



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

**AN ASSESSMENT OF REWARD SYSTEM OF CLERICAL EMPLOYEES
IN THE CASE OF AWASH BANK S.C**

BY

KASSAHUN ABABU

**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF
GRADUATE STUDIES IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSINESS
ADMINISTRATION**

**JANUARY, 2018
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**APPROVAL BOARD COMMITTEE
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**BY
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DECLARATION

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

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St. Mary's University, Addis Ababa January, 2018

ENDORSEMENT

This Thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a University advisor.

Advisor

Signature

St. Mary's University, Addis Ababa January, 2018

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Abstract

Reward system is an important tool that management uses to channel employee's motivation in desired ways such as better functionality and further improve company performance. The purpose of this study was to assess the reward system implemented in Awash Bank SC. The study was guided by the following specific objectives:(i) to identify the type of reward system implemented in AB, (ii) to find out whether the existing rewards system is enough to retain skilled employees, (iii) to assess implementation of procedural and distributive justice in the reward system and (iv) to find out whether the company conducts need assessment program to identify the needs of its employees in 27 branches in Addis Ababa city. The study used descriptive research design which incorporated quantitative approaches. The Researcher used simple random sampling technique in order to select respondents and branches and simple random sampling technique is sampling procedure that ensures each element in the population. Questionnaire was designed and distributed to 354 employees of the Bank, who are currently working in Addis Ababa in 27 branches and, 10 departments and 354 questionnaires were returned. The data was analyzed with the use of descriptive statistics using (SPSS and excel) and data presented in frequency distribution Tables and Histograms. The study confirmed financial rewards are important for employee motivation in the case company but the importance of non - financial rewards cannot be discriminated. It is also found out that salary is most motivating factor and while retirement benefit is the least one from financial reward. Job security and career advancement are also found to be highly motivating nonfinancial factors. This research can be helpful for the banking sector specifically to Awash Bank. They can design effective compensation package to motivate their competent employees.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

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

In the current dynamic market condition, where competition is becoming stiffer than ever having the right quality and quantity of employees and rewarding them based on their level of performance and need is very important. Despite the level of combination of a reward system, in general, reward is believed to be a source of motivation for employees to perform with their maximum potential (Kanungo & Mendonca, 1994). Employees who perceive their reward system as fair and equitable will have better work motivation, job performance, job satisfaction and lower turnover. A reward system that is designed with appropriate combination of financial and non-financial options and provided depending on the performance, needs and values of employees will have greater importance in winning the psychology of employees so as to utilize their maximum potential for the achievement of organizational objectives. In most cases, reward systems are designed to attract and retain skilled employees, to promote specific job behaviors appropriate for high level of performance and motivate employees to work harden in return to help the company achieve its strategic goals (Gomez-Mejia, Balkin & Cardy, 2005; Kunango & Mendonca, 1994; Hume, 2000). Since the time of scientific management, most managers have tried to relate effort and reward. It was common to use incentive plans like “piece of work” schemes or sales “spiffs” were thought to motivate or incite workers to improve production or sell (Bowen, 2000). During this time, manager’s setup standards of performance monitor the behavior of employees to observe the extent to which these standards are met, attained or adhered to and allocate rewards and penalties based on the observation of the performance (Singh, 2005). However this approach was criticized, because it assumes that people work for

only money. According to this approach, money is considered as the only motivator in fostering high performance work behavior. However, the value of a given reward provided to an employee greatly differs from individual to individual and society to society.

Kanungo & Mendonca, (1994) argues that one reward for all employees will not be effective to induce greater work motivation among employees. They added that a reward system, in order to attract and retain skilled employees and motivate workers to high level of performance, has to comprise both monetary and non-monetary rewards. Prokopenko, (1987) supports this idea and states that the only way to ensure cooperation's of workers is, to share with them the gains from productivity both in monetary and non-monetary terms. Most companies have developed their own reward system contextual to their environment and based on their organizational culture. A reward system comprises both monetary and nonmonetary rewards. However, in the past, most managers had been emphasized on the monetary aspect of reward. The differing value of rewards among employees will influence imbalanced reward practice between monetary and non-monetary rewards. As a result, companies will fail to achieve the aims of reward system; specifically fostering high work performance behavior. Even though most scholars suggest on the inclusion of financial and non-financial rewards in the total rewards system, many companies are still reluctant to either include or implement it. This is mainly because of the differing managerial philosophy and application of different motivational theories. Companies that fail to determine the appropriate mix between the financial and non-financial rewards will not be able to address the needs of their employees.

Awash Bank S.C. (AB), the company on which this study is carry out, was licensed in November 1994 G.C. as the first private commercial bank after the down falloff the Dergue Regime by 486 shareholders with a capital of Birr 23.1 million to provide various banking services (Awash, 2005).

The student researcher was motivated to conduct this research due to the existence of afore mentioned problem in Awash International Bank S.C and no research of same type has been done in the past of the Bank.

1.2 Statement of the Problem

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. Among these features some of them are started to be reflected in Awash Bank S.C. For instance, the Bank's yearly report (2016), shows that at the beginning of the year, the total number of employees were 6120 and during that period the company had employed additional 630 employees and at the end of the year the number of employees reached at 6120. During same period the company had opened about 8 branches. Under normal circumstances the number of employees should have increased but in reality about 154 employees have resigned from the bank. In explaining the situation, at an informal speech, one of the bank's higher official said that "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 and no one has joined, except for managerial levels, the company 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. Besides, some benefits stated in the bank's personnel policy are not practical and some of them are highly bureaucratic to implement. Employees are resigning from the company due to the prevailing reward system. However the higher officials could not make any further analysis on what is wrong on the company's reward system claiming it is the main cause of turnover. It is important to conduct an assessment of the bank's reward system of employees before things get worse. Therefore, the purpose of this study is to assess the reward system implemented in AIB of clerical employees.

1.3. Research Questions

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

1. What type of reward system is implemented in AIB?
2. To what extent is the reward system enough to retain skilled and experienced employees?
3. How do employees' perceive the procedural and distributive justice of the reward system?
4. Does the company conduct need assessment program to identify the type of reward employees need?

1.4 Objectives of the Study

Establishing the end goal is the core of any study. Accordingly, this study has the following general and specific objectives.

1.4.1 General Objective

Generally, the study has tried to assess the reward system implemented in AB of the clerical employees.

1.4.2 Specific Objectives

Derived from the general objectives and research questions, the study is also intended:-

- To identify the type of reward system implemented in AB.
- To find out whether the existing rewards system is enough to retain skilled employees.
- To assess implementation of procedural and distributive justice in the reward system.
- To find out whether the company conducts need assessment program to identify the needs of its employees.

1.5 Operational Definition

Reward: in this context, refers to both financial and non-financial rewards that are provided to employees in return of their contribution.

Clerical employees’: in addition to employees who perform basic business operations, nearly all businesses have clerical office workers.

1.6 Significance of the Study

The study is expected to generate the following three benefits.

- The results of this study will have greater input to the human resource practitioners that will design and administer their reward system. In particular, this study will have greater importance to Awash Bank S.C.
- Since this project is carried out to partially fulfill the requirements for the award of Masters of Arts in general MBA, the researcher will benefit from the challenges of research work.
- This study can also be used as an input for researchers who want to make further improvement in this area of study.

1.7 Delimitation of the Study

Conducting research on the effectiveness of all reward systems implemented and their effect on employees' reward system throughout Ethiopia was very complex, especially for beginners, and time consuming. As a result, the researcher focused on one private commercial bank namely; Awash Bank S.C. the study was limited to the branches situated in Addis Ababa and the head office and 27 branches.

1.8 Limitation of the study

Everything has its own limitations. In the same manner, this study has also faced some confines. Researcher's lack of prior experience in conducting systemized research. The second major problem was lack of awareness among our society to fill out questionnaires with due care and return on time. Employees were not willing to fill out questionnaires, this was one of the challenges that I faced. the problems, stated above, would have some impact on the results of the study that will call up for other researchers to prove the reliability of this study. Furthermore, this study is conducted on a single company. Therefore, the results will be hard to make generalizations.

1.9 Organization of the Paper

The paper is organized into five chapters. The first chapter deals with the introductory idea about the topic, statement of the problem, specific research questions, definition of terms, the research objectives, the scope and limitation of the study. The second chapter is literature review where detailed interrelation. The third chapter includes the methodology of the study. The fourth chapter includes analysis of the study. The final chapter is devoted to conclusion and recommendation.

CHAPTER TWO

REVIEW OF RELATED LITERATURES

2.1 Introduction

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

2.2. Conceptual Framework of the Study

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

2.3. Definition of Total Reward

In earlier times, the current reward had different names such as wage, pay, remuneration, and compensation. However, now days the word reward is replacing those names and becoming

common to many books. Stredwick (2005) stated that in recent years, the expression 'reward' has started to replace 'pay' in the human resources vocabulary indicating a much broader approach, including elements of non-cash awards and presupposes that employees need to actually achieve something to receive their wages or salaries, unlike the more mechanistic attachment that pay indicates.

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

2.4. Significance of Total Reward

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

In addition, Stredwick (2005) stated that total reward that is aligned with the organization's business strategy will help to achieve competitive advantage, emphasize performance, encourage flexibility in working practices, oil the wheels of change, support key competencies and encourage local decision taking. Alignment of business strategy with each of the functional strategies 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.

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

2.5 Components of Total 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. As a result, this study adopts the classification of financial and non-financial rewards. The table 3-1 is adopted with some adjustment from Armstrong (2009, p. 745) to indicate the components of total reward.

As indicated in the table, total reward is classified into two major categories i.e. financial and non-financial. Financial reward is further sub-divided into direct and indirect payments. Direct payment refers to payments which are made directly in cash to employees such as salary, wage, bonus, and other direct payments. Indirect payment, on the other hand, refers to employee benefits such as pensions/provident fund scheme, various types of leaves, insurance cover, medical cover, company cars, etc. The second category i.e. non-financial rewards refer rewards that do not involve any direct payments. They may arise from the work itself, for instance, work autonomy, recognition, training, career development opportunities, achievement, and quality of work life.

Table 2-1 Components of Total Reward

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

Source Armstrong (2009)

2.6 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). According to the expectancy theory, which is discussed under section 3.12.1 below, 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) 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. According to Patricia & Jay (2000, p. 49) if the company is weak in one component its needs to boost up another.

Torrington, Hall, & Taylor (2008) 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 according to their needs and values.

2.7. Factors that Influence a Company's Reward Systems

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

2.7.1 Reward Philosophy

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

2.7.1.1. Entitlement Orientation

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

compensation in firms of all types. Bonuses in many entitlement-oriented organizations are determined very paternalistically and often do not reflect operating results. Instead, the CEO or owner acts as Santa Claus at the end of the year, passing out bonus checks that generally do not vary from year to year. Therefore employees “expect” to receive the bonuses as another form of entitlement.

2.7.1.2 Performance Orientation

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

2.8 Organizational Culture

According to Armstrong (2009), organizational culture is defined as “the pattern of values, norms, beliefs, attitudes and assumptions that may not have been articulated but shape the ways in which people in organizations behave and things get done”. Similarly, Torrington, Hall & Taylor (2008) defined organizational culture as “the beliefs, conventions, and general patterns of behavior that characterize a particular organization.” This implied that the norms and beliefs that shaped the people of the organization affects their decision in designing the reward system of an organization.

Companies design strategies at three levels: corporate, business and functional levels. All of these strategies should have to fit one another. Development of Human Resource (HR) strategies is among the various functional strategies. According to Armstrong (2006) the development of any HR strategy starts by aligning the HR strategy to the business strategy and the organizational culture. He further stated that organizational culture is among the many factors that influence the design of a reward system.

Bowen (2000) also stated that the culture of any organization is reflected in its reward and recognition system. He further identifies three major types of cultures. These are constructive, restrictive, and aggressive cultures. Constructive culture focuses on performance and encourages managers to take actions to reinforce behavior that lead to high individual, group, and organizational performance. In this type of culture, employees feel less apprehensive about taking prudent risks. Instead, they will strive to achieve increasingly high levels of performance. A restrictive (passive) culture is the one that punishes mistakes or demands compliance and tends to discourage organizational members from taking initiatives. This type of culture further focuses more on people than results. They are generally non-constructive because they require conformity ironically. Besides, employees creativity is discouraged rather require them to be dependent upon other people specifically authority figures. The third type of culture i.e.an aggressive culture values competition and power. It is prone to focus on results at the expense of human value. The author finally concludes that constructive cultures enable employees to strive to achieve high levels of performance. This type of culture rewards and recognizes excellence. Hence, according to the author companies that adopt constructive organizational culture will design a reward system that will recognize and reward employees' performance.

2.9 Organizational Performance

An organization which is involved in provision of service, would incur huge amount of money in the form of salaries and benefits. However, if the company's overall performance is poor, its capacity to pay will also decline. "The resulting business performance and/or the financial circumstances of the organization will influence the amount it can afford to pay and its pay policies ..." (Armstrong & Murlis, 2004, p.75). Hence, the company's paying capacity also dictates or affects its reward system. It should be noted that organizations can perform well or poorly due to various external forces, such as the state of competition in the marketplace, long term weather patterns, legal restrictions or the level of interest rates and taxation (Stredwick, 2005, p. 288). However, the author argued that the biggest influence on organizational performance is the quality of the labor force at all levels of the business.

2.10 Employees' Perception

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

2.11 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 harder 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).

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).

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.

2.12 Motivation Theories

Human motivation is much more complex and diverse than is suggested by the economic security, working conditions approach (Mamoria & Gankar, 2001). Employees work motivation is important in order to achieve organizational objectives. The general motivation theory, according to Hume (2000,p. 10-33), can be categorized in to three schools of thought. These are the physiological, cognitive and social/behavioral schools of thought. The physiological needs are based on the assumption that humans have a set of innate needs or drives and that these needs constitute the biological determinants of our behavior. The notable scholars from this school of thought are A. H. Maslow (Maslow’s Hierarchy of needs), F.W. Herzberg (Herzberg’s two factor model), D.McGregor (Theory of X and Y), C. Palderfer (ERG model) and D.S. McClelland (theory of needs). The cognitive school of thought, on the other hand, suggests that motivation is an active response by humans to factors both inside and outside the individual. Some of the major prominent scholars in this school are Edwin Locke (Goal Setting theory), V. H. Vroom (Expectancy theory) and others. The third school of thought, i.e. the social/behaviorist theories, draws together from two approaches to motivation i.e. social theory and behaviorist theory. This school of thought is concerned about the effect of the environment on behavior of individuals and place specific emphasis on the effect of social interactions. J. Stacy Adam (Equity theory), Thorndike (Reinforcement theory), Ivan Pavlov (Classical conditioning) and B.F. Skinner (Operant Conditioning) are some of the proponents of this school.

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

2.12.1 Vroom's Expectancy, Valence and Instrumentality Theory

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

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

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

The implication for employers is that incentive schemes will not work with everybody, that Considerable care has to be taken with the rewards to ensure a reasonable degree of valence and that honesty and trust must prevail with both the level of targets and the application of their wards (Stredwick, 2005). Scholars like, Torrington, Hall, & Taylor (2008) also suggest that

incentives are not universally applicable, but can play a role in enhancing individual effort or performance where the conditions and scheme design are right. Problems occur when the wrong system is imposed, on the wrong people, in the wrong circumstances or for the wrong reasons.

2.12.2 Reinforcement Theory

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

2.12.3 Equity Theory

The notion of fair play is never far away from reward considerations and equity is an important factor in motivation. According to Singh (2005) the main theme of any system is maintenance of equity or fairness. Equity theory states that equitable treatment of people will enhance their motivation otherwise the reverse will happen.(Armstrong &Stephens, 2005). This theory suggests that motivation can be maintained through the concepts of distributive justice, where pay is seen to be fairly distributed in line with employee's worth and output, and procedural justice, where the methods of arriving at these judgments are seen to be fair. These methods include employee participation, accurate measurement, fair appraisal and appeals processes (Stredwick, 2005,).

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

performance of others and the rewards those others receive. But it must be stressed that these comparisons are personal and based on individual perceptions, not just facts. A sense of inequity occurs when the comparison process results in an imbalance between input and outcomes (Anonymous, 2004).

2.12.3.1 Procedural and Distributive Justice in Reward

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

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

Another related issue that must be considered is distributive justice, which refers to the perceived fairness of the amounts given for performance. This facet of equity refers to how pay relates to performance. For instance, if a hard-working employee whose performance is outstanding receives the same across the board raise as an employee with attendance problems and mediocre performance, then greater inequity may be perceived. Likewise, if two employees have similar performance records but one receives a significantly greater pay raise, the other one may perceive that the inequity is due to supervisory favoritism or other factors not related to the job. To address concerns about justice, some organizations establish appeals procedures.

2.12.3.2 Pay Openness

Another equity issue concerns the degree of openness or secrecy that organizations allow regarding their pay systems. Pay information kept secret in “closed” systems includes how much others make, what raises others have received, and even what pay grades and ranges exist in the

organization. A growing number of organizations are opening up their pay systems to some degree by informing employees of compensation policies, providing a general description of the basis for the compensation system, and indicating where an individual's pay is within a pay grade. Such information allows employees to make more accurate equity comparisons. It is crucial in an open pay system that managers are able to explain satisfactorily any pay differences that exist.

2.12.3.3 External Equity

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

2.12.3.4 Importance of Equity and Compensation Activities

It is important for HR professionals and managers to develop, administer, and maintain compensation programs that are perceived equitably by employees. The consequence of an equitable compensation program is that individuals are more likely to be attracted to and take jobs in organizations where employees do not voice widespread concerns about equity.

Greater loyalty, less turnover, and higher commitment to achieve organizational performance objectives are more likely if employees believe they are compensated fairly. Also, the organization must have policies, procedures, and administrative support systems that are viewed as job-related and are not manipulated by favoritism or personality preferences of managers and supervisors. Finally, external equity is crucial if the organization is going to compete effectively in the labor market. Increasingly in many labor markets, some employers are finding it difficult to attract and retain a workforce with the necessary capabilities to compete in a global marketplace. Regularly tracking external pay data and updating pay structures are integral to ensuring external equity in any organization (Armstrong & Stephens, 2005; Bowen, 2000; Hume, 2000; Patricia & Jay, 2000). A recent study conducted by Stringer, Dirham, & Theivanathampillai (2011) on motivation of front line employees have found that there was no

significant correlation between pay and satisfaction. They have also found that 40% of the respondents have felt that pay was unfair.

When employees perceive that pay is unfair, whether an employee is highly motivated or not, there was a tendency to compare with others or to consider that their pay did not reflect their contribution to the organization. In general, half of the front line employees' rate extrinsic and intrinsic rewards as of high importance.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

This study is a survey study that adopts descriptive research methods and collects data through questionnaires.

Descriptive method set out to describe and to interpret what is going on. Descriptive research according to Best (1970, quoted in Cohen, Lawrence ,& Keith, 2000) is concerned with conditions or relationships that exist ,practices that prevail, beliefs, points of views, or attitudes that are held processes that are going on, effects that are being felt , or trends that are developing . Descriptive researches are more concerned with facts. Accordingly this study will be attempting to describe the general reward system of the company under study, employees' perception on the existing reward system the level of reward composition employees' view on the procedural and distributive justice of the company's reward system, immediacy of the reward and about the organization's culture.

3.2 Population and Sampling Techniques

The bank has a total population of 6120 as of June 30, 2016 (Awash Bank S.C, 2016) of these 4121 are clerical and the rest are non-clerical. This study has targeted on clerical employees' only. This is mainly due to their level of awareness in filling questionnaires. The researcher used simple random sampling technique in order to select respondents and branches. Simple random sampling technique is sampling procedure that ensures each element in the population will have an equal chance of being included in the sample.

In order to give equal chance to all employees' questionnaires were distributed to 27 branches in Addis Ababa, and 10 departments using simple random sampling method. 12 questionnaires' were distributed to each branch and 5 to each department.

The researcher uses the formula suggested by Yemane Taro, 1967 which is indicated below to determine the sample size.

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

Where n is the sample size, N is the population size, and e is the level of precision.

N= population size of this research is 4121

e= precision level the researcher prefer to use 5% of sampling error (with a confidence level of 95%) which is an acceptable level of sampling error in many social science researches.

Then $n = \frac{4121}{1 + 4121 (0.05)^2}$

$$1 + 4121 (0.05)^2$$

$n = \frac{4121}{5.3025}$

5.3025

$n = 374$

Probability sampling is also known as ‘random sampling’ or ‘chance Sampling Under this sampling design, every item of the universe has an equal chance of inclusion in the sample. It is, so to say, a lottery method in which individual units are picked up from the whole group not deliberately but by some mechanical process (Kothari, 1990).

The researcher selected branches randomly and then distributed the questionnaires to randomly selected employees according to the sample size determined.

3.3 Source of Data and Data Collection Tools

In order to get direct employees’ view on the existing reward system of the bank, it is imperative to collect data only from them. Hence, employees of the bank have served as the main source of primary data. Accordingly, demographic variables such as sex, age, educational background and the like were directly collected from employees through questionnaires. Besides, variables such as salary, bonus, recognition, conducive work environment, carrier development opportunities, financial and non-financial, reward immediacy, constructive organizational culture, procedural justice and distributive justice were collected mainly through questionnaire. Data on previous works conducted in the subject matter were reviewed from related literature mainly from books, journals, bulletins, and the bank’s personnel policy. The main research instrument utilized in this study is questionnaire. The questionnaire contains two parts. The first part is about demographic characteristics of respondents. This part consists of six items such as sex, age educational background, and year of service in AB, current position and salary ranges. The second part is related to the research questions and 54 items were developed on five point Linkert scale.

Respondents were requested to choose their level of agreement on a given items as follows. 5”strongly agree”, 4” agree”, 3” I don’t know” 2”disagree” and 1”strongly disagree”.

3.4 Description of Variables and Measurements

The banks reward system was assessed based on the following variables (sets of data), salary, bonus, recognition, and conducive work environment and carrier development opportunity (Armstrong, 2006; Hume, 2000), financial and non- financial (Prokopenko, 1987), reward immediacy (Kanungo & Mendonca, 1994), constructive organizational culture, distributive justice and procedural justice (Bowen, 2000, kanungo and Mendonca, 1994, Armstrong, 2006). Different authors outlined different dimension to measure reward system of employee’s. For instance, the Accounting for people tax force (2003, quoted in Armstrong, Brown, & Reilly, 2011) has identified six key measures which seem to be used most frequently by companies.

These are, the profile of the work force, work turnover, retention rates, work force absenteeism, performance and productivity and engagement. However, as Mamoria and Gankar (2001) stated the reward of employees in a large bank in USA measured based on the following dimensions: accuracy, promptness, neatness, thoroughness, corporation, punctuality, and so on. Similarities the bank’s performance evaluation form also contains these variables. As a result, from the many dimensions, efficiency is taken in to account on the definition of employees’ performance in this study.

3.5 Data Quality Assurance

3.5.1 Validity

As stated earlier, the questionnaire was developed with due care containing 54 items, 6 of which are demographic items. Reward assessment measurements are adopted from various scholar works. Items in the questionnaire were prepared using five point linkert scales except the demographic items. Maximum effort was exerted to create logical link between the items in the questionnaire and the objectives of the study. Therefore, in order to insure content validity of the items incorporated in the instrument two HR professionals have examined the instrument before distributed. One of these professionals is employees benefit and record section head and the other one is training and education section head. Besides, the instrument was given to my advisor

and my friend to comment on it. Accordingly, based on their comments the questionnaires were distributed to the sample population.

3.5.2 Reliability

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

3.6 Ethical consideration

The researcher treat all the information given by employees and kept confidentially without disclosing the respondent's identity and would not be used for any personal interest. Furthermore this paper also is free from plagiarism, and sources duly acknowledge.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

The 374 questionnaires collected from respondents were first checked if any unintended respondents have filled or to identify any damaged questionnaire. Accordingly, twenty non-clerical employees have been found in the questionnaires and it was eliminated. The usable sample size remains 354. Then, the questionnaires were sorted. After sorting each questionnaire was coded with unique number. After the coding process is completed, each questionnaire 60 items were inserted in to computer.

After completion of inserting data in the computer, various statistical analysis tools were utilized. Demographic variables were measured using descriptive statistics and frequencies. Counting and percentage is used to interpret the data. They are presented using tabulation. The 54 items developed to assess the reward system of the company were also measured using descriptive statistics and frequencies. Counting, mean, and standard deviation are applied to interpret the data. Majority of the data are presented using tabulation and one item is presented in pie chart.

4.1. Demographic Characteristics of the Respondents

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

Table 4-1 summary of respondents by age and sex

Sex of respondents	Age of respondents						Total	Percentage
	20-24	25-29	30-34	35-39	40-44	Above 45		
Male	59	62	51	18	15	10	215	60.87
Female	37	42	1835	13	5	7	139	39.13
Total	96	104	86	31	20	17	354	100

Source: Own Survey, 2017

As shown in table 4-1 of the total respondents 60.87% (215) were male and the remaining 39.13% (139) were female, with regard to respondents' age category, the highest group of respondents. i.e., 104(30.14%) fall under age category of 25-29. The next higher group 96(27.82%) and 86(24.92%) fall under age category of 20-24 and 30-34 respectively. This implies that about 82.88% of the respondents are below 35 years of age. The company is said to be filled by youngsters. The remaining group 31 (8.98%), 20(4.34%) and 17(3.67%) are under age category of 35-39, 40-44 and above 45 respectively.

Table 4.2 Summary of respondents' educational back ground and their current working position

Current position	Educational background					Total	percentage
	Certificate	Diploma (12+2)	BA/BSC	MA	Other		
Accountant	0	4	16	0	0	20	6
Auditor	0	24	28	0	0	52	15
Clerk	2	42	49	0	0	93	26
Credit Analyst	0	0	5	7	0	12	3
Officer	0	7	45	3	0	55	16
Supervisor	0	4	39	3	0	46	13
Secretary	0	8	6	0	0	14	4
Teller	0	28	21	0	0	49	14
PC Operator	0	4	9	0	0	13	4
Total	2	121	218	13	0	354	100

Source: Own Survey, 2017

Generally respondents' current job position is categorized in to none. As revealed in the above table, respondents under clerk position constitute about 26% (93) of the total respondents. Employees with clerk position include bank clerk, loan clerk, accounts clerk, and foreign clerk. The second highest respondents are officers 16% (55) followed by supervisors 13% (46) of the respondents. Officers include bank officers, loan officers and foreign bank officers. Supervisory positions are those who have more than one employee under them. This includes current account supervisors, saving account supervisors, local transfer supervisors, section heads, chief cashier, and assistant branch managers.

The above table also demonstrates educational background of the respondents. As indicated in the table. 218(61%) of the total respondent are holder of first degree followed by diploma holders 121(35%). This implied that the company has fairly educated employees. Majority of the first- degree holders' current job position is officer 45(15.65%), supervisor 39(13.04%), and clerk 49(26.67%). Only 13 MA/MSc holders are found from the total respondents, 7 of them are credit analyst, 3 at supervisory and 3 at officer position.

Table 4-3 Summary of respondents' length of service in the bank and their salary ranges

Year of service in the bank	Salary range of respondents					Total
	1,400-2,400	2,401-3,400	3,401-4,400	4,401-5,400	Above 5,400	
1-3	77	27	1	0	1	106
4-6	21	54	51	8	4	137
7-9	0	9	33	26	19	85
10-13	1	0	0	6	13	21
Above 13	0	0	0	0	3	3
Total	99	90	86	40	40	354

Source: Own Survey, 2017

The bank has been in operation for more than 14 years. However, the above table indicated that about 38%(137) of the total respondents have six year or less than six years of experience in the bank which is less than half of the age of the bank. Its implication is majority of respondents in the bank have lesser experience. Only 3 employees were found from the respondents who have more than 13 years of experience.

Table 4-3 also depicts the salary range of respondents, 27 % of the respondents' salary range falls under 1,400-2,400 category. Of these 77 of them have less or equal to three years of experience. Employees' salary increases with their tenure in the bank. As demonstrated in the table, employees with longer years of service fall under salary category of above 5,400. About 5 employees with a maximum of 6 years of service in the bank earn more than Birr 5,400 salary per month. These employees might have joined the bank with experience from other bank and with better educational qualification.

4.2 General Reward System of the Bank

In this section of the questionnaire, the researcher has tried to assess the general knowledge and attitude of employees towards the company's reward system. It was developed by seven items using Likers Scale. All statements were measured on a five- point scale where represents strongly disagree, 2 represents disagree, 3 represents I don't know, 4 represents agree and 5 represents strongly agree.

Table 4-4 Incorporation of both financial and non-financial reward types

Level of agreement	Frequency	Percent	Cumulative percent
Strongly Disagree	21	6	6
Disagree	39	11	17
Don't know	103	29	46
Agree	163	46	92
Strongly Agree	28	8	100
Total	354	100	

Source: Own Survey, 2017 (Mean 3.39 std. Deviation= 1.004)

About 54% of the total respondent agree that the company's total reward system incorporates both financial and non-financial rewards. Contrary to this, 17% of respondents do not agree on the incorporation of the financial and non-financial rewards in the company's total reward system. However, 29% of employees do not know about the issue at all. Besides, 4 respondents did not provide their response on this question. 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 company's total reward system. However, the mean result indicated that majority of the respondents do not have knowledge about the issue.

Table 4-5 Summary of respondent's view on which type of reward is greater in the reward system

Level of agreement	Frequency	Percent	Cumulative percent
Strongly Disagree	17	4.7	4.7
Disagree	33	9.4	14.1
I Don't know	86	24.3	38.4
Agree	96	27.2	65.6
Strongly Agree	117	33	98.6
Total	349	98.6	
Missing	5	1.4	

Total	354	100	
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Source: Own Survey, 2017 (Mean = 3.75 Std. Deviation= 1.157)

It is known that companies design their reward system to comprise financial and non- financial reward types. However, their proportion may vary due to various reasons. Previously it has noted that the company's total reward system comprises financial and non- financial reward types. However, table 4-5 depicts that the financial reward type is greater than the non- financial reward types. This is supported by 60.2% of the total respondents. On the other hand, 14.1% of the respondent does not agree on the above idea. Meanwhile, 24.3% of the respondent does not have any idea on the issue. Besides, 4 respondents did not attempt the question. The overall mean result of 3.75 indicates that the financial reward is greater than non- financial reward type.

As it will discuss later on, each employee has his/her own unique characteristics. What is valued more by one individual will not be valued similarly by others. Hence, being strong at one aspect could hurt the level of motivation of employees. As a result, the company should evaluate its reward system periodically and try to adjust its reward composition.

Table 4-6 summary respondents' view on the level of competitiveness of the company's reward package

Level of agreement	Frequency	Percent	Cumulative percent
Strongly Disagree	131	37	37.2
Disagree	127	35.9	73.4
I Don't know	29	8.3	81.8
Agree	47	13.4	95.3
Strongly Agree	17	4.7	100
Total	352	99.3	
Missing	3	.8	
Total	354	100	

Source: Own Survey, 2017 (Mean = 2.12 Std. Deviation 1.189)

No company works in a vacuum. Today's market is becoming more competitive than ever. Companies are fighting to get skilled and experienced. Service giving organizations. Like banks, mainly depend on the skilled employees is by designing a reward system that is competitive to the external market mainly to the industry. Otherwise, employees will leave the organization in search of better pay and the remaining employees' motivation will be lower.

When we back to the respondents' view on the competitiveness of the company's' reward system compared with other banks, we find that 72.83% of the respondent claim that the Company's total reward package is not competitive with other banks. Contrary to this, 50 18.11% of the respondent agree on the competitiveness if the reward package. Whereas, 8% of the employees do not have any idea on the point and 2 respondents did not provide any answer to this question. The mean result of 2.12 on this point also shows that majority of the respondents disagree on the company's reward p0ackage competitiveness.

It is vital for a company to know what its competitors are rewarding their employees. Apart from internal relativities employees also look for external relativities. The above response calls the bank once again to look what its reward package is and to compare it with other similar companies within the industry. The existing lucrative profit in the banking industry is attracting new entrants. All these banks snatch experienced employees with higher salary from the exiting banks. Hence, the company should take timely correction or revision of the total reward system.

Table 4-7 summary of the company's reward communication level

Level of agreement	Frequency	Percent	Cumulative percent
Strongly Disagree	122	34.4	34.7
Disagree	109	30.8	65.7
I Don't know	46	13	78.8
Agree	51	14.5	93.4
Strongly Agree	23	6.5	100
Total	352	99.3	
Missing	2	0.7	
Total	354	100	

Source: Own Survey, 2017 (Mean=2.27 Std. Deviation=1.259)

Missing value = 2

In any organization, communication matters for all things. If the company fails to communicate its mission, it will fail to accomplish the same. A given reward system is designed for the company's community. Therefore, it should be communicated on time what is available for them. If the company fails to communicate the given reward system the level of employees' motivation will be lower. This is mainly because they do not know the reward for good performance.

In this regard as indicated under table 4-7, 65.1% respondents, from the company under study. Claim that the company did not clearly communicate its reward package for all employees. The mean score of 2.27 also indicate that majority of the respondent do not agree. Further 13% of the do not have any idea on the point. However, only 21% of the respondents are clearly communication about the reward package. This clearly indicates that either the company's communication system is poor or the company is not willing to communicate what is has designed. However, communicating what is available helps the company to win the psychology of employees to motivate them for better performance.

Table 4-8 summary of the company's reward capability to retain best performers

Level of agreement	Frequency	Percent	Cumulative percent
Strongly Disagree	97	27.4	27.4
Disagree	100	28.3	55.7
I Don't know	68	19.1	74.8
Agree	67	19	93.8
Strongly Agree	22	6.2	100
Total	354	100	

Source: Own Survey, 2017 (Mean-2.48 Std. Deviation +1.217)

One importance of a given reward system is to retain skilled employees. The mean score of 2.48 indicated that majority of respondents do not agree on the strength of the existing reward package to retain best performers. In other words, 55.7% of the respondent didn't disagree on the capability of the company's reward system to retain its best performers. Contrary to this, 25.2%

respondents agree on the capability of the reward system to retain best performers, 19.1% do not know about the idea.

Table 4-9 Summary of the company’s reward to differentiate between high performers and low performers.

Level of agreement	Frequency	Percent	Cumulative percent
Strongly Disagree	129.21	36.5	36.5
Disagree	108.678	30.7	67.2
I Don’t know	51.684	14.6	81.8
Agree	46.374	13.1	94.9
Strongly Agree	18.054	5.1	100
Total	354	100	

Source: Own Survey, 2017 (Mean= 2.22 Std. Deviation= 1.217)

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. M majority of respondents of disagree on the ability of the reward system to differentiate between high performers and low performers, 67.2% of the respondents disagree on the above question. About 18.2% of the respondents agree, 14.6% do not have any idea and there are 2 missing values. The mean result of company’s total reward system is not related to performance.

In general, results in the company total reward system call the attention of the bank to review the system. As we have seen it even if majority of respondents agree on the existence of both financial and non-financial reward types in the total reward system, however the financial reward outweigh the non-financial reward type. Besides, the reward system is not competitive, well communicated, and capable to retain best performers and low performers. All in all, employees who do not see any value in the reward system will not be motivated through it. Implication of the above result of the study is that employees of the company are not motivated by the reward system of the company.

4.3. Reward Composition

In a given total reward system, there are two major categories. These are financial and non-financial reward. In order to assess the existence of both types of rewards and their level of both types of rewards and their level of composition, the researcher has included in the questionnaire three sub-sections under composition. These are financial rewards, non- financial rewards, an appropriate composition with a total of 21 items.

4.3.1. Financial Rewards

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

Table 4-10. Summary of respondent’s opinion on the financial reward type of the company

Item	Frequency					Total	Mean	Std. Dev.
	5	4	3	2	1			
There are sufficient financial rewards in company	17	68	37	155	76	354	2.39	1.136
High performers will get additional pay for their performance	13	118	39	111	74	354	2.68	1.235
Bonus is given only to high performers	12	10	12	102	218	354	1.57	940
Bonus is given to all employees of their performance	209	70	8	40	28	354	4.1	1.333
The company’s housing loan policy is attractive	18	30	44	112	150	354	2.02	1.161

Source: Own Survey, 2017

Despite majority of employees agree that the financial reward type is greater than the non-financial reward type as I discuss earlier, the above table depicts that there is no sufficient financial reward in the total reward system. As shown in the table, the mean of 2.39 implies that

majority of them disagree on the existence of sufficient financial reward. In terms of frequency and percentage about 231 and 64.85% of the total respondents disagree respectively. This implies that even if the financial rewards are greater than the non- financial reward types, however the existing financial reward is not sufficient or up to the expectations of the employees.

In a performance- oriented culture, employees are rewarded based on their performance. As discussed earlier, high scorers are not entitled for additional pay. The mean result of 2.68 indicates that majority of respondents do not know about the raised issue. However, the frequency result indicated that about 51.81% (185) of the total respondent disagree on the idea.

Contrary to this 36.59% of them agree that high performers will get additional pay for their performance. This could be mainly due to the fact that every year the company provides additional one- step salary increment for employees who are recommended by the branch manager (at branch level) and supervisors other than normal increment. The problem here is that the basis of branch manager' recommendation is not transparent to everyone in the organization. Generally, the result will attract the company's attention since majority of respondents do not agree.

At the end of every fiscal year of the company, it is customary that the company provides one month or two- month salary bonus and salary increment for its employees depending on its profit. As indicated in the table, the company follows 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, which performers do not have special privilege in this regard.

This is clearly indicated in item no 3 and 4 of the above table. The mean result of 1.57 indicates that bonus is not given only to high performers. In relation to this, mean result of 4.10 implies that majority of respondents agree that the company provides bonus for all employees regardless of their performance.

The company provides various types of indirect financial rewards. Among this provision of housing loan at the lowest interest rate is the one that is common to most employees. However, majority of respondents agree that the housing policy of the company is not attractive as indicated by mean result of 2.02. in terms of number of respondents about 262 or percentage

73.55% disagree on the attractiveness of the housing loan policy. This means the perception of employees is negative towards the housing loan policy of the company. 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 20 years, the company should use it as a method of retaining its employees.

4.3.2. Non- Financial Rewards

Non-financial rewards are invisible rewards. According to Herzberg's Hygiene and Factor theory, the invisible rewards have more power than 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 is based on an appropriate mix of the two.

The questionnaire was also incorporated some non-financial rewards in order to assess its existence and employees' perception towards it. Mainly recognition, conducive work environment, and clear career development opportunities have been covered through the questionnaire. The following table presents a summary of the means, frequencies, and standard deviation of the responses.

Table 4-11 Respondents' attitude on the non-financial reward type of the company

Item	Frequency					Total	Mean	Std. Dev.
	5	4	3	2	1			
My supervisor appreciates a job well done	89	99	32	84	49	354	3.27	1.419
The recognition I get due to my performance is visible to others.	26	96	96	61	76	354	2.82	1.256
There is a conducive work environment in the company for high performers	13	59	78	115	89	354	2.41	1.143
There is clear career development opportunity in the company	8	49	50	155	92	354	2.21	1.028

The company's promotion policy is clearly communicated to all employees	5	27	30	130	161	354	1.85	1.008
Usually the company fills vacant position in the form of internal promotion	21	174	34	92	34	354	3.17	1.163
The company provides adequate training to develop employees future career	43	101	49	125	36	354	2.97	1.238

Source: Own Survey, 2017

In the company in table 4-11, as revealed by the mean result of 3.27, majority of the respondents have been appreciated by their immediate supervisor. This is a good culture of that should be developed more. However, respondents do not know whether their recognition or appreciation they have got is visible to others as revealed by mean result of 2.82. here the company should develop a mechanism to communicate high performers or good job behaviours of employees to all other employees so as to increase their recognition visibility. This in turn will build the morale of high performers and encourage others to perform more.

Employees work in different situation. Conducive work environment can be expressed in the form of office setup, good colleagues, good leadership etc. in general, majority of respondents from the company, as reflected in the mean result of 2.41, have said that there is no conducive work environment in the company for high performers.

An employee working in the company has a target that he/she want to reach in the future. Whenever they perform better, whenever the company recognizes their promotion confirms their progress towards their future career development and companies should design mechanisms to develop employees, future career. Promotion and training/ career development programs are the two items covered in this study.

Employees were asked about the existence of clear career development opportunity. Accordingly, the mean result of the study 2.21 revealed that respondents do not agree on the existence of clear career development opportunity. Besides, majority of respondents have agreed that, as indicated by mean of 1.85, the company's promotion policy is not communicated to all employees. If employees are not clearly communicated about the promotion policy it will raise transparency question. Besides, the procedural justice cannot be verified. However, they have

agreed that the company usually fills vacant position in the form of internal promotion as revealed by mean result of 3.17. this has a great importance because employees will have a hope that they will have a place in the company in the future. However, the company should work hard to make clear its promotion policy.

As I am part of the organization, as an employee, I have observed that the company has various short- term training aiming to increase the skill of jobholders. When we come back to the developmental training, as revealed by mean result of, respondents do not know about provision of training to develop employees' future career.

4.4. Reward Immediacy

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

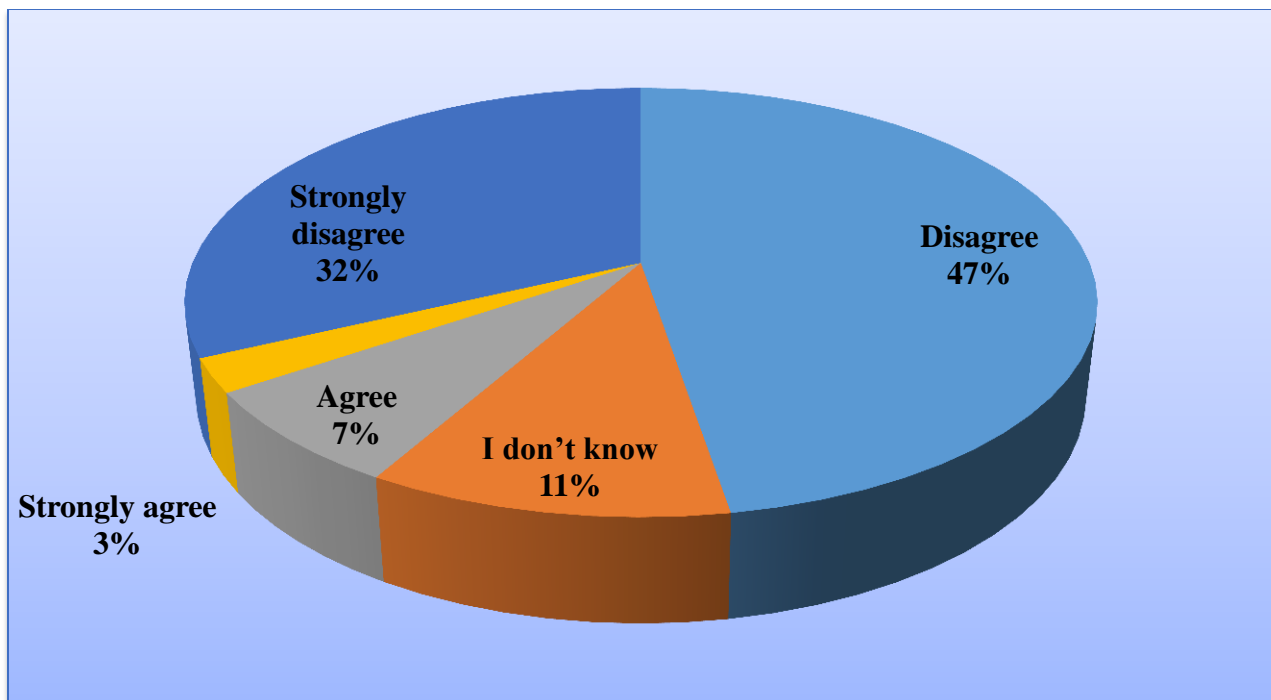


Figure 4-1 summary of respondents’ opinion on the company’s reward immediacy for good performance.

As indicated in the above pie chart and the mean score, the company does not reward employees immediately when they perform best. It is to be recalled that I have discussed earlier on how the company rewards. It is once in a year that employees of the bank get salary increment regardless of their performance. Besides, as indicated in the following table 4-12, majority of respondents with mean value of 3.71 agree that there is remarkable time gap between high performance and reward. Should the company encourage good performance, it needs to change its reward timing. Employees who deserve immediate reward should get immediately.

Table 4-12 Time gap between good performance and reward in the company

Level of agreement	Frequency	Percent	Cumulative percent
Strongly Disagree	12	3.3	3.3
Disagree	58	16.3	19.6
I Don’t know	55	15.6	35.2
Agree	126	35.5	70.7
Strongly Agree	104	29.3	100
Total	354	100	

Source Own Survey 2017 (Mean 3.17 Standard deviation= 1.1501)

4.5. Procedural and Distributive Justices

Employees’ perception of fairness, justice, and equity of the reward system greatly affects its effectiveness. Sample respondents were requested 8 items to describe the procedural and distributive justice of the company’s reward system. The following table depicts summary of respondents result.

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

Items	Frequency					Total	Mean	Std. Dev.
	5	4	3	2	1			
The company has clear procedure on how to implement the reward policy	17	46	178	86	27	354	2.83	.918
Reward policies and procedures of the company equally and consistently apply to all employees	10	30	64	135	115	354	2.12	1.058
Employees of the company know where to appeal when the regard policy and procedure are violated	18	58	73	97	108	354	2.35	1.194
The company's total regard system is just and fair	13	45	41	106	149	354	2.03	1.138
The company's reward system equally reward for works with equal values	21	28	39	144	122	354	2.06	1.089
In the company there is favouritism in rewarding employees	122	88	66	54	24	354	3.64	1.289
I am rewarded fairly enough compared with my fellow employees	23	100	28	140	62	354	2.64	1.222
I am rewarded based on my performance	17	76	17	112	53	275	2.61	1.246

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

However, in our country many policies and procedures 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. Rather any additions and omissions are conducted through memos and letters. These letters and memos will be filed in different files. Hence, things will be hard for employees to get a clear picture of the company's reward system.

Respondents of the company were requested to express their level of degree on the existence of clear procedure on how to implement the reward policy. Result of mean score 2.83 revealed that many of the respondents do not know about the issue. This implies that employees neither know the existence of any procedure or policy in the company let alone its understand-ability. Hence,

the company should put forth its maximum effort to make clear how it is implementing its reward policy.

Even though employees do not know on the existence of clear procedure on how to implement it policy, they have felt that procedures are not applied equally and consistently to all employees. When respondents and procedures to all employees, they have disagreed. As per the mean score of 2.12, majority of respondents do not agree on the point. This indicates that the company rewards employees arbitrarily without consistency.

In relation to the above point, respondents were asked their knowledge where to go for appeal when policies and procedures are violated or any unfair practices undergo in the reward system of the company. The mean score of 2.35 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 company does not communicate its employees where they should go if there is any organ to hear their complaint. Generally speaking in such situations it is hard to maintain the rules of law and the company lacks transparency.

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

Respondents' mean score of 2.03 reflects the existence of unfair and injustice reward practices in the company. Respondents' also claim that the reward system of the company does not reward works with equal values. This was inferred from a mean score of 2.06. Moreover, respondents agree that there is favoritism in rewarding employees other that job performances. This was supported by 3.64 mean score or which represent 57.61% of the total respondents. All of the issues are major problems that should be addressed soon.

Distributive justice can be seen in relation to employees' perception compared with their fellow workers and their performance. It is natural that anybody wants to know what others are getting to compare with themselves. In due course if any employee felt that his/her reward is less than the people around without legitimate reason would bring a state of frustration. Besides, employees will try to value their reward based on their own effort contributed to the work.

Respondents' were asked to evaluate their reward compared with their fellow employees and performance accordingly. This implies that employees do not know where they are standing compared with their fellows. However, the frequency table clearly indicate that 56.86% and 59.78 of the respondent disagree that they are not rewarded fairly enough compared with their fellow employees and their performance respectively.

4.6. Customized Reward

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

Companies usually design their reward system by giving too much emphasis on the direct financial reward type. This reward type may work, to some society up to some level. Direct financial rewards may satisfy their material need. However wherever he/she is human being wants for recognition for his work, good working relationship with colleagues and supervisors and future development. This requires appropriate mix between the financial and non-financial rewards and presenting a wide variety of rewards for employees to choice among them when they perform better.

In the questionnaire seven items were included to assess whether the company conducts need assessment program, if employees have the chance to choose the way they like to be rewarded etc. first I will present summary of the means each of the items. Next I will try to look at who needs (age and sex) more what type of reward (financial Vs non-financial).

Table 4 – 14 Summary of respondent opinion on customized rewards

Item	Frequency					Total	Mean	Std. Dev
	5	4	3	2	1			
There is need assessment program in the company on how to reward employees	57	63	55	85	94	354	2.71	1.425
Employees have the chance to choose the way they like to be rewarded	12	39	36	90	178	354	1.92	1.154
I will be happier, if the company consults me what I need most when I perform better	214	76	15	19	30	354	4.21	1.259
Like to be rewarded only direct financial rewards.	44	61	35	130	85	354	2.57	1.347
Like to be rewarded only indirect financial rewards.	48	46	37	139	84	354	2.53	1.341
I like to be rewarded only non-financial rewards	27	44	45	148	90	354	2.35	1.203
I like to be rewarded appropriate mix of both financial and non-financial rewards when I perform better	248	70	17	15	4	354	4.53	859

In relation to this I have tried to see which demographic group (age and sex) want more of direct finance, indirect financial, non-financial and proper mix.

Table 4-15 summary of respondents' choice by sex

Items	Sex of respondents	
	Male	Female
	Mean	Mean
I like to be rewarded only direct financial reward	3	2
I like to be rewarded only indirect-financial rewards	3	3
I like to be rewarded only non-financial reward	2	2
I like to be rewarded appropriate mix of both financial and non-financial rewards when I perform better	4	5

As it can be observed from table 4-15, the mean score of 3 and 2 for male and female respectively indicated on choice of only direct financial rewards. This implies that men need payments to be in the form of cash than women. On the other hand, female like to be rewarded appropriate mix of both financial and non-financial rewards that male as indicated by mean score of 4 and 5 for male and female respectively. Nevertheless, both of them like neither only indirect nor only non-financial rewards.

Table 4-16 Summary of respondents' choice by their age category

Items	Age of Respondents					
	20-24	25-29	30-34	35-39	40*-44	Above 45
	Mean	Mean	Mean	Mean	Mean	Mean
I like to be rewarded only direct financial reward	3	3	2	3	3	2
I like to be rewarded only indirect-financial rewards	2	3	3	3	3	2
I like to be rewarded only non-financial reward	2	2	2	3	3	2
I like to be rewarded appropriate mix of both financial and non-financial rewards when I perform better	5	4	5	4	4	5

Table 4 – 16 indicates choice of respondents' based on their age category. As indicated in the first row, majority of respondents are indecision on direct financial rewards. Respondents between the age of 30 – 34 and above the age of 45 do not like only direct financial rewards. Further, all age groups agree that they like to be rewarded with appropriate mix of financial need.

And want 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 point respondent from the company do not know the existence of any need assessment program as indicated by mean score of 2.71.

The output of the need assessment is what is valued more by employees. Employees will happier if they are rewarded what they value most. In the company, under study, majority of respondents disagree that they did not get a chance to choose the way they like to be rewarded. The mean score of 1.92 reveal their level of disagreement. Contrary to this, majority of them have expressed their happiness if the company consults them what they need most when they perform

better. Mean score of 4.21 or 81.52% of the respondent have expressed their level of agreement. This ascertains that individual needs are varied and it is because of their difference they want to be consulted when they perform better. Hence, the company should devise a mechanism to address employees' needs and want.

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

Respondents were asked what they like to be rewarded when they perform better. Four items were prepared to identify what they like most. These are only direct financial, only indirect financial, only non-financial and both with appropriate mix. Accordingly, mean score of 2.57, to be rewarded both in financial and non-financial rewards with appropriate mix. Hence, the company should look into its reward policy and practice and adjust them according to the needs of its employees.

Specifically, age group 20-24 and group of 30-34 and age group of above 45 with mean score of 5 reflected that they strongly agree. In general, the above two tables, ie table 4-17 and table 4-18, clearly show that individual reward preferences also vary with their gender and age group. Therefore, the company should try to address their choice.

4.7. Constructive Organizational Culture

The culture of any organization has direct impact on the development of its reward system. Culture change programs aimed at encouraging specified behavior and performance will improve motivation. The culture of an organization affects the way in which people behave and has to be taken into account as contingency factor in any program for developing organizations and HR policies and practices (Armstrong, 2009). As stated by Bowen (2000) a given company organizational culture is generally divided into three. These are constructive, restrictive and aggressive organizational cultures. According to the author constructive organizational culture is characterized by its participatory decision making system, encourages employees to take initiative and take risks, supports and rewards performance and the decision making system is participatory.

Respondents' were requested to express their attitude towards the company's organizational culture. Six items were developed in the questionnaire to assess the existence of constructive organizational culture in the company. The following table depicts summary of means of employees view on the organizational culture of the company.

Table 4 – 17 Summary of respondents' attitude towards the company's organizational culture.

Item	Frequency					Total	Mean	Std. Dev
	5	4	3	2	1			
There is constructive organizational culture in the company that encourages to perform best	18	37	49	125	125	354	2.13	1.142
My Supervisor encourages me to take action even if, the associated risk is high	13	117	44	75	106	354	2.60	1.313
I am always strictly ordered to abide by the rules and regulations of company	118	143	23	58	12	354	3.84	1.153
Performance is measured by complying rules not by results	88	95	75	77	19	354	3.43	1.236
The company always get things done at the expense of its employees	95	111	57	53	39	354	3.35	1.295
The company's decision making system participatory	13	28	40	122	151	354	1.96	1.090

As it can be seen on the table 4 – 17 the mean result about the respondents' attitude towards the company's organizational culture indicate that there is no constructive organizational culture in the company that encourages for the better performance, the supervisor encourages me to take action even if, the associated risk is high and the bank's decision making system is not participatory. But the majority of the respondents believe that they are strictly ordered to abide by the rules and regulations of company, the performance is measured by complying rules not by results and the bank always get things done at the expense of its employees.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of the Major Findings

Regarding the respondents' age category about 82.88% of the respondents are below 35 years of age. The company is said to be filled by youngsters. The remaining group (8.98%), (4.34%) and (3.67%) are under age category of 35-39, 40-44 and above 45 respectively.

Generally respondents' current job position of the respondents' under clerk position constitute about 26% of the total respondents. Employees with clerk position include bank clerk, loan clerk, accounts clerk, and foreign clerk. The second highest respondents are officers 16% followed by supervisors 13% of the respondents. Officers include bank officers, loan officers and foreign bank officers. Supervisory positions are those who have more than one employee under them. This includes current account supervisors, saving account supervisors, local transfer supervisors, section heads, chief cashier, and assistant branch managers.

The educational background of the respondents indicated that the majority of the first- degree holders' current job position is officer 16%, supervisor 13.04%, and clerk 26%. Only 13 MA/MSC holders are found from the total respondents, 7 of them are credit analyst, 3 at supervisory and 3 at officer position.

The experience of the respondents in the bank indicates that about 68% of the total respondents have six year or less than six years of experience in the bank which is less than half of the age of the bank. Its implication is majority of respondents in the bank have lesser experience. Only 2 employees were found from the respondents who have more than 13 years of experience.

More than 50% of the respondents have knowledge of inclusion of financial and non- financial reward types in the bank's total reward system. However, the mean result indicated that majority of the respondents do not have knowledge about the issue. The overall mean result of 3.75 indicates that the financial reward is greater than non- financial reward type in the bank.

the respondents' view on the competitiveness of the banks' reward system compared with other banks, it was found that the majority 72.83% of them claim that the bank's total reward package is not competitive with other banks and the mean result of 2.12 on this point also shows that majority of the respondents disagree on the company's reward package competitiveness.

The majority that is 65.1% of the respondent implies that the company did not clearly communicate its reward package for all employees. The mean score of 2.27 also indicate that majority of the respondent do not agree.

The mean score of 2.48 indicated that majority of respondents do not agree on the strength of the existing reward package to retain best performers. In other words, the majority of the respondent gives their degree of agreement as disagree on the capability of the company's reward system to retain its best performers.

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 of disagree on the ability of the reward system to differentiate between high performers and low performers.

Despite majority of employees agree that the financial reward type is greater than the non-financial reward type as I discuss earlier, the above table depicts that there is no sufficient financial reward in the total reward system. As shown in the table, the mean of 2.39 implies that majority of them disagree on the existence of sufficient financial reward. In terms of percentage about 65% of the total respondents disagree respectively. This implies that even if the financial rewards are greater than the non- financial reward types, however the existing financial reward is not sufficient or up to the expectations of the employees.

The employees didn't rewarded based on their performance but mainly due to the fact that every year the bank provides additional one- step salary increment for employees who are recommended by the branch manager (at branch level) and supervisors other than normal increment and the branch manager' recommendation is not transparent to everyone in the

organization. Generally, the result will attract the company's attention since majority of respondents do not agree.

At the end of every fiscal year of the company, it is customary that the company provides one month or two- month salary bonus and salary increment for its employees depending on its profit. As the respondents indicated that both salary increment and bonus provision didn't base on their performance.

The company provides various types of indirect financial rewards. Among this provision of housing loan at the lowest interest rate is the one that is common to most employees. However, majority of respondent negatively perceive the housing loan policy of the bank.

The respondents do not know whether the recognition or appreciation they have got is visible to others and the bank didn't have developed mechanism to communicate high performers or good job behaviours of employees to all other employees so as to increase their recognition visibility.

As the data implies that there is no conducive work environment in the bank for high performers that can be expressed in the form of office setup, good colleagues, good leadership etc.

Accordingly, the majority of respondent the bank's promotion policy is not communicated to all employees. If employees are not clearly communicated about the promotion policy it will raise transparency question. They didn't know about provision of training to develop employees' future career.

The respondents neither know the existence of clear procedure on how to implement the reward policy. Even though employees do not know on the existence of clear procedure on how to implement it policy, they have felt that procedures are not applied equally and consistently to all employees.

In relation to this the respondents didn't have knowledge where to go for appeal when policies and procedures are violated or any unfair practices undergo in the reward system of the company. The majority of the respondents have feeling of unfairness and injustice on the reward system, it may not bring what the organization wants to get though it such as increased performance, motivation, satisfaction, lowered rate of absenteeism and turnover etc. rather those

feelings will accelerate the rate of dissatisfaction, absenteeism, and turnover. Besides, their morale will be dropped.

The data implies that men need payments to be in the form of cash than women. On the other hand, female like to be rewarded appropriate mix of both financial and non-financial rewards that male. Nevertheless, both of them like neither only indirect nor only non-financial rewards.

The majority of respondents didn't know the existence of any need assessment program periodically through attitude survey or any other point and did not get a chance to choose the way they like to be rewarded.

Accordingly to the majority of the respondents the bank rewarded both in financial and non-financial rewards but didn't look into the needs of the employees to adjust their mixture. As the mean result about the respondents' attitude towards the company's organizational culture indicate that there is no constructive organizational culture in the company that encourages for the better performance, the supervisor encourages me to take action even if, the associated risk is high and the bank's decision making system is not participatory. But the majority of the respondents believe that they are strictly ordered to abide by the rules and regulations of company, the performance is measured by complying rules not by results and the bank always get things done at the expense of its employees.

5.2. Conclusions

The aim of the first research question was to identify the reward schemes in the case bank. According to the result, the case company offered both financial and non-financial rewards for its employee. But they don't measure whether the rewards are serving its purpose or not. No survey was made to know employee feeling on current reward practice. And employees input was not considered during reward design. The case company does well on communicating the rewards offered by the company. Employees' motivation are less likely if the communication of reward is insufficient or when employees are not aware of what is given for their effort. For a company to be successful it must have employees who are willing to put their creativity, abilities and know-how in favor of the company and it is the organization's task to encourage and nourish these positive employees' input by putting effective reward practices in place.

According to the results obtained from the questionnaire, prepared to acquire employees opinion on how the reward in use impacting their motivation. It can be concluded that the rewards offered by the case company are not influencing employees' motivation well. This study found that the rewards offered by the company are not motivating employees to work toward organizational goal accomplishment.

The central focus of reward is developing a system that leads the organization employee actively contribute to the achievement of its goals. It is deliberately using reward system as integrating mechanism to direct various units and individuals effort to the achievement of organization objectives. In spite of the reward scheme employed by the company the survey result shows that employees' attitude towards the company is mainly negative.

As most of the respondents answered their company did not show enough effort to make them think that they are an asset to the company. It is very important to identify what employees value most and design the reward scheme accordingly for a compensation to be effective. However, in this case most employees agreed that the reward practice is not tailored according to employee need.

There is a gap between what employee perceive as most significant rewards and the reward practices which managers consider to be the most motivating. The survey result also indicated that employees are more interested in the acknowledgment or rewarding of good performance than other criteria. According to the interview result the company follow more of the traditional approach. Rewards are designed based on seniority and job level. But in the contemporary approach rewards are designed based on the skill of employee to lead the organization to objective achievement. When we look at which reward schemes (financial or non-financial) impacting employees motivation most.

According to the analysis result it is possible to conclude that financial reward is impacting employee motivation most. On the basis of the findings salary is influential factor from financial reward in creating employee motivation because it satisfies the basic necessities along with attainment of power and fulfills physiological and security need.

As per the result obtained it can be conclude that the bank's reward system didn't clearly differentiate between high performers and low performers. The employees didn't know whether the recognition or appreciation they have got is visible to others and the bank didn't have developed mechanism to communicate high performers or good job behaviours of employees to

all other employees so as to increase their recognition visibility. There is no conducive work environment in the bank for high performers that can be expressed in the form of office setup, good colleagues, good leadership etc.

The employees do not know on the existence of clear procedure on how to implement it policy, they have felt that procedures are not applied equally and consistently to all employees. In relation to this the employees didn't have knowledge where to go for appeal when policies and procedures are violated or any unfair practices undergo in the reward system of the company.

The employees have the feeling of unfairness and injustice on the reward system, it may not bring what the organization wants to get though it such as increased performance, motivation, satisfaction, lowered rate of absenteeism and turnover etc. rather those feelings will accelerate the rate of dissatisfaction, absenteeism, and turnover.

Accordingly to the finding it can be conclude that there is no constructive organizational culture in the bank that encourages for the better performance, the supervisor encourages me to take action even if, the associated risk is high and the bank's decision making system is not participatory.

5.3. Recommendations

Based on the study, the following suggestions are made to the case company to make suitable alterations in their rewards system and achieve their reward objective.

Since the outcome of this research proved that financial reward is most motivating factors of this specific company employees, the case company suggested to give much emphasis to this reward scheme. Specifically, for those financial reward variables identified as most significant by the company employees. Hence, salary is considered as the most significant financial reward factor. So while determining salary the researcher advice the company to review the market price specifically the industry salary level for each job position and responsibility of the job instead of only relaying on their salary policy.

Employee should be participated on reward design. Without their involvement the possibilities of tailoring reward according to employee need is difficult. The organizations should perceive the type of needs in hierarchy preferred by the workers and then design and adopted appropriate rewards system.

Undertaking a survey on employee attitude toward rewards offered by the company in specific time period is also important to measure whether the reward practices in use are efficient and resulting the outcomes which the reward programs try to aim.

Since, majority of employees agreed on rewarding good performance it is important to provide rewards based on employee performance. If an employee believes that his/her good performance is acknowledged by company they tend to put their best efforts into practice. This leads to the expectancy that great effort will lead to performance which is noticed and rewarded.

The company should train and encourage managers to give feedbacks to their employees. Also arrangement to offer official feedback frequently must be created.

Career advancement considered most significant non-financial reward, so since the bank is large, it is suggested that if they offer vertical career advancement in appropriate manner.

The bank's reward system should clearly differentiate between high performers and low performers. The bank should have developed mechanism to communicate high performers or good job behaviours of employees to all other employees so as to increase their recognition visibility and should have conducive work environment in the bank for high performers that can be expressed in the form of office setup, good colleagues, good leadership.

The bank should be aware the employees about the existence of clear procedure on how to implement it policy they have felt that procedures are applied equally and consistently to all employees. In relation to this the employees should have knowledge where to go for appeal when policies and procedures are violated or any unfair practices undergo in the reward system of the company. The bank should have constructive organizational culture that encourages for the better performance.

To finalized, In order to maximize motivation of employee; designing sound and fitting reward scheme which is aligned with employee need and incorporate employee input is critical. Monetary rewards one by one combined with non-monetary rewards would deliver better motivational results than single reward scheme alone. Companies especially the case company should identify which financial and non-financial variables to emphasize on and adopt reward strategy appropriate to all level of employees. Any mistake on reward package has major negative consequences like, it demotivate employee in a serious way, resignation of good employee, less effort and unhealthy employee relation climate, high level of absenteeism. In time this reduce organization's effectiveness and damage financial performance.

5.4. Limitation and Suggestion for Further Research

The direct focus of this investigation was only the banking sector and strictly on Awash Bank because of the limitation of resources like finance, data and most importantly time, the study is not representative of the banking industries. It would be interesting to conduct industry wide study and extend this study to other industries.

This research was limited to identifying the impact of financial and non-financial reward on employee motivation. So the researcher advice future researchers to perform a study to identify how those rewards impacted employee in various level, motivational factor that works for executive level employee may not work for supervisory level employee or lower level employee. As well further research can be conducted to examine the combined effect of financial and nonfinancial rewards on employee's motivation with the moderating demographic differences like age and gender. Also the effect of the rewards on the employee's motivation can be further refined by taking only one particular reward scheme.

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APPENDIX I
ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MBA PROGRAM

Dear respondents;

This questionnaire is designed to collect data on the total reward system in order to carryout project work entitled “an assessment of reward system of clerical employees ‘the case of Awash bank S.C (AB)’” for partial fulfillment of masters of business administration. It is intended for academic purpose only. Besides, the output of the study will help as input for the company’s decision makers.

Thank you in advance for taking your time to fill out this questionnaire

Kassahun Ababu

Tell no_ 0921210517/0906705238

Note

- ✓ Please do not write your name
- ✓ Put” × “or “√ “ mark in the box to the point which highly reflect your idea
- ✓ All information will be treated confidentially
- ✓ Your honest and unbiased response will greatly contribute for the research to achieve its objectives.

I. Background of the Respondents

- | | | | | |
|---------------------------|-------------------|--------------------|--------------|--------------|
| 1. Sex | male () | | female () | |
| 2. Age | 20-24 () | 25-29 () | 30-34 () | |
| | 35-39 () | 44-40 () | above 45 () | |
| 3. Educational background | | | | |
| | Certificate () | Diploma (12+2) () | | |
| | BA/BSC Degree () | MA () | PHD () | |
| 4. Years of service in AB | 1-3 () | 4-6 () | 7-9 () | 10-13 () |
| | | | | Above 13 () |

5. What is your current position -----?

6. In which of the following salary ranges fall your salary?

- 1400-2400 () 2401-3400 () 3401.4400 () 4401.5400 ()
- Above 5401 ()

II. Questions Directly Related with Research

The following questions are presented on a five point Likert Scale. If the item strongly matches with your response choose 5(Strongly Agree), if you moderately agree on the idea choose 4(Agree), if you do not have idea or information on the point choose 3(I don't Know), if you moderately disagree with the point choose 2(Disagree) and if you completely disagree with the point choose 1(Strongly Disagree).

5= “*Strongly Agree*”

4= “*Agree*”

3= “*I don't know*”

2= “*Disagree*”

1= “*Strongly Disagree*”

A. General Questions on the Company's Total Reward System

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

B. Reward Composition

a. Financial Reward

No	Items	5	4	3	2	1
1	There are sufficient financial rewards in the company					
2	High performance will get additional pay for their performance					
3	Salary increment made for employees will motivate others to perform more					
4	Bonus is given only to high performance					
5	Bonus is given to all employees regardless of their performance					
6	Bonus given to employees will initiate for better performance					
7	The company's housing loan policy is attractive					
8	Provision of attractive housing loan policy will help to retain employees					
9	Provision of extensive medical coverage will help to retain employees					

b. Non-Financial Reward

No	Items	5	4	3	2	1
1	My supervisor appreciates a job well done					
2	The recognition I get due to my performance is visible to others					
3	Proper recognition of high performers will motivate low performers to work hard					
4	There is conducive work environment in the company for high performers					
5	Creation of conducive work environment will encourage an employees					
6	There is clear career development in the company					
7	The company's promotion policy is clearly communicated to all employees.					
8	Usually the company files vacant position in the form of internal promotion					
9	The company provides adequate training to develop employees' future career.					
10	Proper implementation of career development opportunities will increase employees performance so as to step up to the next position					

c. Appropriate Composition

No	Items	5	4	3	2	1
1	There is appropriate composition between financial and non-					

	financial rewards in the company's total reward system					
2	Appropriate mix in the total reward system will motivate employees					

C. Reward Immediacy

No	Items	5	4	3	2	1
1	Employees are rewarded in the company immediately when they perform best.					
2	Immediate rewarding of employees for registering best performance will help to repeat that performance in the future					

D. Procedural and Distributive Justice in the Reward System of the Company

No	Items	5	4	3	2	1
1	The company has clear procedure on how to implement the reward policy.					
2	Reward policies and procedures of the company equally and consistently apply to all employees.					
3	Employees of the company know where to appeal when the reward policy and procedures are violated.					
4	The company's total reward system is just and fair					
5	The company's reward system equally reward for works with equal values.					
6	In the company there is favoritism in rewarding employees					
7	I am rewarded fairly enough compared with my fellow employees					
8	Fair and equitable reward system enhances employees performance					

E. Customized Reward

No	Items	5	4	3	2	1
1	There is need assessment program in the company on how to reward employees					
2	Employees have the chance to choose the way they like to be rewarded					
3	I will be happier, if the company consults me what I need most					
4	I like to be rewarded only direct financial rewards like salary increment and bonus.					
5	I like to be rewarded only indirect financial rewards like; educational support, better medical coverage, better housing loan package etc					
6	I like to be rewarded only non financial rewards such as recognition, special training, career development opportunity					
7	I like to be rewarded appropriate mix of both financial and non financial rewards					

F. Supportive Organizational Culture

No	Items	5	4	3	2	1
1	There is constructive organizational culture in the company that encourage employees					

2	My supervisor encourages me to take action even if, the associated risk high					
3	I am always strictly ordered to abide by the rules and regulations of the company					
4	The company always get things done at the expense of its employees					
5	The company's decision making system participatory					

Thank you!

APPENDIX II

LIST OF BRANCHES AND DEPARTMENTS COVERED IN THE STUDY

Sr. no	Branch name	Sr. no	Branch name	Department
1	Alembank	17	Kara kore	Credit
2	Ayertena	18	Girar	Treasury
3	Alemgena	19	Lafto	Control
4	Bethel	20	Legehar	Finance
5	Dilgebeya	21	Lideta	Business dev't
6	Finfine	22	Merkato	IBD
7	Gofa sefer	23	Nifassilk	Br. Operation
8	Gofa gebriel	24	Sebategna	HR & Admin
9	Gerji	25	Teklehaimanot	MIS
10	Gulele	26	Temenja yaj	Property Admin
11	Habtegiorgis	27	Urael	
12	Head office			
13	Jemmo			
14	Kazanchis			
15	Kolfe			
16	Keranio			

NB:- 12 and 5 questionnaires were distributed to each Branch and Department respectively