation program is applied or not so the periodic appraisal is

needed to fill each quarter and signed by the branch manager and send to the district human resource office.

Every company has incorporates its own variables that are suitable for the job to evaluate its employees. However, the question is how many of them are directly related to job and objective to measure? The more the variables are subjective, the more the problem in handling the performance evaluation. Employees were asked to express content included in performance evaluation form is clear and understandable. Accordingly, of the study revealed that more than half 55.55% of respondents disagree on content included in performance evaluation form is clear and understandable. This implies most of the respondents are sign the PEF without understanding. This is dangerous for the bank and to the individual; because the individual are do the task without considering the target or plan. The bank also doesn't get a benefit from the employee to perform the annual profit.

At the end of every performance evaluation program, employees will be communicated the result of the evaluation. If they accept the result they will sign their agreement and if not they will contact their manager. But sometimes, if the system or the result do not have any impact on employees' future reward or career development they will sign without any discussion. In this regard employees were asked the degree of their agreement on the reflection of the performance score their true performance. Amazingly, the study shows that majority of the respondent disagree with a percentage of 58.58%.

Performance evaluation programs become meaningful, if both parties discuss on the outcomes of their work on a clearly measurable ways. Besides, both parties should have clear standards to say better and poor performance. More than half of respondents 60.2% are disagree on clear standard to call the employee high performer.

In the banks', majority of respondents, 70.20%, agree that even if someone gets the higher performance evaluation score, he or she may not be entitled for additional pay. This clearly shows that there is a problem in performance evaluation system of the bank. CBE should review its performance evaluation system. It has to work hard to change the attitude of employees towards the performance evaluation system by rewarding and promoting those

who constantly meet or exceeds expected standards. This would help to develop performance oriented organizational culture.

#### 4.2.4. Policy and Procedures in the Reward System of CBE

Employees’ perception of fairness, justice, and equity of the reward system greatly affects its effectiveness and efficiency. Sample respondents were requested 10 items to describe the policy and procedures of the CBE’s reward system. The following table depicts summary of respondents result.

**Table.4.6. Respondents Opinion on the Policy and Procedures in the Reward System of CBE**

Items	Frequency in %					Total N
	SD	D	N	A	SA	
CBE has clear policy and procedure to implement the reward system	12.6	15.7	614.1	30.8	268	198
Reward policies and procedures of CBE equally and consistently apply to all employees.	12.6	26.8	14.1	32.8	13.6	198
Employees of the bank know where to appeal when the reward policy and procedure are violated.	26.3	26.3	16.7	21.7	9.1	198
CBE’s total reward system is just and fair	30.3	32.3	9.6	18.2	9.6	198
Fair and equitable reward system enhances employees performance	30.3	44.9	3.5	11.6	9.6	198
In the bank there is not favoritism in rewarding employees	15.2	32.8	12.6	26.3	13.1	198
I am rewarded based on my performance.	28.8	34.8	11.1	19.7	5.1	197
There is need assessment program in the bank on how to reward employees	29.8	31.8	10.0	19.7	8.6	198
Employees have the chance to choose the way they like to be rewarded	32.8	39.4	9.1	15.2	3.5	198
The bank’s decision making system include employee	46.0	28.3	9.6	9.6	6.6	198

(Source: Researcher’s Survey, 2017)

Designing of appropriate reward policy is important to run fair and just reward system. Then procedure should be clearly articulated in a way all employees can understand and

how to implement this reward policy. Then employees should be communicated. After all, the next thing is implementing according to the procedure and creation 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 an 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.

CBE has clear policy and procedures as responded by the respondent 57.6% are agreed and many of the respondents are known about the issue. Employees have knowledge on the existence of this clear procedure and how to implement its. But they have doubt on that procedures are applied equally and consistently to all employees. When respondents were requested about equal and consistent application of reward policies and procedures to all employees, majority of respondents in percent 46.46% are agreed on the point. This indicates that the bank rewards employees understandably and guided by the procedure stated. But the other 39.4% are disagreed on the consistency of the reward system for all employees. This may lead to the next item.

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 bank. The percentage 52.6% implied that respondents do not have any knowledge where to go to appeal for unfair reward practices and violation of reward policies and procedures. This indicates that the bank does not communicate its employees where they should go if there is any organ to hear their complaint.

Respondents' 75.2% reflects the existence of unfair and injustice reward practices in CBE. Moreover, respondents agree that there is some favoritism in rewarding employees other than job performances. This was supported by 39.4% of the total respondents. The other respondents in percentage 48% are there is no favoritism in rewarding. This little favoritism must be diminished to null to retain the skilled man power and the good will of the bank. All of the issues are major problems that should be addressed soon.

Respondents' were asked to evaluate the reward they were rewarded compared with the performance they achieved. Accordingly, the frequency table clearly indicate that 63.6% of the respondent disagree that they are not rewarded fairly enough compared with their performance.

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 means in order to know what is valued by the current work force. More than half of respondents which is 61.61% of respondents are indicate there is no need assessment program in the bank.

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 bank, under study, majority of respondents disagree that they did not get a chance to choose the way they like to be rewarded. The level of disagreement is high; it is 72.2% of respondents disagree on the issue.

Accordingly, majority of the respondents, 74.3% are disagreeing and the other 16.2% are it is participatory and the remaining is neutral. This implies that there is no transparency in the bank reward system.

### **4.3. DISCUSSION**

- ❖ CBE has dominated by young employees, as Torrington (2008) describes younger employees are more interested in high direct earnings at the expense of indirect benefits. In many of the developed countries, younger workers get satisfied from extrinsic rewards more than intrinsic ones (Oshagbemi, 1996; Ronen, 1978; Siassi et al., 1975) and older employees gain more satisfaction from both intrinsic and extrinsic rewards in an equal form (Ssesanga and Garrett, 2005). In addition, the women's satisfaction on salary and promotion are more than men's in developing countries. From the finding most of employees are need more financial reward than non financial reward.



- ❖ In terms of the total rewards concept, the research showed that financial incentives, in whatever form, were effective in increasing performance among individuals who were very money oriented. However, performance is also important for productivity, the right blend of rewards is vital. This is corroborated by De Mattio et al. (1998) who found it crucial in order to encourage high levels of individual performance. Furthermore, Heneman and Von Hippel (1995) found that developing a total rewards approach based on financial and nonfinancial rewards increases performance within an organization. In this competitive market competitive reward also need to apply in all industry there for the total reward of the company is must competitive with other company in the same industry (Goodwin, 1996). In addition to the response obtained from the questionnaire the result found from the interview also shows the same thing as above description. There are financial and non financial rewards are practiced.
- ❖ This research confirmed that financial reward has more impact on employee performance and has a power to retain the skilled man powers. Rewards systems have traditionally been designed to attract and retain productive employees as well as to motivate them to increase their effort and output towards achieving the organizational goals (Phillips and Fox 2003). The author catch the idea from the interview regarding on this indicates that financial reward more influence on employees perception. The questionnaire result also supports it, most employees need financial reward and also the bank practiced more financial reward than non financial reward type but it is not sufficient.
- ❖ The researcher also confirmed that non financial reward also affect employees performance. Yiannis et al. (2009) found that any total rewards package should contain strong elements of recognition and appreciation. It was also found that management participation in this is vital to its success and this was further corroborated by Newman (2009) who found that management involvement and monitoring is essential to success. The research data also found that once your basic professional needs were met in the workplace, recognition from management in front of your peers became important to increasing performance. This was also the case with Hall-Ellis (2014) who found clear links between behavior and performance on one hand, and rewards on the other. This was a shared

responsibility between employee and management. The interview result indicates that the recognition of high performer is motivating the other employee to do their task more than the previous time. Therefore if employees are believed on the existence of recognition they perform better than the previous period.

- ❖ Regarding on the appraisal system, the bank has conduct the appraisal or evaluation but it is not applicable. The system doesn't differentiate high performer form low performer the interview also shows the same thing as the above. In order to this the employees are become negligent and don't take effort to achieve the target given to them. According to Thum and Sardana the appraisal and rewards systems for employees are now closely linked to the performance measurement indicators of the companies. If such reward does not commensurate with their job performance, this can lead to low motivation and high attrition, finally affecting service delivery (Thum & Sardana, 2012). Therefore this study is consistent with at list for the above studies.
- ❖ Employees' perception of fairness, justice, and equity of the reward system greatly affects its effectiveness. The other variable is policy and procedure of the bank for the implementation of the reward system. From the interview, the questionnaire distributed to employee and the clear document indicates, the bank has clear policy and procedure to implement the reward. The interviewee discussed that there is fair and just reward system in the bank because this is guide by the stated procedure also there is no favoritism in the implementation, if there, there is an individual body to accept and solve the complain on it and any other issues regarding on the bank. But nobody is goes to that; it shows employees are treated fairly. But the questionnaire result is differ from this, most of the respondents are agree with the interview results on the written policy and procedure but when there is preferential treatment on the reward system they don't know where to appeal. This affect the perception and de motivate also the performance to perform as the maximum affect.

## CHAPTER FIVE

### CONCLUSIONS AND RECOMMENDATIONS

#### 5.1. CONCLUSIONS

This study aim as to assess the effect of reward system on employee performance in the case if Commercial Bank of Ethiopia, an attempt was done to collect data's related to the topic under discussion. To go through with data collection procedures, document review and unstructured interview were employed. From the analysis done based up on gathered data, the following conclusions are drawn:

- ❖ There are both financial and non financial reward practiced in general reward system of the bank under study. Beside this the financial reward is greater than non financial reward but the financial reward implemented in the bank is not enough and compared with other banks it is not competitive. This implies the reward system is not capable to retain skilled and experienced employees. Furthermore, irrespective of age, gender, educational qualification, salary level, job category, and work experience the majority of employees believe the current reward as less attractive.
- ❖ From the respondent's response CBE follows entitlement orientation of reward philosophy which means there are no special rewards in the form of bonus or salary increment for high performers. Rather all employees will get the bonus and salary increment regardless of their performance. This may develop thinking in the employees' mind that performing better does not have associated reward. Hence, they will do their job at their lowest potential just to meet the target.
- ❖ The performance appraisal conducted by the CBE serves nothing. This makes employee's performance to be lower hence with poor performance appraisal system employees will not get appropriate feedback with regard to their weakness and incentive for their good performance. This will develop negative perception among employees. They may ask why we are evaluated if we are not rewarded.

- ❖ Employees of the organization have felt some kind of unfairness and injustice in the company's reward system. They claim that there is clear policy and procedures how to implement the reward system but if there is unfairness in this system, they do not know where to appeal for unjust practices, and there is some favoritism in the reward system.

In general, results in the bank's total reward system call the attention of the responsible body to review the reward practice. From the finding of the study majority of respondents agree on the existence of both financial and non-financial reward types in the total reward system, in addition to this the financial reward outweighs the non-financial reward type. Besides, the reward system is not competitive, not capable to retain best performers and doesn't capable to differentiate high performers and low performers. All in all, employees who do not see greater value in the reward system will not be motivated through it. Implication of the above result of the study is that employees of the bank are not motivated by the reward system of the institution.

## **5.2. RECOMMENDATIONS**

The main reason behind the existence of organizations is to attain the objective behind their establishment through their employees. However, this can be attained when organizations are able to motivate their employees and make them to focus towards the goals of their respective organizations. Much of the results findings call the attention of the bank to make corrective action so as to improve employees' performance through effective reward system.

The major concern of this section is to give recommendation for CBE and it is made based on the findings of the whole research work.

- ❖ CBE has better to assess both the external market and internal needs of reward among employee. This will help to design a competitive reward system with other banks and help to attain skilled and experienced employees.
- ❖ The bank needs to adopt a flexible reward practices that consider changes in the external environment. For instance, the existing pay system supposed to consider

the change in cost of living of the country and appropriate adjustments need to be made timey to keep the wellbeing of employees. In addition, the benefit packages are supposed to be flexible enough so that individual employees can use their benefit allowance on varied aspects based on performance.

- ❖ The financial rewards like transportation and housing allowance need to be revised by the bank because the allowances paid in cash are not cover the cost incurred for those services and the bank consider the current inflation rate and rent expense. Housing and automotive loans are long term loan by decreasing the bureaucracy give for the employee and retain the skilled employees in the organization. And satisfying the employee may be a motivator tool to perform highly.
- ❖ The employee's performance evaluation result should have some meaning to employees in terms of reward and promotion. Hence, the bank should devise a mechanism to attach rewards with performance.
- ❖ Fairness problems related to pay distribution can be reduced by conducting a study before deciding the proportion of salary increment. Then all employees need to be informed the proportion of salary increment they will get and the reason behind the provision of a given proportion of increment.
- ❖ Furthermore, it was observed that many respondents are not understood the promotion policy, so the bank needs to periodically communicate the policy of promotion for employee currently worked in the bank and for new entrant communicate in the induction program of the bank.
- ❖ The bank can build the recognition or appreciation program for high performer may initiate other and used to retain the skilled and motivated employees.

As indicated in the data presentation, the bank should work hard in order to reverse the existing adverse feelings of employees.

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# APPENDIX A

## ST. MARY UNIVERSITY

### Department OF BUSINESS ADMINISTRATION PROGRAM

Dear respondents,

You are kindly requested to respond to the statements in the following questionnaire. The statements are related to **Assessment on the Reward Practices in the case of CBE for partial fulfillment of Masters of Arts Degree in Business Administration (MBA)**. Your responses are of great importance as this survey forms important part of the study. It should not take you more than ten minutes to complete this questionnaire. Your answers will be treated confidentially and will only be used for the purpose of the research.

Thank you for your time,

#### PART I – Respondent’s Personal Data

Please put a mark (X) in the corresponding to your response.

1. Sex: Female	<input type="checkbox"/>	<input type="checkbox"/>	Male	<input type="checkbox"/>	<input type="checkbox"/>
2. Age: 20-25	<input type="checkbox"/>	<input type="checkbox"/>	26-30	<input type="checkbox"/>	
31-35	<input type="checkbox"/>		36-40	<input type="checkbox"/>	Above 40 <input type="checkbox"/>
3. Academic qualification: Diploma	<input type="checkbox"/>		First Degree	<input type="checkbox"/>	
Masters	<input type="checkbox"/>		Other	<input type="checkbox"/>	
4. Years of service in CBE; 1-3	<input type="checkbox"/>		4-6	<input type="checkbox"/>	
7-9	<input type="checkbox"/>		10-12	<input type="checkbox"/>	Above 12 <input type="checkbox"/>
5. Current Organizational position; Clerical	<input type="checkbox"/>		Professional	<input type="checkbox"/>	
Managerial and Administrative	<input type="checkbox"/>				
6. Salary range you earn					
2,935-4,573	<input type="checkbox"/>		4,574-8,674	<input type="checkbox"/>	
8,675-10,758	<input type="checkbox"/>		10,759- 11,861	<input type="checkbox"/>	Above 11,862 <input type="checkbox"/>

**PART II. Research Related Questions;**

It is fairly obvious that people differ from one another in what they need and expect to get from different areas of their lives. Please think about the work you do and because most jobs are not perfect, consider what would make it better from your point of view. With each questions you have a choice of five answers. Choose one of them by putting (X) mark.

5. Strongly Agree    4. Agree    3. Neutral    2. Disagree    1. Strongly Disagree

<b>Total Reward System of CBE</b>		<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1.	CBE has involved both financial and non financial rewards.					
2.	In bank’s total reward system, financial rewards are greater than nonfinancial rewards					
3.	The CBE total reward package is competitive with other banks					
4.	The reward system is visibly differentiates between high performer and low performers.					
5.	The total reward package is capable to retain best performers.					
6.	Reward motivates me to increase my performance.					
<b>Financial Rewards</b>		<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1.	There are sufficient financial rewards in the CBE					
2.	Employees are rewarded based on his/her individual performance.					
3.	High performers will get additional pay for their performance.					
4.	The salary is satisfied me as compared to other employees in similar industries					
5.	Bonus is given only for high performers.					
6.	Transportation and housing allowance is enough to cover those costs.					
7.	The bank’s housing and automotive loan policy is attractive					
8.	Provision of extensive medical coverage will help to retain high performers					
9.	Only financial rewards are enough to retain skilled employees.					
<b>Non-Financial Rewards</b>		<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1.	The manager/ customer service manager are inspires well done employees.					
2.	Proper recognition of best performers will motivate others.					
3.	Conducive work environment will motivate employees to increase their performance.					
4.	There is a training schedule which is related to the job you done.					

5.	There is clear career development opportunity in the bank.					
6.	Proper implementation of career development opportunities will increase employees' performance so as to step-up to the next position					
7.	Usually the bank fills vacant position in the form of internal promotion					
8.	The bank's promotion policy is clearly communicated to all employees					
<b>Performance Evaluation System of the CBE</b>		<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1.	CBE has periodic employee's performance evaluation program.					
2.	The content included in performance evaluation form is clear and understandable.					
3.	The performance evaluation report reflects my true performance.					
4.	There is clear standard to call the employee high performer.					
5.	There is additional benefit for high performers, who are highest performance evaluation score					
<b>Policy and Procedures in the Reward System of CBE</b>		<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1.	CBE has clear policy and procedure to implement the reward system					
2.	Reward policies and procedures of CBE equally and consistently apply to all employees.					
3.	Employees of the bank know where to appeal when the reward policy and procedure are violated.					
4.	CBE's total reward system is just and fair					
5.	Fair and equitable reward system enhances employees performance					
6.	In the bank there is favoritism in rewarding employees					
7.	I am rewarded based on my performance.					
8.	There is need assessment program in the bank on how to reward employees					
9.	Employees have the chance to choose the way they like to be rewarded					
10	The bank's decision making system include employee					

## **APPENDIX B**

### **ST. MARY UNIVERSITY**

#### **Department OF BUSINESS ADMINISTRATION PROGRAM**

##### **To be answered by HR directors**

You are kindly requested to respond to the statements in the following interview questions. The statements are related to **Assessment on the Reward Practices in the case of CBE for partial fulfillment of Masters of Arts Degree in Business Administration (MBA)**. Your responses are of great importance as this survey forms important part of the study. Therefore, your genuine, honest, and prompt response is a valuable input for the quality of and successful completion of the project.

List of interview questions:

1. Is there a clear policy and procedure to implement the reward system in your organization? What is the objective of the policy as stated in policy manual?
2. Do you think that the reward system of the CBE is serving its purpose?
3. Do you think the current reward system available in CBE is linked to the performance of employees?
4. Do you think the current reward policy is enough to retain skilled employee of the bank?
5. How this department motivate high performer of the bank?
6. Is the performance evaluation system is effective? How the result of appraisal is treated? Is it has effect on employees reward?
7. Do you think the current reward is sufficient?
8. Do you think the reward system of CBE is competitive with other private or government banks?
9. Finally, is there anything that you want to comment about current compensation and benefit practices of CBE?